UNAUDITED ANNUAL ACCOUNTS
SCOTTISH BORDERS COUNCIL
FOR THE YEAR TO 31 MARCH 2026

Scottish Borders Council

Annual Accounts 2025/26

Management Commentary

Introduction

These accounts set out the financial performance of Scottish Borders Council during 2025/26 and its position at 31st March 2026. The management commentary summarises this position and explains how it supports delivery of the 2025/26 Council Plan, drawing together key highlights from the year alongside more detailed performance information.

The Council has faced another challenging year but has continued to deliver its key priorities within a difficult financial environment, ending the year with a balanced financial position.

A net, unaudited, balanced outturn was achieved in the 2025/26 revenue budget. This was supported by the implementation of strict spend controls and the reductions in expenditure on non-statutory services throughout the year. These actions enabled the Council to maintain a balanced position and protect its General Reserve.

The Council's Management Team continues to maintain a strong focus on financial management. Spend plans for 2026/27 have been agreed for each service, and further measures – including finance induction training and the introduction of financial dashboards – are intended to strengthen financial management and budgetary control going forward.

Despite the pressures faced during the year, the Council has continued to perform well in a number of areas. Key achievements include:

- Two new High Schools in Galashiels and Peebles opened during the year, providing state of the art learning spaces for 2,000 children and young people.
- Significant progress has been made within Adult services with both the number of Discharges from hospital which are delayed and the length of delays reducing.
- The Council's Care Homes have received positive inspection reports - all care homes grades are at least Good with some Very Good grades.
- The Council's recycling rate of 53% remains well above the Scottish average of 44%.
- Our school attendance rates are the 7th highest in Scotland.
- Ultra-fast broadband rollout has continued with 98% of households now able to access the service.
- It's been confirmed that Scottish Borders Council will host the first stage of the world's most prestigious bike race, the Tour de France in 2027 with planning already underway.

The Council's transformation programme continues at pace. Progress during the year has included a particular focus on flagship projects such as the Pathfinder Digital Programme in Social Work and Protective Services, productivity developments using AI tools, continued success in reducing out of area placements, major milestones in the Live Borders Joint Transformation Programme, and ongoing modernisation through the Customer Advice Services and Business Support Service review.

A new Council Plan was approved on 19 February 2026, setting out the Council's priorities for 2026/27 and reaffirming the Council's 2033 Vision for the Scottish Borders.

About Scottish Borders Council

SCOTTISH BORDERS
AREA PROFILE

OUR KEY FACTS

POPULATION

116,980
(Mid-Year Population Estimates (2024)

- **15.2%** aged 0 to 15 years (Scotland = 16.2%)
- **57.4%** aged 16 to 64 years (Scotland = 63.3%)
- **27.4%** aged 65 and over (Scotland = 20.5%)

Source: https://www.nrscotland.gov.uk/publications/mid-2024-population-estimates

Sq KM

4,732 sq km
(1,827 sq miles)

- **25** persons per sq km (Scotland = 71)

4th most sparsely-populated mainland area in Scotland

km

Source: https://www.nrscotland.gov.uk/publications/mid-2024-population-estimates

HOUSEHOLDS

56,085
(Mid-Year Household Estimates 2024)

- **0%** of the population live in large urban areas (Scotland = 38%)
- **25%** of the population live in other urban areas (Scotland = 34%)
- **28%** of the population live in small towns (Scotland = 11%)
- **47%** of the population live in rural areas (Scotland = 17%)

Source: https://www.nrscotland.gov.uk/publications/households-and-dwellings-in-scotland-2024e

NRS Scottish Borders Profile: https://www.nrscotland.gov.uk/statistics-and-data/council-area-profiles/scottish-borders/

ELECTED MEMBERS

COUNCILLORS

34 councillors

MULTI-MEMBER WARDS

11 multi-member wards

SERVICE DIRECTORATES

7 service directorates managed Council services during 2025/26

ADMINISTRATION

During 2025/26 the Council had a **coalition administration** which consisted of **Conservative and Independent Councillors**

EMPLOYEES

EMPLOYEE NUMBERS

5,125 total
FTE 4,186.33

1,395 male

3,730 female

AGE

- **12.29%** aged 16 to 29 years
- **32.90%** aged 30 to 44 years
- **41.27%** aged 45 to 59 years
- **13.54%** aged 60 and above

DISABILITY

2.67% of our **employees** have a **disability**

ETHNIC MINORITY

1.60% of our **employees** are from **ethnic minority**

EMPLOYMENT

2,547 full time

2,578 part time

#yourpart

Scottish Borders COUNCIL

Strategic Direction

Council Plan

The Council Plan sets out the strategic direction for Scottish Borders Council. It is framed around 'Our Vision for 2033' and 'Our Values', which define both the long-term ambition for the Borders and how the Council will operate in delivering it.

Planned actions for the year are structured around six outcomes for the Scottish Borders. These outcomes provide the basis for prioritising activity and assessing delivery. The Plan also includes 'Locality Actions', which set out specific priorities and actions for each of the Council's five localities – Berwickshire, Cheviot, Eildon, Teviot & Liddesdale, and Tweeddale.

The Council Plan is updated annually and approved alongside the budget each February. This ensures that it remains responsive to changing circumstances and aligned with the Council's Financial Plan. Delivery of the Plan is monitored through the Council's performance management reporting during the year.

Five of the six outcomes focus on improving the wellbeing of residents and making the Borders a more sustainable and better place to live, work and visit. The sixth outcome underpins these ambitions by focusing on the effectiveness and efficiency of the Council itself, recognising that strong organisational performance is essential to delivering the wider outcomes.

Financial Strategy

The Financial Strategy objectives have been met during 2025/26 in supporting the delivery of the Council's Priorities and Council Plan. To support the delivery of the Council's priorities, 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,

c) ensured the **changes required** to services are delivered in a strategically planned manner,

d) **provided stability** in resource planning and service delivery; and

e) ensured **Stakeholder views** are taken into account during the Financial Planning process.

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

- provide the most effective possible **stimulus to the local economy**
- ensure that **inflationary pressures** are addressed as far as possible within the Financial Plan
- **protect the environment** of the Scottish Borders in response to the Climate Emergency
- **protect** those who are **most vulnerable** in society
- support housing in response to the **Housing Emergency** declared by Council in 2024
- seek to **focus spend on prevention** designed to reduce future demand for Council services by stopping problems arising or by proactively addressing problems when they arise.

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.

2025/26 represented the third year of the current Administration. The challenging financial landscape across Scottish Local Authorities has again been widely acknowledged as highlighted in the most recent Audit Scotland Report: Local Government Scotland Financial bulletin 2024/25 and the long-term impact across the Scottish Borders should not be underestimated. The 2025/26 Financial Plan covering the period of 2025/26 to 2029/30 presented to Council in February 2025, although balanced, relied on one off funding to support the first year of this plan. Since then, a new plan covering the five years from 2026/27 has been approved and can be accessed here financial-plan-2026-27.

A longer term Revenue Financial Strategy is approved each year covering a 10 year timeframe. Adopting a consistent 10 year revenue planning horizon assists the Council to plan service and strategic change appropriately. In addition, it ensures the financial implications of the Council Plan are properly considered, affordable and reflected in future budgets and the Council's Transformation Plans as well as aligning them to the Council's Capital Plan.

The Capital Investment Strategy (CIS), which highlights the capital investment priorities and explains how these priorities will assist with the delivery of the Council Plan, was approved with the budget papers in February 2026.

The Capital Financial Plan is set 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 longer term borrowing and revenue implications which have the potential to place an undue burden on future taxpayers and therefore must be managed carefully. The Council's Treasury Management Strategy provides the linkage between the Financial Strategy, Capital Investment Plan and the Borrowing Strategy. The Financial Strategy, the Financial Plans and the Treasury Management Strategy are approved by Council annually in February.

The links between the various financial documents approved in February are shown in the diagram below.

Equalities Mainstreaming

Scottish Borders Council takes a positive and proactive approach to equalities and human rights, progressing the actions set out in its Mainstreaming Report and Equality Outcomes.

The current Mainstreaming Report covers the period 2021–2025, and work is underway to develop the next report. It sets out the progress made in advancing equalities and includes an action plan to further embed equalities and human rights across the work of the Council.

The key elements of this action plan include:

- Improving equality performance indicators to strengthen the use of performance data.
- Enhancing training for Council employees and Elected Members on equalities.
- Ensuring that service business plans and commissioned services fully embed equalities in their development and implementation.
- Strengthening engagement with equality groups in the development of plans and policies.

The Council also promotes the Fairer Scotland Duty, which requires it to consider how it can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. In addition, there are duties to assess impacts on consumers, and on people serving in the Armed Forces, veterans and their families, particularly in relation to education and housing/homelessness matters.

To support these duties, the Council uses an Integrated Impact Assessment. This assesses the impact of proposals, plans and policies on groups with protected characteristics under the Equality Act and, where relevant, on those experiencing socio-economic disadvantage, consumers and Armed Forces communities. This approach ensures that equalities considerations are embedded within decision-making and service delivery across the Council. A digital template was introduced in November 2025 to improve access and ease of completion, replacing the previous document-based system.

Further information is available on the Council's website : Equality and diversity/Fairer Scotland Duty | Scottish Borders Council (scotborders.gov.uk)

How are we are doing?

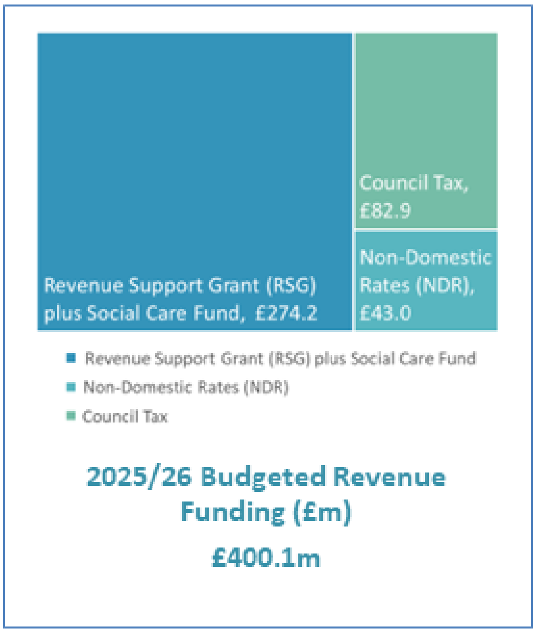
Financial Performance

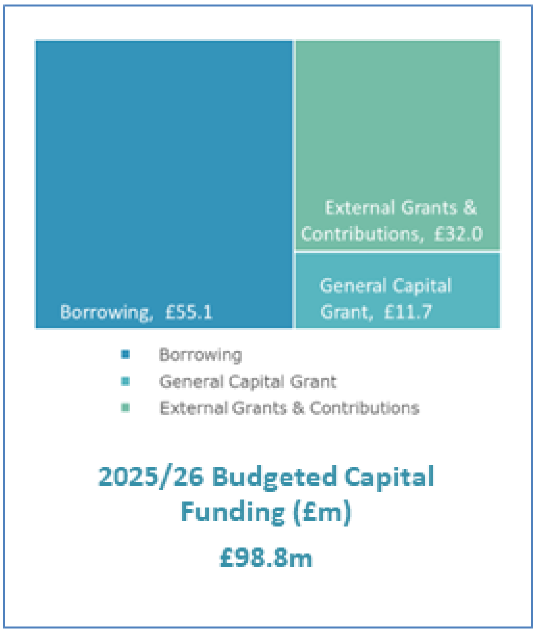
2025/26 Financial Resources Available

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 comes from different sources. More information on this can be found on our website.

The Comprehensive Income and Expenditure Statement has further analysis.

The diagrams below show the budgeted position for 2025/26 which was approved in February 2025.





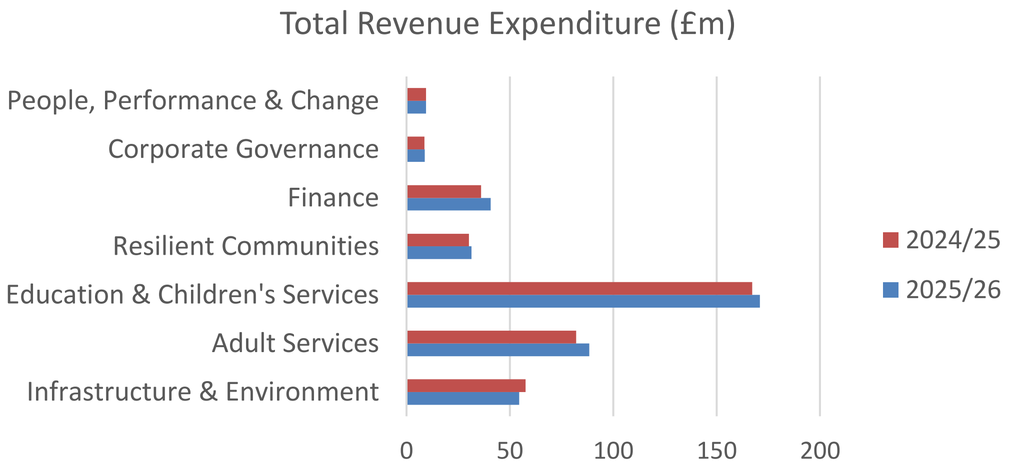
Financial Position at 31 March 2026

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

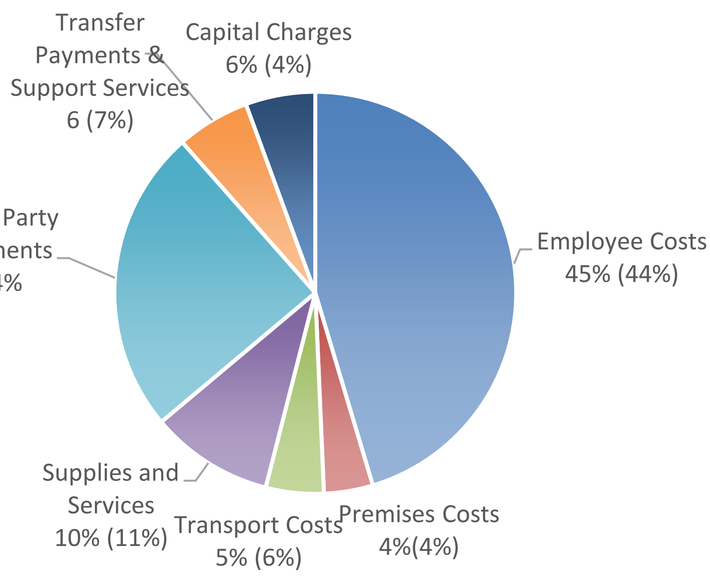
Revenue

The actual outturn [Revenue Outturn 25-26] for the financial year was a revenue expenditure of £404.5m representing a balanced year position against the final approved budget.

The following chart analyses the revenue spend across the 7 Council directorates and includes a comparison to 2024/25 spend:



Revenue net expenditure of £404.5m for the year includes income of £133.4m giving gross expenditure of £537.9m. Gross expenditure is analysed in the chart below with last year's percentage provided in brackets for comparison.



A breakdown of income streams is provided in the table below.

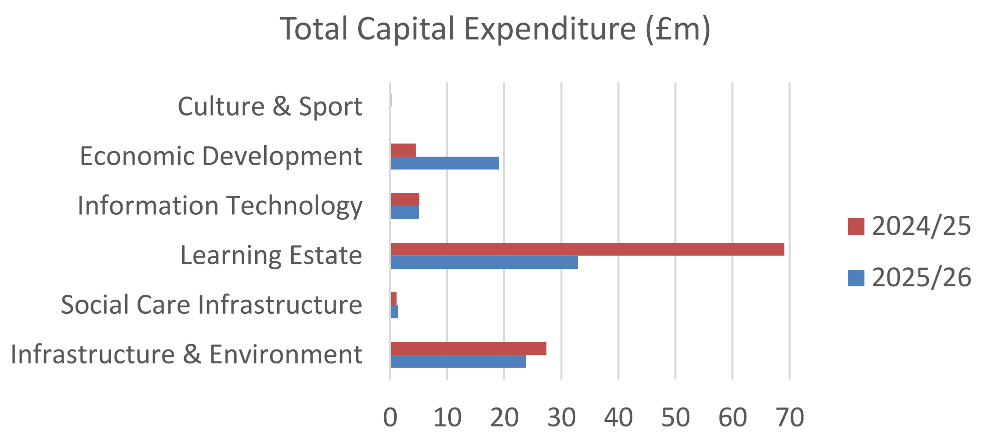
Income Stream

	2025/26 £m	2024/25 £m
*Internal Recharges**	45.3	53.6
Government Grants	30.6	31.9
Other Grants, Reimbursements	22.5	21.1
Fees & Charges	25.5	22.8
Sales of Products	4.7	4.8
Interest	1.9	1.0
Rents/Rates	3.2	3.0
Total	133.7	138.2

*Internal recharges are used for reporting purposes only and do not generate any income for the organisation.

Capital

The actual outturn for the financial year 2025/26 was capital expenditure of £82.3m. The capital spend by Directorate, with prior year spend shown for comparison, can be seen in the table below.



The capital programme delivered significant investment in the Scottish Borders during 2025/26 and the following table highlights some of the major projects undertaken:

Infrastructure & Environment

•Flood & Coastal Protection	£5.5m
•Road & Transport Infrastructure	£9.7m
•Land & Property Infrastructure	£3.7m
•Plant & Vehicle	£5.8m

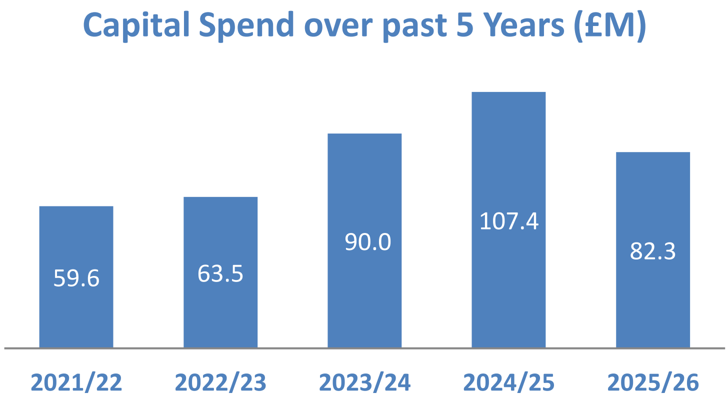
Learning Estate & Social Care

•Hawick High School	£4.5m
•Galashiels Academy	£13.6m
•Peebles High School	£13.3m
Care Villages	£1.3m

IT/Economic Development

•Digital Transformation	£4.0m
•Economic Regeneration	£18.2m
•Housing Strategy & Services	£0.8m

The Council delivered capital spend of £82.3m across its assets in 2025/26, demonstrating significant ongoing investment in key projects across the Scottish Borders. The level of capital spend peaked in 2024/25 as construction spend on the new schools programme hit its highest point and Hawick Flood Protection Scheme was largely completed. The 2025/26 outturn reflects completion of and significant progress being made against key projects including new school openings for Galashiels and Peebles secondary pupils, significant progress at Hawick High School and the advancement of the Tweedbank Care Village.

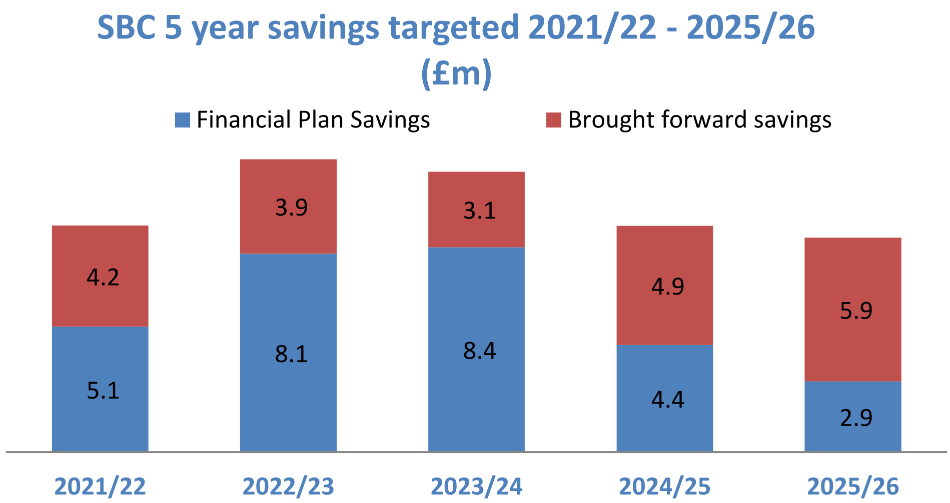


Delivery of Targeted Savings

Overall, Financial Plan savings of £8.8m were delivered during 2025/26 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 £8.8m shown below are made up of £2.9m savings included in the 2025/26 Financial Plan plus £5.9m brought forward from previous years. Of the savings delivered during 2025/26, £4.1m (46%) were delivered permanently (up from 41% last year) leaving a balance of £4.7m (54%) to be carried forward for permanent delivery in 2026/27. The 2026/27 plan includes savings of £8.2m giving a total target of £12.9m in 2026/27.

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.



Since 2013/14 the Council's approach to longer term financial planning has delivered permanent savings of over £93m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required between 2026/27 and 2030/31 including the £4.7m of savings being brought forward from 2024/25.

The Council intends to deliver this large scale change as part of its transformation plan. A new transformation plan was approved by Council on 22 May 2025 which reported an estimated funding gap of £69m by 2034/35 as highlighted in the Council's long term revenue strategy 2025. This scale of challenge was confirmed in the [2026/27 Long Term Revenue strategy](), substantiating the ongoing financial challenges faced by Local Government. Several pieces of work have been undertaken during 2025/26 to ensure the organisation is ready to deliver this challenging change programme. These include the creation of the Elected Member Transformation Group, consistent application of key SBC approaches central to effective Transformation such as following the Community Engagement Strategy and Integrated Impact Assessment process, permanent allocation of savings brought forward from previous years, the careful use of value analysis methodology ahead of undertaking major change, approval of the Change fund process and prioritisation and allocation of Transformation team resource. SBC has also developed a Digital Systems Strategy aimed at maximising the use of digital tools we already have, aligned with intensive process improvement work and consistent with the Data & Information Strategy established in the past year.

Performance

Scottish Borders Council key highlights 2025/26

- Scottish Borders Recycling rate of 53% remains well above both the national (44%) and family group (39%) average.
- Proportion of adults satisfied with refuse collection is 87% which is above the Scotland and Family Group average (78% and 82% respectively).
- Our Street Cleanliness Score remains high at 96% with 66% of adults satisfied with our street cleaning service.
- Active travel investment in the Scottish Borders increased from £630,000 in 2024/25 to £1.8 million in 2025/26 enabling a substantial expansion of projects across the region.
- Almost half of the floor area reduction required to meet the 10% Estate Reduction target has been identified/ actioned.
- CO2 emissions have reduced by ~30% from baseline with fleet comprising ~25% of emissions and a year-on-year reductions (~1–1.5%) across estate/buildings and fleet combined.
- Wilton Park in Hawick was named one of the top ten Green Flag Parks in the UK.
- The Parks and Environment team has launched a new set of free seasonal nature activities to help children and families explore and enjoy local greenspaces throughout the year.

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

- 2 new High Schools in Galashiels and Peebles opened during the year.
- School attendance once again remains high at 92% over the year and now ranks 7th in Scotland.
- Attendance of Looked After Children has overtaken the national and family group averages for the first time since 2017/18.
- SBC has the 7th best exclusion rate for all pupils at 8.8 per 1,000. The exclusion rate for LACs is also better than average.
- SBC primary attainment in numeracy and literacy has slipped slightly compared with benchmarking comparators. Numeracy remains in line with the national average and slightly above the family group.
- The measures % of Pupils Gaining 5+ Awards at Level 5 and at Level 6 are both the highest in 3 years; they are above the Family Group averages and similar to the Scottish averages.
- % of Adults Satisfied with Local Schools has reduced from 64% to 62% this year showing a need for increased engagement and
- Proportion of Pupils Entering Positive Destinations has remained at above the national and family group at 97%.

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

- The proportion of people earning less than the real living wage has remained at 15%, higher than national and family group rates (11% and 13% respectively).
- Delivering and supporting events held in the Borders, such as the Tour of Britain Women 2025 and the Tour de France in 2027.
- Ultra-fast broadband roll out has continued and the proportion of properties receiving superfast broadband has increased to 98%.
- Roads performance is becoming more effective and targeted, with improved defect response and repair efficiency alongside high volumes of repairs.
- We have more business gateway start ups by 100,000 people (20) than our family group (17) and Scotland on average (12).
- The Average time per business and industry planning application (8.2 weeks) remains well below our family group 12.8 weeks and the Scottish average 10.7 weeks.
- Construction work is underway for new Business Units in Eyemouth due to complete during 26/27.
- The construction of Tweedbank Business Improvement Park 2 which will provide new

business accommodation continues and is due to complete in July 2026.

- Planning Permission was granted for the new Centre Parcs development during the year.
- 75 real-time information screens installed at bus stops across the Borders.
- New bus stop at Borders General Hospital, improving access to healthcare facilities.

Empowered, vibrant communities

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

- Child poverty in the Scottish Borders currently stands at 15.0%, representing the lowest level recorded in over a decade
- 5 Community Asset Transfers are currently in progress.
- We have actively delivered over 20 engagement sessions over the last year to both schools and community groups.
- 16 Place plans are now registered across the Borders. The 4 Borderlands towns of Jedburgh, Galashiels, Eyemouth and Hawick are progressing their projects to RIBA stage 2 to access funding.
- The Council held a comprehensive community engagement exercise regarding the future of Live Borders during the year.
- A significantly expanded consultation on the Council Plan was also undertaken which saw Community Conversations take place across the Borders, enhanced young people's engagement through the Youth Engagement Listen to Learn (YELL) framework and targeted engagement with groups less frequently represented in formal consultation.
- 22 Empty Homes were brought back in to use in 2025/26 through direct officer support with an additional Empty Homes Officer employed during the year.
- 94 affordable homes were delivered during 2025/26 with completions in Hawick, Jedburgh and Westruther.

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

- The proportion of children meeting developmental milestones is 87% and remains higher than both the Family Group (86%) and Scottish (83%) average.
- Works have been undertaken in the following Playparks during the year: Denholm, Hobkirk/Bonchester Bridge, Broughton, Newcastleton, Cockburnspath, Duns Primary School and Chirnside Primary School MUGA.

- Demand for the Crisis Grants and Community Care Grants remains high, and service continues to be delivered at a satisfactory level.
- Reduction of delayed discharges by 37% from 81 to 51.
- Delivery of a Senior Management Review within Adult Social Work, strengthening leadership capacity, reducing costs, and aligning services to the Council Plan and Strategic Framework.
- Enhanced Care and Public Governance oversight.
- Completed planning consent and procurement for Tweedbank Care Village and Council approval for the Hawick care village with a refurbishment of Deanfield as well as progression of a care development in Stirches.
- 60 major disabled adaptations, and 358 minor adaptations, were carried out in homes during 2025/26.

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 percentage of invoices that we pay within 30 days has again been 96% during 2025/26, above the national and family group average.
- Following a successful trial, the Council has continued to adopt the use of Copilot across a number of services.
- 110 small and medium businesses attended our Meet the Buyer event in October 2025.
- The engagement score achieved in the 2025 staff survey has increased to 65% from 63%.
- £6M investment in energy efficiency measures was leveraged to be invested in renewable technology within private housing stock.
- The Council is a finalist for Local Authority of the Year at the 2026 national MJ Achievement Awards and has been nominated in the 'Innovation' Category and as 'Most improved Council' at the LGC awards.
- The Council's Pension Fund continues as a signatory of the FRC UK Stewardship Code demonstrating strong levels of Compliance with The Pensions Regulator General Code March 2024.
- The Council introduced a Data & Information Strategy 2025-2030 to strengthen the Council's Data.

The 2024/25 Annual Accounts noted some specific challenges and opportunities being faced in 2025/26. Progress on these is noted, in italics, below.

- Challenges around the lack of confirmed funding from Scottish Government in relation to the increased Employers NI contributions required for both directly employed staff and our commissioned service providers. – *SBC received around 60% of the funding required to support the increase to direct staff costs requiring the Council to fund 40% temporarily in 2025/26 and permanently through the 2026/27 financial planning process. No funding was received to support increases to service which we commission.*
- The opening of 2 new high schools in Galashiels and Peebles will improve the educational experience for secondary school pupils in those areas. *Schools opened in December and January respectively creating state of the art learning spaces for over 2,000 pupils.*
- The ongoing planning of a new High School in Hawick and a new Primary School in Eyemouth present exciting opportunities to provide modern learning environments for our young people. *Site works have commenced on the new Hawick High school which is expected to open in 2028. Consultation and options appraisal for the Eyemouth Primary School and early Years centre are ongoing.*
- Starting construction of the Care Village in Tweedbank which is planned to deliver 10 flats, each with their own front door, living and dining spaces. Each flat has 6 bedrooms and this with amenity facilities will support independent and small-group living for our older people and promote social inclusion. *Enabling works for the project are now complete with the main works contract scheduled to be signed in May 2026, with planned opening in 2027.*
- The ongoing development of the new Transformation Programme for the Council and the delivery of the flagship projects, utilising the Change Fund to deliver significant change for the Borders. *This year has seen the use of Artificial Intelligence (AI) and automation tools becoming more prevalent to assist Council officers in fulfilling their roles, which is likely to become an increasingly important feature of delivering services in the future.*
- Live Borders continues to require additional financial support but following the report in April 2025 a Transformation Programme will be progressed jointly by Live Borders and Council officers to determine the future delivery of our sport, leisure and culture services within an agreed management fee. The report identified significant savings opportunities which are being consulted on with local communities. Following this consultation process a delivery plan will be approved by Live Borders Board and SBC. Given the Council is the single member of the Trust any timing issue in delivery of related savings past 1st April 2026 will require further financial support from the Council on a temporary basis. *In November 2025 Council approved a suite of proposals designed to bring Live Borders to financial balance by 2028/29 with £4.7m of Capital Investment to deliver improvements and increase income opportunities to Teviotdale Leisure Centre in Hawick and Tweedbank Sports complex approved in May 2026.*
- Continued collaboration with South of Scotland Enterprise (SOSE) on the delivery of the Regional Economic Partnership with a focus on improving housing, skills and transport connectivity, and delivery of the Borderlands Inclusive Growth Deal. *Two Scottish Borders projects – a Net Zero Innovation Hub and a Human Health Lab led by Borders College have been shortlisted for a potential £7million investment in enhanced skills provision in the South of Scotland through the Borderlands Growth Deal. Construction of the Borderlands funded Mountain Bike Innovation Centre at Innerleithen is progressing, and expected to be completed in 2027. Work is underway to develop the first stage Strategic Outline Business Case to support*

the extension of the Borders Railway from Tweedbank to Carlisle, which is expected to take 18 months to complete.

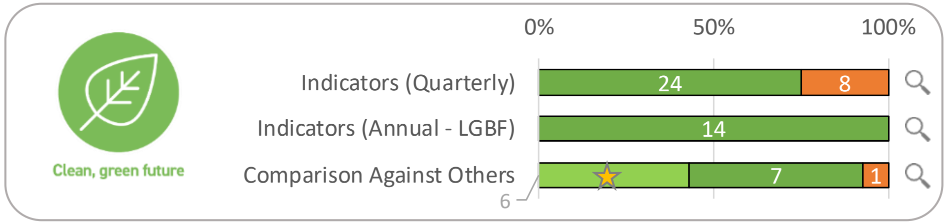
- Delivering the £20m Community Regeneration programme to generate economic growth in our local communities through 21 projects. *The Bus network project was completed during 2025/26 along side 3 subprojects with Youth Facilities. The remaining projects including Eyemouth Harbour Masterplan, Eyemouth New Industrial Units, Hawick Burnfoot Housing, Jedburgh Bakery Building, Galashiels Croft Street Refurbishment and Crook Inn Bunkhouse are on track to be finalised in 2026/27.*
- Enacting plans to support the reduction in the number of children who require placements out with the Borders and improve the support available to families. *The Council has approved a range of activity designed to ensure that every Child and Young Person can live, learn and be cared for in their local community. This includes specialist teams to support kinship care, increasing the number of foster carers in the area and the development a new children's home in the Borders and additional supported living accommodation.*
- The ongoing relocation of adults with complex needs and learning disabilities to ensure they are respected, protected and empowered to live their lives the same as everyone else, as set out in the Scottish Government's Coming Home implementation report issued February 2022. *The availability of suitable housing continues to be a challenge but the Council is looking at the possibility of building 2 bungalows to house young adults with complex needs and work with Housing Associations is ongoing.*
- The increased cost of completing the Hawick Flood protection scheme will put pressure on our capital programme during 2025/26 with reductions to block funding required. *The required reduction across the block programme was approved over a 3 year period at Quarter 1 2025/26.*
- Additional funding is anticipated as a result of the national extended producer responsibility (EPR) scheme for waste management but it has not yet been confirmed if restrictions will apply. *£3.3m has been received to help cover the costs of collecting and disposing of household packaging waste. Funding has been utilised for waste treatment disposal costs and increased staffing, with £2.1m carried forward in reserves for use in future years until funding streams and any restrictions are confirmed.*
- The announcement of Scotland's first Center Parcs holiday village with a proposed location near Hawick presents unique tourism and employment opportunities to the Borders. *Construction is now underway on the 500 acre site with anticipated opening in summer 2029.*
- The Strategic Housing Forum will continue to work together to identify ways to improve the quantity and quality of housing available in the Borders. *The South of Scotland Housing Prospectus was launched in June 2025 and outlines unique development opportunities in the region. It aims to encourage and support housebuilders and developers to gain a foothold in the region.*

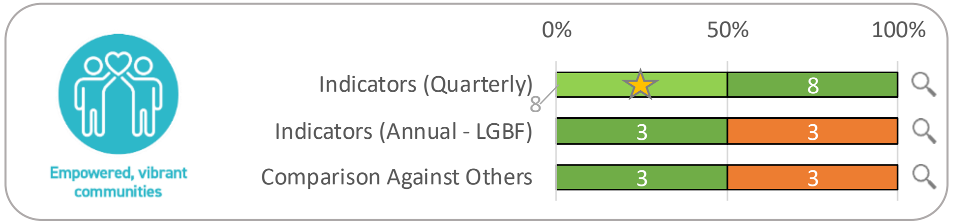
Performance against our corporate priorities

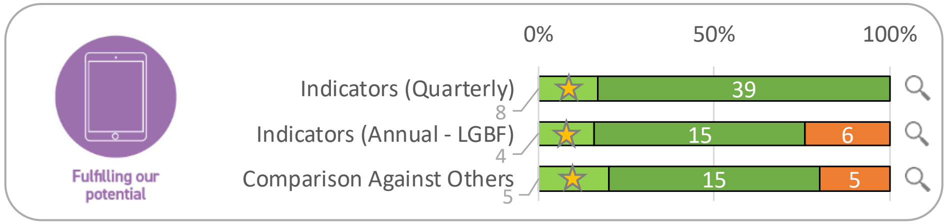
The Council reports and presents its performance information relating to each corporate priority on a quarterly basis to the Council Management Team and the Executive Committee of the Council. Below is a summary of the key performance information for 2025/26 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed. The full Annual Performance Report can be accessed at Our performance as a Council: 2018-19 onwards | Scottish Borders Council (scotborders.gov.uk)

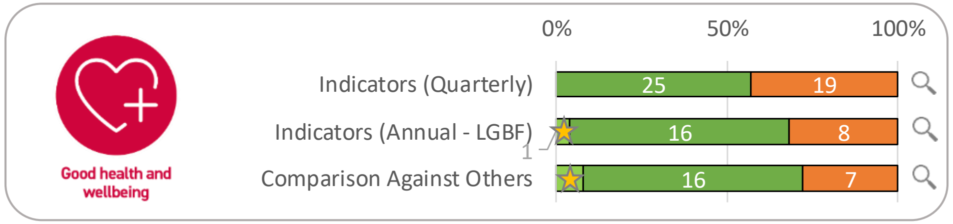
Summary

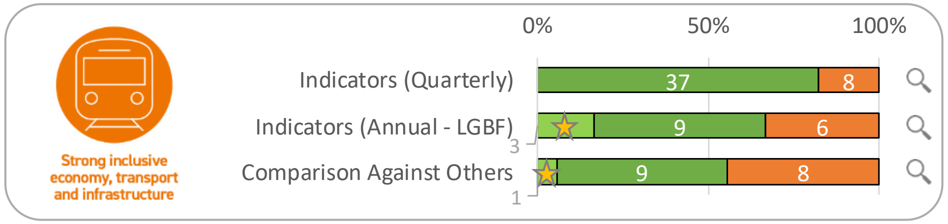
A summary of performance against each outcome is shown by milestones achieved, Indicators (both quarterly and annual) and com parison against other Local Authorities in Scotland. Bright green with a star shows areas where performance has been excellent. Green reflects areas that are positive/satisfactory. Orange indicates areas that have been challenging or, in the case of comparisons against others, areas where it's worthwhile considering why we differ from others.

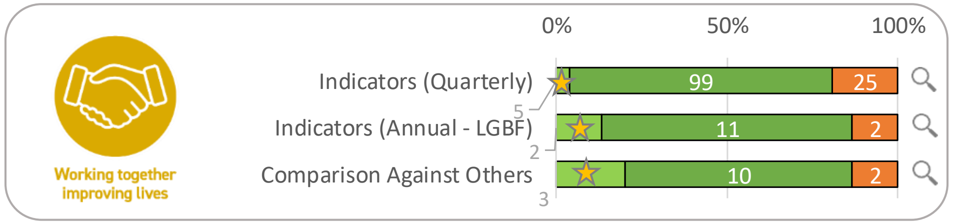












CLEAN GREEN FUTURE

PRIORITY: Accelerate action to adapt to and mitigate the effects of climate change and extreme weather.

Summary of Performance

Milestones

Over half of the milestones that were set out for 25/26 have been fully met and the remainder have been partially met. Positive progress has been made on:

- Climate change
- Community Food Growing
- Increase naturalised grass management
- Scottish Borders Local Heat and Energy Efficiency Strategy and Delivery Plan (LHEES)
- Schools Award programme expansion

Indicators

All utilities are performing at a Positive Level.

The quantity of residual waste being sent directly to landfill without pretreatment necessitated a transition to a new provider arrangement. There is also new legislation which limits the ability to recycle upholstered domestic seating. Both have affected the performance of the Recycling and Waste indicators, but they are at a Satisfactory Level.

The percentage of adults satisfied with street cleaning and refuse collection increased since the previous year and our street cleanliness score has increased.

Comparison with Others

Scottish Borders continues to perform better than the Scottish and the family group average for costs per premise of waste collection, which has remained well below the national average since 2015/16.

We continue to outperform the family group average in terms of costs of waste disposal.

Our parks & open spaces cost more to run per head than the Family Group and Scottish averages, possibly because our data includes a wider scope of services.

Our CO_2 emissions data are similar to either the Scottish average or the Family Group average, although most of these measures are outwith our control.

FULFILLING OUR POTENTIAL

PRIORITY: Empower schools and their communities to deliver a high-quality education focused on excellence, equity, wellbeing and improved outcomes for children, young people, and families.

Summary of Performance

Milestones

The majority of the milestones were met or partially met in the specified quarter. This includes:

- Care experienced school leavers achieving an increased number of SCQF awards
- An independent advocacy service for children and young people has been commissioned
- An Esports Strategy has been developed
- The best approaches to support neurodivergent learners have been developed and shared

Indicators

The average school attendance across primary schools is positive.

The Pupil Exclusion Rates have continued remained consistent.

The proportion of P1, P4 and P7 pupils attaining expected levels of numeracy and literacy have stayed the same or increased but are still focus for improvement

Our Early Years provision is less expensive than the previous year per place and continues to receive positive gradings from the Care Inspectorate.

Average Tariff Scores for senior pupils have improved since the previous year, for pupils from all backgrounds

Comparison with Others

The primary "attainment gap" between most-deprived and least-deprived neighbourhoods for both numeracy and literacy is worse than average

S4 – S6 school attainment is generally very positive across all measures, although attainment in more deprived areas is lower than the Scottish average.

School attendance and exclusions are significantly better than average, including Looked-after Children

The Participation rate and the Proportion of 16–19-year-old school leavers entering positive destinations is better than or similar to the Scottish and Family Group averages.

STRONG INCLUSIVE ECONOMY, TRANSPORT AND INFRASTRUCTURE

PRIORITY: Deliver the key economic development programmes for our region - the **South of Scotland Regional Economic Strategy**, **Borderlands Inclusive Growth Deal** and the **Edinburgh and South East Scotland City Region Deal** and **Regional Prosperity Framework** – making our economy stronger, greener and more sustainable.

Summary of Performance

Milestones

All milestones set out for 25/26 have been met or partially met. These have included:

- Developing the first stage of the business case for the proposed extension of the Borders Railway to Hawick and Carlisle
- The Active Travel Strategy and Delivery Plan has been published
- Progress has been made on the 5-year project to create a 113 mile path from Moffat to Berwick
- Premises with gigabit-capable broadband have increased

Indicators

The average number of days to process new housing benefit claims have remained low throughout 25/26.

The number of Capital Projects with a Red RAG status have decreased over the year but still remains a focus for improvement.

The Proportion of properties receiving superfast broadband is making excellent progress, assisted by the R100 programme

The costs per planning and building standards application has increased. This is due to a lower number and size of applications.

Comparison with Others

We have a larger proportion of A-class, B-class and Unclassified roads that should be considered for maintenance treatment than the Scottish and Family Group average. This is due to the length of our overall road network which extends to approximately 2,900kms.

Our investment in Economic Development and Tourism is increasing in line with the Family Group and Scottish averages and we perform well compared with the average with regard to Town Vacancy Rates and Business Gateway Startups.

We have similar proportions of people earning less than the Real Living Wage as our Family Group and similar Unemployment and Youth Unemployment Rates.

EMPOWERED VIBRANT COMMUNITIES

PRIORITY: Support communities and empower people to achieve strong, active, resilient and sustainable communities and to realise opportunities for improving people's lives.

Summary of Performance

Milestones

All milestones were either met or partially met with the majority being complete. Positive progress has been made on:

- Supporting Communities with developing place plans and locality plans
- Funding has been provided to the Youth Local Action Group
- The implementation of the Housing Emergency Action Plan
- Supporting local communities to take ownership of community centres

Indicators

The number of both Active and Progressing Resilience Plans have remained consistent over 25/26 which is Excellent.

The number of people registered for SB Alert has remained consistent over the year, which is positive.

The cost per attendance at libraries and museums has increased due to static visitor numbers and higher staff costs.

Public satisfaction levels for leisure facilities, libraries and museums remains around 50%. The new management board at Live Borders is examining ways of more accurately assessing customer satisfaction.

Comparison with Others

Costs per visit to sports centres are lower in Scottish Borders than the Scottish and Family Group averages.

Costs per visit to libraries are lower than the Family Group average.

Costs per visit to museums are higher than average. Joint work continues between SBC and Live borders to ensure services are delivered as efficiently as possible.

The percentage of adults satisfied with leisure facilities, libraries, museums & galleries is lower in the Scottish Borders than average for the Family Group or Scotland.

GOOD HEALTH AND WELLBEING

PRIORITY: Ensure 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.

Summary of Performance

Milestones

All milestones were either met or partially met and positive progress can be seen in the following areas:

- Technology Enabled Care usage has increased in order to improve care at home
- Dementia training has been provided to ensure that staff have the right skills and knowledge to provide high quality support to those living with dementia
- A Sport and Physical Activity Strategy has been developed

Milestone not achieved and work will continue in:

- Developing a single view of Health & Social Care data through the Health Share Project

Indicators

There has been a consistent number of Referrals to Domestic Abuse Services.

SBC continue to have a higher number of Looked After Children in residential placements than we would like but work is underway to reduce this.

The rate of delayed discharges in over 75s has consistently reduced over 25/26 but remains a key priority to improve further.

A higher percentage of adults supported at home agree that their services and support had an impact in improving or maintaining their quality of life. This reflects strong, person-centred monitoring and feedback to promote independence and wellbeing in daily living

Comparison with Others

The number of applications for Crisis Grant and Community Care Grant have remained high and SBC has compared well with the Scottish average in terms of timely decision-making on these applications.

Satisfaction with Adult Social Care Services that support people at home has remained consistently positive compared with Scottish and family Group averages

Costs of Trading Standards, Environmental Health, Money Advice and Citizens Advice services have remained consistently lower than the Family Group.

Scottish Borders has a similar proportion of children living in poverty as the Scottish average and family group

WORKING TOGETHER, IMPROVING LIVES

PRIORITY: Ensure that Scottish Borders Council is effective, sustainable, responsive and aligned to the needs and priorities of our communities.

Summary of Performance

Milestones

The majority of milestones set out in 25/26 have been met. Positive progress includes:

- Delivery of the Accounts Commission's November 2024 'Best Value – Scottish Borders Council's recommendations
- A comprehensive review of Care at Home provision across the Scottish Borders took place
- Work continues to achieve better outcomes for refugees resettling in the Scottish Borders

Milestone not achieved and work will continue in:

- The development of a Digital Commercialisation Strategy for SBC

Indicators

The percentage of invoices that we pay within 30 days had been consistently Excellent over 25/26.

The number of Modern Apprentices that have been employed by SBC has been at a positive level throughout 25/26.

The overall staff absence level has been at a positive level over the year.

The number of FOIs completed on time has reduced over 25/26. SBC continue to look at streamlining the FOI process to ensure more FOIs can be answered on time.

The gender pay gap has continued to decrease since the previous year.

The percentage of operational buildings that are suitable for their current use has decreased again since the previous year.

Comparison with Others

The percentage of invoices sampled that were paid within 30 days was higher in the Scottish Borders than the average of our Family Group or Scotland.

The percentage of internal floor area of operational buildings that is in a satisfactory condition is lower in our region than in our Family Group or Scotland.

The Scottish Borders sickness absence days per teacher and Sickness absence days for non-teaching staff is similar to our Family Group and Scotland.

The Council remains financially stable, broadly inline with the Scottish average. The Family Group includes Island Councils which hold large reserves linked to Oil production and therefore are not considered to be comparable with SBC.

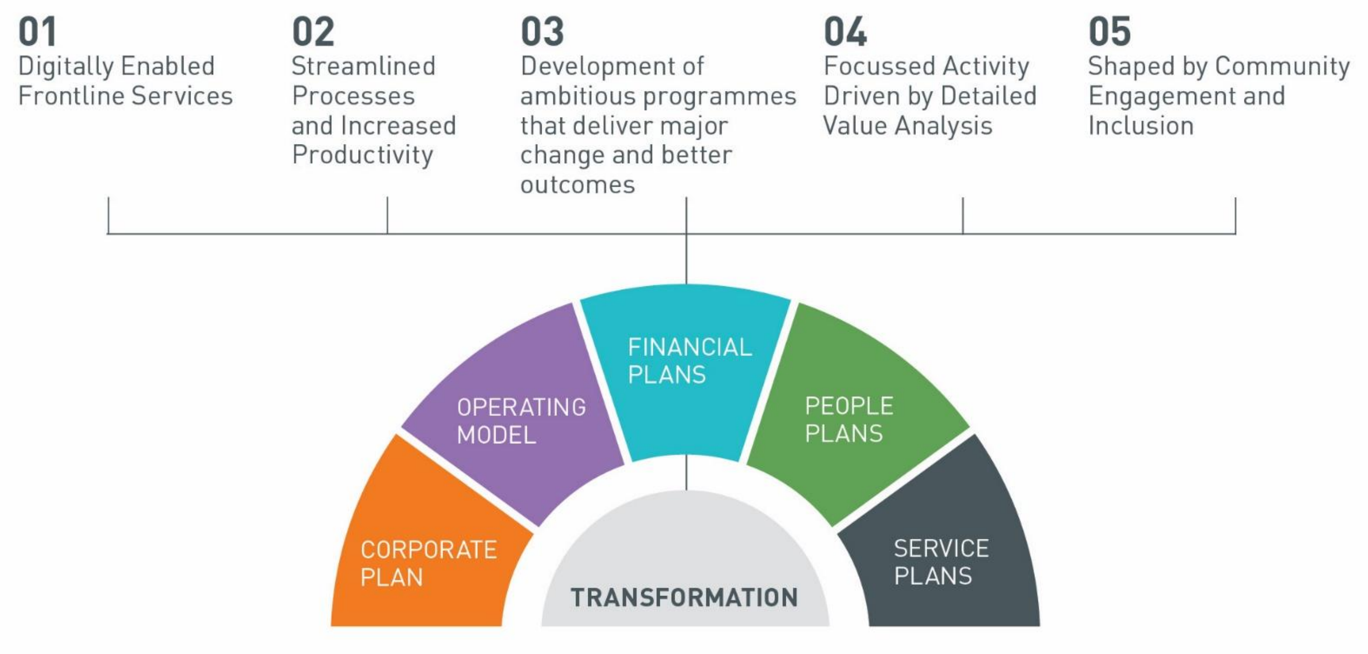
Our Plans for the Future

The Council has successfully delivered over £90m of savings over the past 10 years through its

Vision for Transformation

SBC's Transformation Programme supports the delivery of the Council Plan and Financial Plan by delivering positive organisational change that fosters innovation, enhances services, and achieves efficiencies and savings to ensure financial sustainability for the long term. SBC aspires to be recognised for innovation and digital excellence by delivering a Transformation Programme which facilitates high-quality, accessible, and efficient services, delivered with transparency and accountability

Corporate Transformation Programmes. This is a key pillar of the Council's longer-term planning 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. Transformation is designed to reduce costs in a holistic, permanent and sustainable way. A new Transformation Programme was approved in May 2025 which focuses on 5 Key areas shown below and which will continue to be evolved in line with the fast-moving demands of SBC overall.

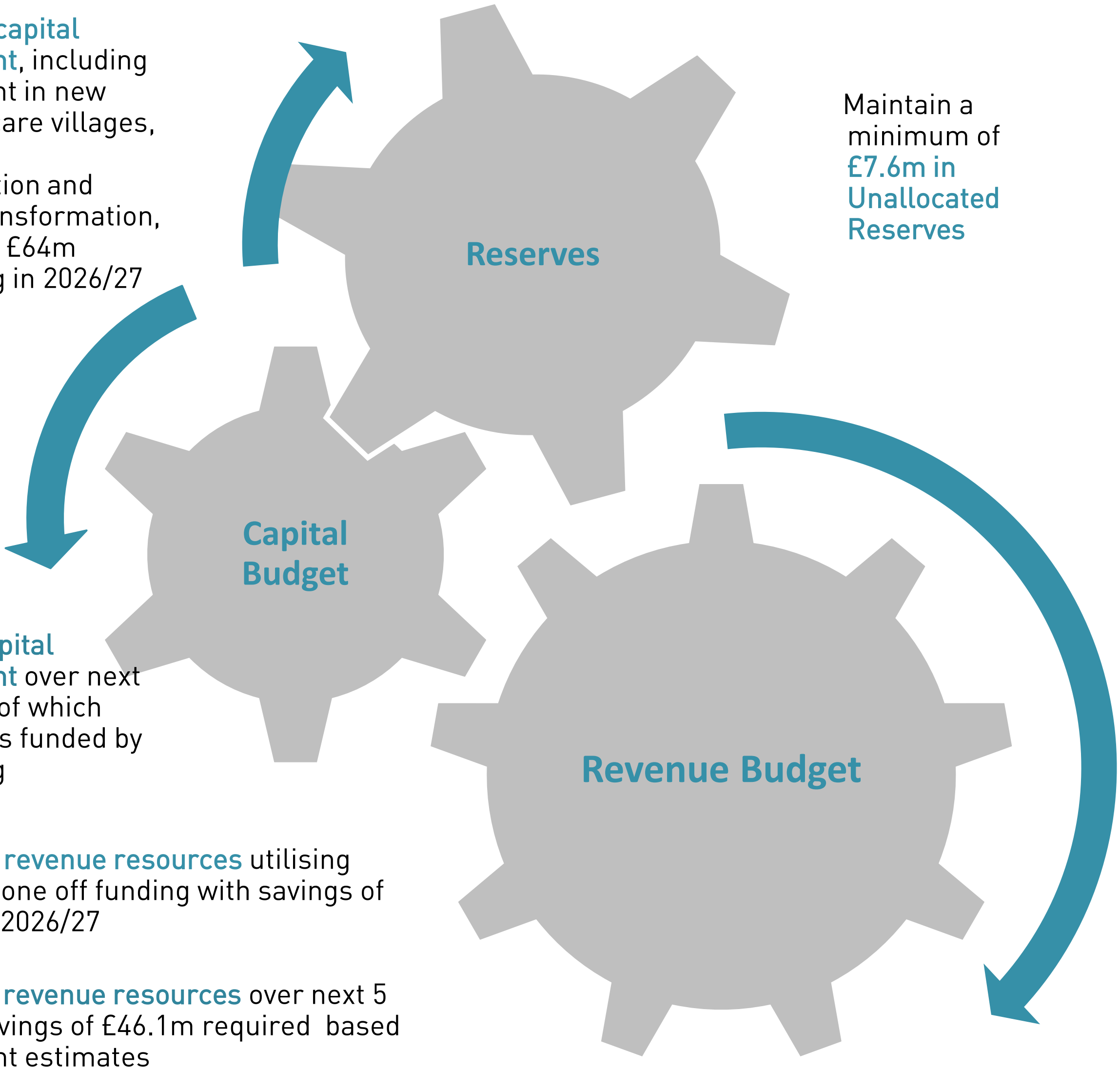


The Revenue and Capital Financial Plans from 2026/27 onwards can be found on the Council's webpages at Scottish Borders Council Financial Plan 2026/27

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

- The policy intent set out in the Scottish Government's Programme for Government, the Scottish Spending Review, the economic climate and pressures within the Health Service budget all promote a broad expectation that resources for local government services will continue to be constrained for the foreseeable future. This position is reinforced by Audit Scotland's Local Government in Scotland:Financial Bulletin 2024/25.
- Ongoing inflationary increases, especially around transport costs, will present financial challenges to the Council during 2026/27.
- The ongoing construction of a new High School in Hawick will create a modern learning environment for children and young people within the Hawick catchment.
- Continuing consultation with Eyemouth residents on a new Primary School for the town.
- The Council's change fund provides one off investment to Council projects, enabling ambitious transformation projects to be undertaken.
- The Live Borders Transformation programme aims to ensure the organisation is financially sustainable by 2028/29.
- Planning for the 1st stage of the 2027 Tour De France to take place in the borders passing through Innerleithen, Galashiels, Melrose, Selkirk, Hawick and Newcastleton.
- Planning continues to develop a new children's home and supporting living accommodation facilities in the Borders to ensure children can Live, learn and be cared for in the Borders.
- Balancing service need within the available financial envelope will require careful monitoring throughout the year.
- The availability of suitable housing remains the greatest challenge in developing accommodation and support to enable people with complex needs to remain living in the Borders or to return from out of area.
- The construction of Center Parcs holiday village near Hawick which will include a Spa, and 700 lodges, presents unique tourism and employment opportunities to the Borders.
- The number of households awaiting permanent accommodation has increased by 17% since last year, to 390.
- The new strategic capital planning process taking place with each directorate will enable the Council to identify key investment priorities over the long term.
- All major Council Services have programmes of significant transformation work in place to ensure that they progress their ongoing plans for modernisation and improvement.

Future Financial Plans - 2026/27



£106.1m capital investment, including investment in new schools, care villages, economic regeneration and digital transformation, funded by £64m borrowing in 2026/27

Maintain a minimum of **£7.6m in Unallocated Reserves**

£424m Capital investment over next 10 years, of which £220.7m is funded by borrowing

£418m of revenue resources utilising £1.2m of one off funding with savings of £8.1m in 2026/27

£2.1bn of revenue resources over next 5 years, savings of £46.1m required based on current estimates

Comprehensive Income and Expenditure Statement

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

Reconciliation of Outturn to Financial Statement Comprehensive Income & Expenditure Statement

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

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2026.

Further statutory adjustments are then made and these include net gains/losses on disposal and revaluation of assets and interest payable.

This position needs to be finally adjusted to reflect Actuarial (Gains)/Losses on the Pension Fund Net Assets/Liabilities £0.7m calculated on an IAS19 basis and Revaluations of Non-Current Assets (£12.3m) at the balance sheet date of 31 March 2026. This revises the £25.2m deficit position on the Provision of Council Services to a Net Comprehensive Expenditure deficit of £11.6m (deficit of £135.2m 24/25).

Movement in Net Surplus

	£m
Net Surplus on Revenue outturn	***0***
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/ Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	*36.2*
Other Asset (Gains)/Losses	*(13.3)*
Net Interest Costs	*23.6*
Net Changes on Pension Assets/Liabilities (IAS19 at 31st March 2026)	*0.1*
Capital Grants & Contributions Applied (exc.Reserves used)	*(35.0)*
Net Deficit - Total Comprehensive Income & Expenditure	***11.6***

Balance Sheet

During 2025/26 the Net Asset position decreased by £11.5m to £383.6m (£395.1m 2024/25). The table below details the movement during the year.

Balance Sheet Movement in year

	31-Mar-25 £m	31-Mar-26 £m	Movement £m
Long Term Assets	*881.7*	*905.8*	*24.1*
Current Assets	*54.5*	*71.3*	*16.8*
Current Liabilities	*(162.2)*	*(152.3)*	*9.9*
Long Term Liabilities	*(378.9)*	*(441.2)*	*(62.3)*
Net Assets	***395.1***	***383.6***	***(11.5)***

More details in relation to the Net Assets can be found within the Balance Sheet.

The net position does not include the net pension asset. The actuarial valuation for the accounts is calculated in accordance with IAS19 and uses a number of high level assumptions including pension increases, salary increases and discount rate. As a result of a change in market conditions, the accounting cost of future benefits has reduced to such an extent that they are smaller than the contributions expected for the Fund to pay (i.e. the Fund would build up a surplus rather than using it up under these accounting conditions) and so there is no economic benefit accessible to the employer, meaning that no pension asset can be recognised on the Balance Sheet.

International Financial Reporting Standard 16 (IFRS16 Leases)

The 2024/25 Code introduced IFRS16 Leases with effect from 1 April 2024. IFRS16 requires operating leases to be accounted for as an asset on the Balance Sheet in the same way as finance leases are. This includes right-of-use assets and lease liabilities. IFRS16 defines a lease as being 'a contract, or part of a contract, that conveys the right to use an asset for a period of time'.

IFRS16 also applies to service concession arrangements i.e. Public-Private Partnerships (PPP) and similar schemes. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability, is recalculated based on the revised level of payments. The effect of this has been to increase finance lease liabilities by £4.3m following remeasurement as at 31 March 2026, with an equal increase in Balance Sheet assets recognised prior to revaluation considerations.

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.

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 Treasury Management Strategy.

Debt Management

As detailed in the 2026/27 Treasury Management Strategy the Council continues to maintain its' under-borrowed position. This means that historically the Council's capital financing need has not been fully funded by external loan debt and instead internal cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.

Significant capital investment has been incurred in recent years including for the completion of the Hawick Flood Protection Scheme, Earlston Primary School, Galashiels Academy and Peebles High School. Investment continues with work underway at the new Hawick High School and Tweedbank Care Village with Eyemouth Primary School and Hawick Care village planned. This investment has increased the Council's borrowing need over recent years.

Net borrowing of £51m was undertaken in year to support capital spend, in line with our Treasury Strategy loans were taken for between 1 and 5 years in anticipation of interest rates reducing over time.

External Debt

The Council's outstanding external debt excluding accrued interest as at 31 March 2026 was £399m. The average rate of interest paid on outstanding external debt was 4.57%.

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.

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 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 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.

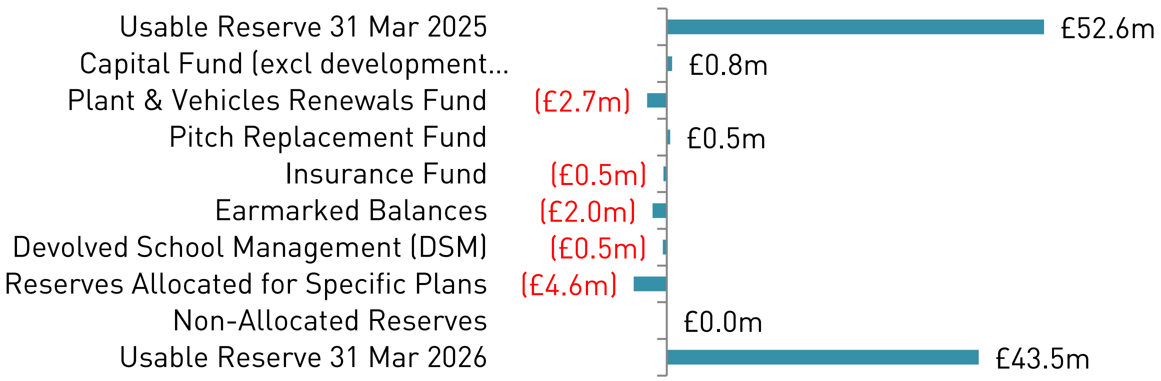
As well as the Unallocated Reserve useable reserves are largely made up of Allocated Reserves which include the Council's Change Fund, a repayable fund being used to support the delivery of the Transformation Programme, the Treasury Reserve which will be utilised over the next 5 years of the Financial Plan to smooth borrowing costs and stop spikes in payments resulting from the progression of the Capital Investment Plan and Extended Producer Responsibility funding which is provided by the UK Government to support Councils with improving their waste collection and disposals services.

Useable Reserves	31 March 2026 £m	31 March 2025 £m	Movement
Earmarked Balances	2.8	5.3	(2.5)
Allocated Balances	25.5	30.1	(4.6)
General Fund (Unallocated Reserve)	7.6	7.6	0.0
Pitch & Play Park replacement fund	2.8	2.3	0.5
Insurance Fund	0.8	1.2	(0.5)
Plant & Vehicles Renewals Fund	3.4	6.1	(2.7)
Capital Fund (exc. Developer Contributions)	0.8	0.0	0.8
	43.5	**52.6**	**(9.1)**

As at 31 March 2026 the total Usable Reserves Balance is £43.5m (£56.2m at 31 March 2025) a net decrease of £9.1m during the year.

The net decrease, as can be seen from the chart below, can mainly be attributed to a decrease in allocated balances of £4.6m which were applied to the general fund as approved in the 2025/26 Financial Plan, a £2m reduction to Earmarked Balances as no balances other than those specifically permitted by Council policy were carried forward into 2026/27 and a £2.7m decrease in the Plant and Vehicle Fund as funds were used to accelerate the replacement vehicle programme.

Movement in Reserves



Risk Management

Effective Risk Management is one of the foundations of effective Corporate Governance as recognised in the Council's Local Code of Corporate Governance. Compliance with the principles of sound Corporate Governance requires the Council to adopt a coherent approach to the management of risks that it faces every day. Better and more assured risk management will bring many benefits to the Council and the people it serves.

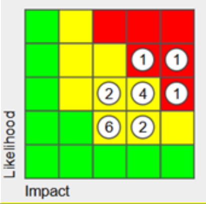
In keeping with the Council's Risk Management Policy, the Corporate Risk Register is reported annually to the Audit Committee as an appendix to the Risk Management Annual Report 2025/26 (available on the Audit Committee 18 May 2026, Item 7). It details all the strategic risks facing the Council in the delivery of its Services and Priorities as set out in the Council Plan. These are scored as Red, Amber, Green (RAG) in accordance with the Risk Matrix. As at Q4 2025/26, Corporate Risks have been reviewed in accordance with their RAG Status, meaning that Red Risks are reviewed quarterly, Amber Risks bi-annually, and Green Risks at least annually. There are currently no Green Risks on the Corporate Risk Register. A Risk Update Report, including the summary of the Corporate Risk Register, was presented to Council Management Team (CMT) on a quarterly basis, in accordance with the Risk Management Strategy 2025-2027.

The most recent round of Director Risk Management Presentations to the Audit Committee concluded during 2025/26. These Presentations had a strong focus on the Council's strategic risks and the internal controls and governance mechanisms in place to manage and mitigate those risks and demonstrated how risk management is embedded at both corporate and service levels. This approach has provided an opportunity for the Members of the Audit Committee, as part of their oversight remit, to gain a fuller understanding of how Management are discharging their risk management responsibilities in practice and to assess the adequacy and effectiveness of the Council's risk management arrangements.

The partial risk resource deployment during 2025/26 has resulted in a reduced risk programme of work. The consequence is that the facilitated risk review activity has prioritised the Corporate Risk Register, with a self-service approach adopted for Service Risk Register reviews. Some Services have engaged in the self-serve process though 58.5% of the Service Risks are beyond their review due dates based on their risk score (Red Risks – quarterly; Amber risks – biannually; Green risks – annually), which is not in accordance with expectations set out in the Risk Management Strategy. Further improvements are being progressed on the Council's Business Continuity Framework to demonstrate that business continuity is being applied in practice.

A Risk Management Overview was delivered at a Development Session with Members of the Audit Committee. The session included the following topics: the definition of Risk Management and why it is important to SBC, Risk Management Roles and Responsibilities (i.e. Risk Owners, CMT, Audit Committee), and demonstrated how the Audit Committee fulfils its Risk Management oversight role. This final theme of the Development Session utilised examples from the Audit Committee's business cycle which served to demonstrate the various mechanisms through which the Audit Committee receives assurance that Risk Management practices are in place and operating effectively.

The following Risk Heat Map and Summary Corporate Risk Register of the Council as at Q4 2025/26 are set out below. These are underpinned by control measures to manage/mitigate the risks relevant to the Council's approved Risk Appetite.



Risk Title	Description	Risk Score	Status	Last Review Date
IT Infrastructure	If we do not have appropriate IT infrastructure then we may not be able to achieve our current business objectives or deliver the Transformation Programme in full resulting in significant service delivery issues and inability to deliver savings.	**6** Moderate - Unlikely		22-Jan-2026
IT Data and System Security	Lack of appropriate IT data and system security could lead an inability to access data and systems, data being compromised resulting in service delivery failure, significant negative financial implications and reputational damage.	**12** Major - Possible		22-Jan-2026
H&S Compliance	If someone is harmed because we do not have, or we fail to comply with health and safety policy and procedures, then we may face litigation, fines and significant reputational damage	**12** Major - Possible		15-Jan-2026
Major Incidents	If we are unprepared for major incidents then we may not be able to deliver our services, communities may be adversely affected and people may come to harm.	**6** Moderate - Unlikely		17-Dec-2025
Legislative Compliance	If the Council fails to comply with the various legislation that it is bound by, then there is a risk of financial penalties, litigation, reputational damage and prosecution.	**8** Major - Unlikely		23-Jan-2026
Commissioning Framework	If we do not have sufficient resources for delivery of the Strategic Commissioning Framework for the IJB then there may be insufficient care and support for vulnerable people in the Scottish Borders leading to poor outcomes and reputational damage.	**12** Major - Possible		06-Apr-2026
C&YP and Adults at Risk of Harm	Failure to protect C&YP and adults at risk of harm may result in harm to them and reputational damage for the Council and Integration Joint Board	**8** Major - Unlikely		07-Jan-2026
C&YP/Learners Placements	If children, young people and learners are placed/educated outwith the local area to meet their needs, this may result in significant costs to SBC and by definition their needs may not be met locally.	**20** Critical - Likely		16-Apr-2026
Corporate Change and Transformation	If we fail to manage and appropriately resource major Transformation Programmes/projects being undertaken simultaneously and do not have effective change management processes in place to modernise the organisation then we may be unable to achieve corporate objectives, make savings, and conflicts with employees and their representative bodies may emerge.	**6** Moderate - Unlikely		21-Jan-2026
Staff Recruitment and Retention	If we are unable to recruit and retain suitably qualified, experienced and motivated staff then we may not be able to deliver our objectives.	**6** Moderate - Unlikely		21-Jan-2026
Property	If we do not identify opportunities for rationalisation, savings and investment in the Operational property portfolio then there may be negative financial implications.	**6** Moderate - Unlikely		24-Mar-2026
Capital Projects	If Capital projects are not evaluated to take into account ROI and whole life costs then the benefits may not be realised or give value for money.	**12** Major - Possible		10-Oct-2025
Community Planning Partnership	If we do not ensure effective partnership working with the CPP then we will not be able to deliver on agreed strategies or realise our intended objectives and outcomes.	**6** Moderate - Unlikely		07-Oct-2025
Stakeholder Engagement	If we do not engage with our primary stakeholders (residents, businesses, partners, staff) then we may not gain the support and buy-in to enable the changes required to deliver services in the future.	**9** Moderate - Possible		07-Oct-2025
Climate Change	If the Council does not implement a comprehensive climate change strategy, including specific actions for mitigation and adaptation and effective working with Partners, the Council may fail to meet its legislative obligations and the targets it has set in relation to climate change.	**16** Major - Likely		09-Apr-2026
Financial Sustainability	If we do not ensure that the Council is financially sustainable then we may need to withdraw services, increase charges beyond planned levels (incl. Council Tax) and there could be a failure in the provision of statutory services and increased levels of public dissatisfaction in service provision.	**9** Moderate - Possible		23-Oct-2025
External Providers of Sport, Leisure	If we fail to manage and monitor partnering arrangements with Trusts providing Sport, Leisure and Culture activities then we may be unaware of and unable to	**15** Critical - Possible		07-Apr-2026

Risk Title	Description	Risk Score	Status	Last Review Date
and Culture Services	address any performance challenges or provide required support. This could lead to negative impacts on service delivery, the achievement of objectives and there could be significant negative financial implications.			

Red (score 15-25) Amber (Score 6-12) Green (Score 1-5)

*C&YP – children and young people

A Corporate Financial Risk Register was used as the basis for setting unallocated Reserve levels in 2025/26 and future years. This approach seeks to quantify the risks facing the Council's finances. A review of the major financial risks facing the Council has been undertaken by senior finance officers and the corporate risk team and these comprise of underlying inflation including pay and pensions, increasing debtors, over optimistic savings assumptions, future Government grant funding, delays in delivery of transformation plans and major capital investment, failure to enact effective budgetary control, severe weather events, potential legal and contractual claims, unplanned emergencies, demographic forecasting, and supplier failure. The level of Unallocated Reserves is directly informed by an assessment of the risks facing the Council. This approach, despite being subject to an element of informed judgement, fundamentally reflects the risks inherent in setting the revenue budget, the reasons why Reserves are held in the first place, the scale and complexity of the organisation and provides an appropriate transparent rationale for the level of balances held.

The accumulated financial risk in the Risk Register was assessed to be c£19.2m at the start of the financial year and the unallocated general fund equivalent to c£7.5m in 2025/26, was sufficient to cover 39% of risks identified, a deterioration from 50% in 2024/25. The most significant financial risks identified in the Council's Financial Strategy Risk Register 2025/26 are as follows:

- Economy and Funding – If there is a reduction in Government funding to Local Authorities in real terms it could result in a reduced ability to provide services. (Financial Risk - £3.2m based on 1% variation in SG grant; Risk Score - 12 Amber).
- Economy and Funding – If there is an increase in the scale of debts owed to the Council, then the level of write-off may increase with subsequent negative pressure on Council finances. (Financial Risk – not assessed; Risk Score - 12 Amber).
- Economy and Funding – Changes to the taxation base could result in reduced funding for the Council. (Financial Risk – not assessed; Risk Score - 12 Amber).
- Economy and Funding – If there are legal claims and/or financial awards awarded against the Council, not fully covered by insurance, then the Council will be exposed to potentially significant one-off costs. (Financial Risk - £2.0m; Risk Score – 16 Red).
- Budgetary Control – If there is a failure of our budgetary control processes due to unexpected cost drivers then there may be negative implications across wider areas of the Council. (Financial Risk - £4.0m based on 1% overspend; Risk Score – 16 Red).
- Budgetary Control – If we are unable to deliver budgeted reductions then expenditure may not be contained within approved budgets and there may be negative impacts on service provision. (Financial Risk - £5.0m; Risk Score – 16 Red).
- Budgetary Control – If we are unable to accurately forecast ageing population demographics and plan service provision accordingly, then expenditure may not be contained within approved budgets and may result in reduced service provision. (Financial Risk – not assessed; Risk Score – 12 Amber).
- Budgetary Control – If we are unable to accurately forecast demographics in relation to vulnerable children/children with complex needs then we may not be able to plan service provision accordingly and expenditure may not be contained within approved budgets, resulting in the potential for reduced service provision. (Financial Risk - £1.0m; Risk Score – 16 Red).

- Supplier Failure - If major contractors/ providers of essential services go out of business then there will be immediate loss of essential service, negative pressures on budgets, reserves and costs associated with retendering. (Financial Risk - £1.0m; Risk Score – 16 Red).
- Environment – If there are adverse winter weather conditions (e.g. snow, ice, wind damage or flooding) it may result in a strain on the Winter Maintenance Budget and additional revenue and capital costs. (Financial Risk - £1m allocated reserve held separately; Risk Score - 12 Amber).

Sustainable development and climate change

Scottish Borders Council, like all Scottish Local Authorities, continues to develop its response to the legal requirements set out for public bodies within the Climate Change (Scotland) Act 2009 and subsequent amendments in 2019 and 2024. This legislation requires public bodies to set a pathway to achieve net zero emissions by 2045, to support climate change adaptation and to act sustainably across their functions

The Council's current priority actions include:

1. **Climate Change Plan**: The Council declared a climate emergency in September 2020 and developed a Climate Change Route Map in June 2021. This is being superseded by a new Climate Change Plan 2026–2030, scheduled for approval by Council in June 2026. The Climate Change Plan focuses on internal Council priorities and is intended to be a live document, evolving as new projects and technologies develop. The overall goal remains to place the Scottish Borders on a path to net zero by 2045, with ongoing work alongside local and national partners to support area-wide emissions reduction. The Plan, and future activity, will place increased emphasis on building resilience to climate change impacts. For a rural area such as the Scottish Borders, this will include a strong focus on nature-based solutions, which will also contribute to addressing the biodiversity crisis.

2. **Capital Plan**: The Council has an ambitious Capital Plan that includes key infrastructure projects to improve community facilities, including roads and bridges maintenance, new primary and secondary schools, and care villages. Following the completion of these new builds, the Council will refocus the Capital Plan on prioritising refurbishment works and energy efficiency projects to support the Council's response to the climate emergency. The Council has been maximising the Salix Recycling Fund to fund energy efficiency projects (loft insulation, LED lighting and heating plant upgrades) primarily focusing on Care Homes and Primary Schools. Monitoring of energy usage and costs will track the impact of these interventions

3. **Budget Planning Assumptions**: The Council's financial plans for 2026/27 onwards include a focus on transforming Council services, investing in new technology to reduce costs, and prioritising core Council services. This approach supports the Scottish Government's drive to reduce carbon emissions and builds on the Estates review and rationalisation work currently underway.

Scottish Borders Council is committed to achieving net zero emissions by 2045. This commitment is set out in the Climate Change Plan which focuses on reducing greenhouse gas emissions, increasing community resilience to climate change, and embedding sustainable practice in the delivery of services.

Supplementary information
Common good and trust funds

The Council operates Common Good and Trust Fund accounts which record the financial transactions in relation to funds the Council administers. These do not represent charges or income to council tax payers. These are shown at notes 35 and 36.

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2026 with a comparator year ending 31 March 2025. The Group comprises of the following:

SBC Common Good Funds
SBC Trust Funds of which the following are registered charities:

- SBC Charitable Trusts
- SBC Community Enhancement Trust
- SBC Educational Trusts
- SBC Welfare Trust

A further 40 Trusts that are not registered charities
Live Borders
(SBC/NHS) Health and Social Care partnership & Integration Joint Board (IJB) – **Joint Venture**

Based on materiality the following organisations **have been excluded** from the Group accounts: Lowood Tweedbank Ltd, SB Inspires LLP and Bridge Homes LLP.

Conclusion

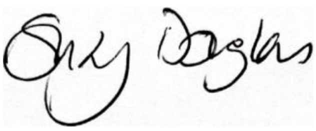
The Council continued to operate in a challenging environment during 2025/26, with sustained service demand, funding constraints, inflationary pressures and wider workforce challenges affecting local government across Scotland. Against this backdrop, Scottish Borders Council achieved a balanced revenue outturn through careful financial management, the implementation of spend controls and continued focus on maintaining essential statutory services.

During the year, the Council continued to deliver a broad range of services for communities across the Scottish Borders while also progressing significant capital investment. This included the opening of new high schools in Galashiels and Peebles, continued progress on Hawick High School, advancement of the Tweedbank Care Village and ongoing investment in infrastructure, housing, transport and local regeneration. The Council also recorded positive performance in a number of areas, including recycling, school attendance, broadband connectivity and timely payment of invoices.

Alongside day-to-day service delivery, the Council continued to develop and implement its transformation programme to support long-term financial sustainability and improve how services are delivered. This work is being supported by strengthened financial management arrangements, agreed service spend plans, investment in management information and continued engagement with communities, staff, partners and stakeholders as the Council responds to changing needs and priorities.

The Council recognises that significant challenges remain, including future funding uncertainty, inflation, climate change, demand-led pressures and the scale of savings and service change required over the medium to longer term. At the same time, important opportunities exist through partnership working, economic development, regeneration activity, housing investment, major infrastructure projects and regional initiatives such as the Borderlands Inclusive Growth Deal and collaboration with South of Scotland Enterprise.

Overall, the 2025/26 Annual Accounts demonstrate that Scottish Borders Council has remained financially resilient while continuing to invest in priority services and assets for the future. Although the financial outlook remains challenging, the Council has maintained a sound financial position at year end and is committed to delivering the Council Plan, managing risk appropriately and working with partners and communities to support positive outcomes for the people of the Scottish Borders.



Suzanne Douglas CPFA
Director of Finance

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 responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Director of Finance.
- 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 Scottish Borders Council at its meeting on 22 June 2026.

The Director of Finance responsibilities

The Director of Finance 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 of Finance 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 of Finance 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 2026.

Suzanne Douglas CPFA
Director of Finance

Annual Governance Statement 2025/26

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 2026, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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

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

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

Framework for Good Governance

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

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

The *Local Code of Corporate Governance for Scottish Borders Council*, 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 30 March 2023*, following its review and update during the latter half of 2022 by the officer Governance Self-Assessment Working Group. This ensures 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* to be a value-added tool for members and officers of the *Council*.

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, financial regulations, and procurement and contract standing orders which are regularly reviewed and revised where appropriate.

Codes of conduct supplemented by policies and protocols 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.

Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work 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 Committee meetings are held in public, unless there are good reasons for not doing so on the grounds of confidentiality. Meetings are live-streamed and recordings are stored for 180 days to ensure public access. Members of the public can submit questions to the Council, which are answered by Elected Members at Council meetings.

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. Specifically, the Youth Engagement Listen to Learn (YELL) Strategy, a multi-agency participation and engagement strategy for young people aged 12-25, was launched in September 2024 to ensure young people have the chance to be actively involved. The Community Engagement Strategy (April 2024) sets out principles for engagement, and the Toolkit (March 2025) shares best practice methods to enable consistency, cost effectiveness and transparency. Whilst the Council has experienced resistance and challenge on its engagement with communities on early years provision, it is committed to a culture of engagement when considering options for service redesign, thus enabling transformation and change plans to progress at a pace and scale to maintain financial sustainability. This was evidenced by the extensive community engagement undertaken on the Live Borders Joint Transformation Programme.

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

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

The Community Planning Partnership, of which the Council is a partner, has an approved Community Plan 2023/2033 as the Local Outcomes Improvement Plan (LOIP).

The Council's vision, strategic objectives, priorities and outcomes are reflected in the approved Council Plan, underpinned by 5 Locality Plans, to outline the direction it wishes to take and to inform Service strategies, policies and plans based on priorities and outcomes to respond to the aspirations and expectations of its citizens.

Asset management planning 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 findings, conclusions and recommendations from the Council's Best Value thematic report – Asset Management were presented to the Audit Committee on 18 May 2026.

During the decision-making process, to comply with the Council's legal obligations, promote fair access to services and the Council's commitment to sustainability, a number of factors are considered including Climate Change, Sustainable Development and Rural implications of proposals. Integrated Impact Assessments (IIAs) are used to consider the Council's obligations under the Public Sector Equality Duty, Fairer Scotland Duty, Consumer Duty and, where applicable, the Armed Forces Covenant Duty and obligations under the United Nations Convention on the Rights of the Child (UNCRC). Improvements have been made to the Integrated Impact Assessment (IIA) process which since 19 November 2025 is completed digitally for ease of use, to enhance the quality and consistency of decision-making.

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

Decision makers receive detailed information indicating how intended outcomes will be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, sustainable development goals, climate change, rural proofing, data protection impact statement, 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.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in planning and delivering services that meet the needs of the local community as stated within the priorities and outcomes in the Council Plan. Community benefit is an important consideration in the procurement of goods and services.

Corporate strategies and change programmes, including the Digital Transformation Programme and IT Investment Programme, set out far-reaching programmes of change and investment in digital technology to enable the Council to respond to unprecedented social, demographic and economic challenges and still deliver high quality and improved services to its citizens through new ways of working and operational efficiency.

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

The corporate management structure during 2025/26 consisted of the Chief Executive and seven Directors. The roles of officers are defined in agreed job profiles. The Appraisal and Competency Framework in place for all employees sets individual goals and development plans, and assesses performance on an annual basis, as part of the Council’s Strategic People Plan. This is aligned to the Council Plan priorities and outcomes. All Directors have had an Appraisal and have objectives set in alignment with the Council Plan. The Audit Committee scrutinised progress on the implementation of recommendations from the Council’s Best Value Workforce Innovation thematic report on 19 May 2025, followed by their consideration of the Accounts Commission report “Delivering for the future: Responding to the workforce challenge” on 22 September 2025 to provide some insights from across the local government sector.

The Chief Executive is responsible and accountable to the Council for all aspects of management, including implementing strategy, leading the delivery of services and other outputs set by elected members, promoting sound governance, supporting other statutory officers, and building effective relationships with all Councillors.

Elected Members have an ongoing programme of learning and development (including induction, e-learning, seminars and courses) and briefings. Members appointed to certain committees also receive specific training related to the responsibilities on these committees e.g. licensing, planning, audit, and pension fund.

The Council has put arrangements in place to comply with key elements of the Community Empowerment Act and recognises the importance of building community capacity and the role of volunteers as a key factor in building empowered, vibrant communities.

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 performance monitoring committee with a Scrutiny and Petitions Committee (Scrutiny function) having responsibility for reviewing policy decisions. The role of the Audit Committee is to have high-level oversight of internal control, governance and risk management.

The Council has a Risk Management Policy and Strategy 2025-2027 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. In-year activity, conclusion and planned improvements are set out within the Risk Management Annual Report 2025/26 presented to the Audit Committee for assurance purposes. This indicated a partial corporate risk resource deployment resulting in a reduced risk programme of work, prioritising the reviews of Corporate Risks within the required frequency though 58.5% of the Service Risks are beyond their review due dates based on their risk score.

Protection of the digital infrastructure and systems is a corporate priority, reflecting the critical role technology plays in service delivery. The Council will deliver cyber security that is risk-driven, resilient, and aligned to the NCSC Cyber Assessment Framework, ensuring the protection of critical services, data, and citizens through continual improvement and strong governance. Assurance is supported through the Cybersecurity Maturity Assessment process, adherence to PSN compliance requirements, oversight by the Digital Security Board and robust contract management of the managed IT services contract with CGI.

The Director of Finance (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. The Council's Counter Fraud Policy and Strategy 2025-2027 led by an Integrity Group of officers is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'. In-year activity, conclusion and planned improvements are set out within the Counter Fraud Annual Report 2025/26 presented to the Audit Committee for assurance purposes, which included the outcomes from the Council's participation in the National Fraud Initiative (NFI).

The Council approves a 5-year Revenue Plan and 10-year Capital Plan in February each year which is supplemented by a longer-term revenue strategy, which adopts a ten year forward view, and associated Financial Strategy Risk Register. The Treasury Management Strategy considers the debt and investment required to finance the Capital Investment Plan considering the longer-term planning horizon and ensuring that the Council continues to operate within prudent, affordable limits. These financial strategies and plans are aligned to the priorities and outcomes in the Council Plan.

Revenue and Capital Budget Monitoring, and Balances Forecast reports are presented to the Executive Committee on a quarterly basis for monitoring and control purposes including the annual outturn.

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

Quarterly Performance Reports (Annual Performance Report within the Quarter 4 report) are presented to the Executive Committee for monitoring and control of the achievement of strategic priorities and key performance indicators and outlining progress against Council Plan milestones.

The Chief Audit Executive's independent and objective audit opinion is that there are generally sound systems of governance, risk management and control in place across the Council. However, there has been an increase in the issues, non-compliance or required improvements. The continuing challenging financial and people resources, increasing service demands and additional obligations on the Council are noted as risk factors. This opinion is stated within the Internal Audit Annual Assurance Report 2025/26 presented to the Audit Committee for assurance purposes. This is based on work carried out by an in-house team in conformance with the Global Internal Audit Standards in the UK Public Sector (GIAS) to fulfil statutory Internal Audit provision with regular reports presented to the Audit Committee during the year.

The Accounts Commission appoints the External Auditors of the Council on a 5-year appointment: Audit Scotland has been appointed as the External Auditors for 2022/23 – 2026/27. The Plan for the statutory audit process and the associated findings, conclusions and recommendations (Annual Audit Report) are presented to the Audit Committee for governance purposes.

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 Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control, risk and governance. The Audit Committee fulfils its Purpose and undertakes its functions in accordance with audit committee principles in the CIPFA Position Statement 2022 (CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition), and the new CIPFA 'Code of Practice for the Governance of Internal Audit', specifically to address the 'essential conditions' set out in GIAS Domain III: Governing the Internal Audit Function.

The Annual Report and Accounts, incorporating a Management Commentary, provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development. The Annual Accounts and Report is produced in accordance with statutory guidance and deadlines within relevant accounting regulations, presented for review by the Audit Committee as the draft unaudited version in June and then as the final audited version in September prior to submission to Council for approval.

Annual 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. The output is this Annual Governance Statement which is presented to the Audit Committee.

The review was informed by assurances from the:

- Governance Review Group.
- Directors, including the completion of comprehensive evidence within a checklist to assess compliance with the seven core principles of good governance and the financial regulations.
- Internal Audit annual opinion stated within the Internal Audit Annual Assurance Report 2025/26 and recommendations made during the year.
- 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 2025/26 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of actions associated with the recommendations made by Internal Audit and External Audit as well as Management-initiated actions

In respect of the five Improvement Areas of Governance identified by the Council in 2024/25, four have been implemented during the year. Specifically: The refreshed Scheme of Delegation to capture officers' delegated authority arising from the corporate management restructure with responsibilities realigned across Directorates (April 2024) and the additional Director post (April 2025) was approved by Council in March 2026; The appraisal framework was relaunched to engage those hard-to-reach employees due to the nature of their work activity and to empower all employees across the Council to enhance the leadership and management capacity and capability across the Council; Spend Plans were used for the first time in Services to deliver services within available resources and to focus on making savings on a permanent basis, recognising the challenges faced to remain financially sustainable in the longer term, though further development is required in 2026/27 to ensure Spend Plans are effective for budgetary control and to align these to workforce and service plans (and Council Plan); Activity was undertaken to embed the principles of the community engagement strategy and associated toolkit into all applicable service and policy development activity to ensure consistent application, with the most significant example being the joint transformation programme of the Council and Live Borders. The improvement area of governance (review and update of the Policy Register) has not been fully implemented as there have been challenges identifying a suitable and affordable solution to meet requirements with an alternative approach being proposed; it has been noted that HR Policies and Procedures, published on the Intranet using SharePoint functionality and on the Council's public facing website for those without access to the Intranet and for transparency, supported by a schedule of policy reviews, provides an exemplar for other Services.

Improvement Areas of Governance

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

1. Redesign the induction and onboarding of those joining the Council as new employees to ensure appropriate awareness of policies and required practices and behaviours, and optimise the use of staff communication tools to facilitate appropriate levels of skills, knowledge and understanding, competency and compliance.
2. Learn lessons from issues and incidents experienced as part of continuous improvement to strengthen the efficacy of community engagement and to embed the culture of stakeholder engagement when redesigning services around the customer.
3. Continue to implement the refocussed transformation programme with technology as an enabler to optimise operational efficiency and improve productivity by enabling an empowered flexible workforce (digital by design) and to deliver the pace and scale of the expected benefits to respond to unprecedented challenges and meet the financial sustainability imperative.
4. Strengthen the scrutiny and oversight role undertaken by the Capital Investment Programme Board to ensure that capital investment is prioritised, assessed and governed in a clear, transparent and consistent way, securing best value, stronger oversight, and a credible outcome focused pipeline that supports timely and confident decision making.
5. Extend the information within the Capital Investment Strategy to ensure all key asset categories are covered, setting out clear objectives, associated measures, targets and project timelines, with information on how this will be monitored and reported to provide a clearer line of sight between the Council's priorities, asset decisions and performance reporting. This would strengthen transparency, accountability and long-term planning.

These actions to enhance the governance arrangements in 2026/27 will be driven and monitored by the Council Management Team on a biannual basis to inform the next annual review. Internal Audit work planned in 2026/27 is designed to test compliance and to independently confirm evidence of improvements.

Conclusion and Opinion on Assurance

The conclusion from the review activity outlined above and our opinion is that Scottish Borders Council's systems of internal control and governance are appropriate and effective. The annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively, and that the Council adheres to that Local Code in all significant aspects. The identified areas for improvement are designed to ensure the consistency of compliance across its diverse range of Services and to enhance the involvement of employees, customers and citizens as key stakeholders in pursuit of the Council's objectives and priorities. Systems are in place to regularly review and improve governance, risk management 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
- Senior Councillor Remuneration
- Senior Employee Remuneration
- Exit Packages
- Pension Benefits Information for Senior Councillors
- Pension Benefits Information for Senior Officers

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

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 2025/26 the salary for the Leader of Scottish Borders Council is £50,063. 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 £444,710.00. The Council can 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 £439,051. 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 Scheme of Remuneration for Members which encompasses the salaries of all Elected Members including the Leader and Senior Councillors, was agreed at the meeting of the full Council on 25 May 2017 with subsequent changes agreed at the meetings held on 26 May 2022 and 29 August 2024.

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£50,000 - £54,999	-		82	361	97	117	**179**	**478**
£55,000 - £59,999	-		67	49	33	31	**100**	**80**
£60,000 - £64,999	-		61	83	10	22	**71**	**105**
£65,000 - £69,999	1		62	59	21	15	**84**	**74**
£70,000 - £74,999	1		39	51	1	16	**41**	**67**
£75,000 - £79,999	2		17	26	1	-	**20**	**26**
£80,000 - £84,999	2	7	10	14	-	-	**12**	**21**
£85,000 - £89,999	1	-	-	5	-	-	**1**	**5**
£90,000 - £94,999	3	1	4	3	-	-	**7**	**4**
£95,000 - £99,999	1	4	1	2	-	-	**2**	**6**
£100,000 - £104,999	3	-	1	-	-	-	**4**	**-**
£105,000 - £109,999	4	7	1	2	-	-	**5**	**9**
£110,000 - £114,999	-	-	-	-	-	-	**-**	**-**
£115,000 - £119,999	-	-	-	-	-	-	**-**	**-**
£120,000 - £124,999	-	-	-	-	-	-	**-**	**-**
£125,000 - £129,999	-	-	-	-	-	-	**-**	**-**
£130,000 - £134,999	-	-	-	-	-	-	**-**	**-**
£135,000 - £139,999	-	-	-	-	-	-	**-**	**-**
£140,000 - £144,999	-	-	-	-	-	-	**-**	**-**
£145,000 - £149,999						-		
£150,000 - £154,999	1	-	-	-	-	-	**1**	**-**
£155,000 - £159,999		-		-		-		**-**
£160,000 - £164,999		1		-		-		**1**
Total	19	20	345	655	163	201	**527**	**876**

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2024/25 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2025/26 £
42,698	E Jardine	Leader of the Council	50,063		50,063
32,297	W McAteer	Convener	37,548	273	37,821
74,995		**Leader and Convener Remuneration**	**87,611**	**273**	**87,884**
12,832	M Rowley	Portfolio Holder for Service Delivery & Transformation to 31 August 2024	0	0	0
29,551	T Weatherston	Portfolio Holder for Social Work & Inclusion	35,806	135	35,941
27,845	C Hamilton	Portfolio Holder for Housing & Culture	32,648	0	32,648
28,154	S Mountford	Portfolio Holder for Planning & Community Assets	32,648	309	32,957
29,129	R Tatler	Portfolio Holder for Public Safety & Resilience	32,648	162	32,810
30,658	S Hamilton	Portfolio Holder for Economic Growth & Developing the Borders	35,806	120	35,926
29,678	J Pirone	Portfolio Holder for Education, Youth Development, & Lifelong Learning	35,806	262	36,068
30,538	D Parker	Portfolio Holder for Integrated Care & Support Services	35,806	0	35,806
28,154	J Greenwell	Portfolio Holder for Roads & Public Space Development	32,648	309	32,957
30,538	L Douglas	Portfolio Holder for Finance, IT and Corporate Performance	35,806	0	35,806
28,023	J Linehan	Portfolio Holder for Environment, Transport & Sustainability	32,648	178	32,826
30,767	C Cochrane	Portfolio Holder for Community & Partnership Development	35,806	229	36,035
16,243	J Cox	Portfolio Holder for People, Governance & Change	32,648	0	32,648
23,272	E Thornton-Nicol	Chair of Audit & Scrutiny	28,327	0	28,327
375,382		**Total Senior Councillor Remuneration**	**439,051**	**1,704**	**440,755**
450,377		**Total Remuneration**	**526,662**	**1,977**	**528,639**

The total remuneration figures relate to the salary, fees and allowances for 2025/26 as included in the Comprehensive Income and Expenditure Statement. They are only in respect of monies paid to Councillors whilst 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.

2024/25 £'000		2025/26 £'000
854	Salaries	1,020
35	Expenses	33
889	**Total**	**1,053**

The draft annual return of Councillors' salaries and expenses for 2025/26 is available on the Council's website at Members' expenses | Scottish Borders Council (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 structure.

2024/25 Total Remuneration £	Name	Post Title	2025/26 Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
	Senior Employees in post as at 31/03/25						
152,389	KD Robertson	Chief Executive	162,102			0	162,102
105,827	J Craig	Director - Resilient Communities	109,068			0	109,068
104,907	C Hepburn	Director - People, Performance & Change	109,068			0	109,068
107,293	LH Munro	Director - Education & Children's Services	109,068			0	109,068
104,991	JR Curry	Director - Infrastructure & Environment	109,068			1,598	110,666
105,025	SL Douglas	Director - Finance	109,068			866	109,934
105,352	NB McKinlay	Director - Corporate Governance	109,068			0	109,068
0	CJ Myers	Director - Adult Social Work & Social Care from 26 April 2025	99,323 (FYE 106,735)			0	99,323
71,309	JA Glen	Head of Adult Services to 25 April 2025	6,693 (FYE 92,676)			0	6,693
	Senior Employees departed post before 01/04/25						
58,591	GS Lennox	Chief Officer Adult Social Work & Social Care to 8 December 2024	0	0	0	0	0
84,953	J Fyfe	Chief Officer Child & Families Social Work to 28 February 2025	0	0	0	0	0
1,000,637	Total		922,526	0	0	2,464	924,990

Notes

(1) JR Curry figure of £110,666 includes £1,598 non cash benefit for car salary sacrifice.
(2) SL Douglas figure of £109,934 includes £866 non cash benefit for car salary sacrifice.

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2024/25 and 2025/26:

2025/26

Exit Package Cost band (including special payments) 2025/26	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	2,661
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	1	1	43,609
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Total	2	1	3	46,270

The total costs of £0.046m 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.

2024/25

Exit Package Cost band (including special payments) 2024/25	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	3	-	3	14,677
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Total	3	-	3	14,677

Remuneration Report

Council Subsidiary Bodies

Separate disclosure of the remuneration and pension benefits of senior posts held in the Council's subsidiary companies are required to be disclosed.

Bridge Homes LLP – Designated Member, David Robertson – details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

Common Good and Trust Funds – Suzanne Douglas, Director of Finance - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

SB Inspires LLP – Suzanne Douglas, Director of Finance - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

Lowood Tweedbank Ltd – Suzanne Douglas, Director of Finance - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

Live Borders – Chief Executive Officer, C McAllister from 11 July 2025 – see table below. Please note from 1st April 2025 until 26th May 2025 this post was undertaken by an external consultant who was not an employee of Live Borders.

2024/25			2025/26				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 2025 £	For year to 31 March 2026 £	Type	As at 31 March 2026 £'000	Difference from 31 March 2025 £'000
-	C McAllister	Chief Executive Officer from 11 July 2025 (FTE £95,326)	66,369	634	-	67,003		11,283	Pension Lump Sum	1,406 0	1,406 0
	Senior Employees departed post before 01/04/25										
21,939	J Hutchison	Acting Chief Executive Officer to 31 May 2024			-	-			Pension Lump Sum		
22,508	G Murdoch	Acting Chief Executive Officer to September 2024			-	-			Pension Lump Sum		
80,113	J Franks	Acting Chief Executive Officer from October 2024			-	-			Pension Lump Sum		
124,560		TOTAL	0	0	-	0	0	0			

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.

Remuneration Report

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 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 2025/26 were as follows:

Whole Time Pay	2025/26
On earnings up to and including £23,000	5.50%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.50%
On earnings above £38,601 and up to £51,400	9.50%
On earnings above £51,401	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.

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2026 are shown in the following tables, 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.

SENIOR COUNCILLORS IN YEAR PENSION CONTRIBUTIONS

Councillor Name	Responsibility	In year pension contributions for year to 31 March 2025 £	In year pension contributions for year to 31 March 2026 £
E Jardine	Leader of the Council	7,259	8,511
W McAteer	Convener	5,444	6,383
D Parker	Portfolio Holder for Health & Wellbeing	5,191	6,087
T Weatherston	Portfolio Holder for Social Work & Community Enhancement	5,001	6,087
C Hamilton	Portfolio Holder for Developing Our Children & Young People.	4,734	5,550
M Rowley	Portfolio Holder for Service Delivery & Transformation	4,280	-
J Pirone	Portfolio Holder for Community & Culture	5,001	6,087
R Tatler	Portfolio Holder for Communities & Equalities	4,924	5,550
S Hamilton	Portfolio Holder for Community & Business Development	5,191	6,087
J Cox	Portfolio Holder for People Development & Change from 1 September 2024	4,273	5,550
L Douglas	Portfolio Holder for Education & Lifelong Learning	5,191	6,087
J Linehan	Portfolio Holder for Environment & transport	4,734	5,550
C Cochrane	Portfolio Holder for Community Engagement	5,191	6,087
E Thornton-Nicol	Chair of Audit Committee	3,956	4,816
Total		**70,370**	**78,432**

SENIOR COUNCILLORS ACCRUED PENSION BENEFITS

Councillor Name	Pension at 31 March 2026 £'000	Lump Sum at 31 March 2026 £'000	Pension Difference from 31 March 2025 £'000	Lump Sum Difference from 31 March 2025 £'000
E Jardine	7	-	1	-
W McAteer	7	-	1	-
D Parker	14	3	1	0
T Weatherston	17	22	1	1
C Hamilton	6	-	1	-
M Rowley	-	-	-	-
J Pirone	3	-	1	-
R Tatler	6	-	1	-
S Hamilton	5	-	1	-
J Cox	2	-	1	-
L Douglas	3	-	1	-
J Linehan	3	-	1	-
C Cochrane	5	-	1	-
E Thornton- Nicol	5	-	1	-

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.

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2026 are shown in the tables below, together with the contribution made by the Council to each Senior Employee's pension during the full year to 31 March 2026.

Remuneration Report

Name	Post Title	In year pension contributions for year to 31 March 2025 £	In year pension contributions for year to 31 March 2026 £
Senior Employees in post as at 31/03/26			
KD Robertson	Chief Executive	25,906	27,557
J Craig	Director - Resilient Communities	17,828	18,542
C Hepburn	Director - People, Performance & Change	17,828	18,542
J Glen	Head Of Adult Services to 25th April 2025	15,259	16,385
LH Munro	Director - Education & Children's Services	17,828	18,542
CJ Myers	Director Adult Social Work and Social Care from 26th April 2025	-	16,885
JR Curry	Director - Infrastructure & Environment	17,669	16,624
SL Douglas	Director - Finance	17,701	17,645
NB McKinlay	Director - Corporate Governance	17,604	18,542
Senior Employees departed post before 31/03/25			
GS Lennox	Chief Officer Adult Social Work and Social Care to 8 December 2024	13,578	-
J Fyfe	Chief Officer Children and Families Social Work to 28 February 2025	-	-
Total		**176,777**	**169,264**

The Scheme of Remuneration for Members which encompasses the salaries of all Elected Members including the Leader and Senior Councillors, was agreed at the meeting of the full Council on 25 May 2017 with subsequent changes agreed at the meetings held on 26 May 2022 and 29 August 2024.

SENIOR EMPLOYEES ACCRUED PENSION BENEFITS

Senior Employee	Pension at 31 March 2026 £'000	Lump Sum at 31 March 2026 £'000	Pension Difference from 31 March 2025 £'000	Lump Sum Difference from 31 March 2025 £'000
KD Robertson	81	101	8	8
J Craig	63	79	5	3
C Hepburn	36	4	4	0
J Glen	26	11	3	1
LH Munro	63	-	5	-
CJ Myers	2	-	2	-
JR Curry	10	-	2	-
SL Douglas	46	40	3	(0)
NB McKinlay	37	13	4	1
Senior Employees departed post before 31/03/25				
GS Lennox	-	-	-	-
J Fyfe	-	-	-	-

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 (after which 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.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is 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:

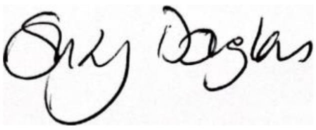
Scottish Borders council has 14 employees (the equivalent of 3.6 FTE) who are TU representatives.

The percentage of working time spent on TU activities by the 14 TU representatives can be broken down as follows:

Percentage of Time	Number of TU Representatives
1% - 50%	10
51% - 99%	2
100%	2
Total	**14**

The percentage of the total pay bill spent on facility time is 0.084% which equates to a cost of £143,066 against a total pay bill of £170,092,379.

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



Suzanne Douglas
Director of Finance

Independent Auditor's Report to the members of Scottish Borders Council and the Accounts Commission

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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.

2024/25				2025/26			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes
99,220	(14,141)	85,078	Infrastructure & Environment	91,628	(18,420)	73,208	
27,006	(1,269)	25,737	Finance	33,590	(2,591)	30,998	
175,576	(101,511)	74,065	Adult Services	197,671	(118,191)	79,480	
208,149	(13,426)	194,723	Education & Childrens Services	198,487	(15,110)	183,378	
62,532	(33,308)	29,224	Resilient Communities	57,086	(28,564)	28,521	
15,353	(5,772)	9,581	Corporate Governance	16,003	(6,215)	9,788	
9,770	(170)	9,600	People Performance & Change	9,783	(190)	9,593	
597,606	**(169,598)**	**428,008**	**Net Cost of Services**	**604,248**	**(189,282)**	**414,966**	
-	-	-	Roads Trading Operation (Surplus)/Deficit (External)	-	-	-	8
			Other Operating Expenditure				
2,944	(2,575)	370	(Gain)/Loss on Disposal of Assets	1,700	(2,663)	(963)	
			Financing & Investment Income and Expenditure				
18,946	-	18,946	Interest Payable & Similar Charges	25,467	-	25,467	29
-	(1,004)	(1,004)	Interest Receivable & Similar Income	-	(1,868)	(1,868)	
-	(4,040)	(4,040)	Net Interest Expense on the Net Defined Benefit Liability	-	875	875	20
			Taxation and Non-Specific Grant Income				
-	(245,383)	(245,383)	Revenue Support Grant	-	(259,766)	(259,766)	
-	(42,222)	(42,222)	Non-Domestic Rates Pool for Scotland	-	(43,024)	(43,024)	
-	(69,499)	(69,499)	Council Tax	-	(75,525)	(75,525)	
-	(28,426)	(28,426)	Capital Grants and Contributions	-	(34,950)	(34,950)	28
619,496	**(562,747)**	**56,749**	**(Surplus)/Deficit on Provision of Services**	**631,415**	**(606,202)**	**25,213**	

Comprehensive Income and Expenditure Statement

2024/25				2025/26			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
619,496	(562,747)	56,749	**(Surplus)/Deficit on Provision of Services**	631,415	(606,202)	25,213	
		(23,916)	(Surplus)/Deficit on revaluation of Non Current Assets			(12,346)	
		373	Any Other (Gains) Or Losses			(554)	
		101,973	Actuarial (gains)/losses on pension assets/liabilities			(729)	
		78,430	**Other Comprehensive Income and Expenditure**			(13,628)	
		135,179	**Total Comprehensive (Income)/Expenditure**			11,584	

Balance Sheet

The Balance Sheet shows the value as at the 31 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 cannot 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'.

2024/25 £'000		2025/26 £'000	Notes
	Property Plant and Equipment		
493,213	Other Land and Buildings	584,238	12
29,982	Vehicle, Plant, Furniture & Equipment	35,825	12
247,687	Infrastructure	256,003	12
5,536	Surplus Assets	4,460	12
97,952	Assets Under Construction	20,284	12
1,014	Heritage Assets	1,014	13
172	Intangible Assets	254	14
5,058	Right Of Use Assets	2,630	16
1,122	Long Term Debtors	1,107	29
0	Pension Asset		20
881,735	**Long Term Assets**	**905,815**	
1,124	Inventories	1,051	24
63,431	Short Term Debtors	65,106	30
(11,560)	less Impairment of Receivables	(12,336)	
1,573	Cash and Cash Equivalents	17,429	34
54,568	**Current Assets**	**71,250**	
(1,835)	Bank Overdrafts	(5,024)	29/34
(99,867)	Short Term Borrowing	(90,541)	29
(57,884)	Short Term Creditors	(56,079)	16/30
(2,628)	Provisions	(683)	25
(162,213)	**Current Liabilities**	**(152,327)**	
(254,129)	Long Term Borrowing	(314,219)	29
(100,462)	Other Long Term Liabilities	(94,868)	16
(703)	Due to Trust Funds and Common Good	(792)	
(3,548)	Provisions	(3,647)	25
(4,331)	Capital Grants Receipts in Advance	(12,879)	28
-	Pension Liability - Funded Obligations		
(15,780)	Pension Liability - Unfunded Obligations	(14,781)	20
(378,953)	**Long Term Liabilities**	**(441,186)**	
395,137	**Net Assets**	**383,552**	

Balance Sheet

2024/25 £'000	Financed By:	2025/26 £'000	Notes
	Useable Reserves		
(8,431)	Capital Fund	(6,926)	
(42,901)	General Fund Balance	(35,955)	
-	Property Maintenance Fund	-	31
(1,226)	Insurance Fund	(751)	
	Unusable Reserves		
(185,923)	Capital Adjustment Account	(192,270)	
4,549	Financial Instruments Adjustment Account	4,281	
(184,272)	Revaluation Reserve	(175,107)	31
15,780	Pension Reserve	14,781	
7,287	Employee Statutory Adjustment Account	8,396	
(395,137)	**Total Reserves**	**(383,552)**	

The unaudited accounts were authorised for issue on 22 June 2026.

Suzanne Douglas CPFA
Director of Finance

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.

Movement in reserves during 2024/25

	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 01/04/2024	(60,862)	(10,220)	0	(1,274)	(72,355)	(457,959)	(530,313)	
Movement in reserves during 2024/25								
Total Comprehensive Income & Expenditure	56,749	-	-	-	56,749	78,430	135,179	C I & E
Depreciation charges to Revaluation Reserve	14,802				14,802	(14,802)	-	
Adjustments between accounting basis & Funding basis under regulations	(53,589)	1,789	-	47	(51,753)	51,753	-	31
(Increase) or Decrease In 2024/25	17,962	1,789	-	47	19,798	115,380	135,179	
Balance at 31/03/2025 carried forward	(42,901)	(8,431)	0	(1,226)	(52,558)	(342,579)	(395,137)	

Movement in reserves during 2025/26

	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 01/04/2025	(42,901)	(8,431)	0	(1,226)	(52,558)	(342,579)	(395,137)	
Movement in reserves during 2025/26								
Total Comprehensive Income & Expenditure	25,213	-	-	-	25,213	(13,628)	11,584	C I & E
Depreciation & Impairment charges to Revaluation Reserve	20,388				20,388	(20,388)	-	
Adjustments between accounting basis & Funding basis under regulations	(38,655)	1,505	-	475	(36,675)	36,675	-	31
(Increase) or Decrease In 2025/26	6,946	1,505	-	475	8,925	2,659	11,584	
Balance at 31/03/2026 carried forward	(35,955)	(6,926)	0	(751)	(43,632)	(339,920)	(383,552)	

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.

2024/25 £'000		2025/26 £'000	2025/26 £'000	Notes
56,749	**Net (surplus) or deficit on the provision of services**	**25,213**		
(108,244)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(65,423)		32
26,823	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	34,950		32
(24,672)	**Net Cash Flows From Operating Activities**		**(5,260)**	
	Investing Activities			
106,912	Purchase of PP&E, investment property and intangible assets	78,858		
(2,575)	Proceeds from PP&E, investment property and intangible assets	(2,627)		
-	Purchase/(Disposal) of short & long term investments	-		
13,156	Other Items which are Investing Activities	(39,257)		
117,493	**Net Cash Flows from Investing Activities**		**36,974**	
	Financing Activities			
(114,619)	Cash received from loans & other borrowing	(50,300)		
6,461	Cash payments for the reduction of the outstanding liabilities relating to right of use assets and on-balance sheet PFI contracts	4,382		
13,000	Repayments of short and long term borrowing	300		
5,835	Other items which are financing activities	1,239		
(89,323)	**Net Cash Flows from Financing Activities**		**(44,379)**	
3,498	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(12,667)**	
3,236	Cash and Cash Equivalents at the beginning of the reporting period		(262)	
(262)	Cash and Cash Equivalents at the end of the reporting period		12,405	34
3,498	Movement		(12,667)	

Note 1 Accounting Policies

General Principles

The Annual Accounts summarise the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. 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 2025/26, 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.

Note 1 Accounting Policies continued

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 and 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 either 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.

Note 1 Accounting Policies continued

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.

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.

Note 1 Accounting Policies continued

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Scottish Borders Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and 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.

Note 1 Accounting Policies continued

Heritage Assets

The Council's collections are held within the stores of the Borders Towns Halls and displayed in various museums in the area. These collections reflect different aspects of our culture, identity and history.

Heritage Assets, where the cost or value of the asset are known, are recognised on the balance sheet at valuation and no depreciation is charged on these assets.

Heritage assets will only be revalued where there is specific evidence that a revaluation is required and where the costs of the revaluation do not outweigh the benefit to users of the financial statements.

The carrying amounts of heritage assets are reviewed, where there is evidence of impairment, for example where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

As a result of the cultural and education value of these assets, disposals of heritage assets tend to be rare. The process of such disposals is accounted for in accordance with the Council's general provision relating to the disposal of property plant and equipment and disclosed separately in the Notes to the Accounts.

Financial Instruments

The following policies are the Council's interpretation of IFRS 9 requirements according to the financial instruments that the Council hold.

Financial assets and liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amounts at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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.

Note 1 Accounting Policies continued

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 (i.e. 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 Council 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 Council 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.

Note 1 Accounting Policies continued

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.

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

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

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

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

Government Grants

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement of Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

Note 1 Accounting Policies continued

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

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).

Note 1 Accounting Policies continued

Operating Leases – (Council as lessor)

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).

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on 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.

Right of Use Assets

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024, the main impact being that for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time'. For leases that were classified as finance leases under IAS17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024 are determined at the carrying amount of the lease asset and lease liability under IAS17 immediately before that date.

The Council has elected to apply recognition exemptions to low value assets (below £5,000 when new) and to short term leases i.e. existing leases that expire on or before 31 March 2026, and new leases with a duration of less than 12 months. Payments paid in relation to these are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the Services benefitting from use of the leased item on a straight-line basis over the remining leaser term.

As noted above, with effect from 1 April 2024 IFRS16 also applies to Service Concession Agreements and recognition of the resultant remeasurement of the lease liability.

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.

Note 1 Accounting Policies continued

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.

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.

Service Concession Agreements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the Council is in control of services provided under the PFI scheme. As ownership of the long-term assets will pass to the Council at the end of the contract for no additional charge, the Council carries the assets on the Balance Sheet.

With effect from 1 April 2024, IFRS 16 (Leases) also applies to service concession arrangements. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

Note 1 Accounting Policies continued

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 on the Balance Sheet using the following measurement bases:

- Infrastructure, vehicles, plant, furniture & equipment and assets under construction – depreciated historical cost. It is the Council's policy that infrastructure assets are replaced at the end of their useful life and therefore carrying value is zero.
- Surplus Assets – fair value estimated at highest and best use from market participants perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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 on 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.

Note 1 Accounting Policies continued

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 on 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.

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.

Note 1 Accounting Policies continued

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 on 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 Council. 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 Council 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 on 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.

Note 1 Accounting Policies continued

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 His Majesty's Revenue and Customs. VAT receivable is excluded from income.

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.

a) Amendments to FRS102 The Reporting Standard Applicable in the UK and Republic Of Ireland (Amendments To Heritage Assets) issued in March 2024.
b) Amendments To the Classification and Measurements OF Financial Instruments (Amendments To IFRS9 And IFRS7) issued in May 2024
c) Annual Improvements to IFRS Accounting Standards – Volume 11 issued in July 2024
d) Contracts Referencing Nature-Dependent Electricity (Amendments To IFRS9 And IFRS7) issued in December 2024.

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:

Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets were transferred from Scottish Borders Council's Balance Sheet to the Common Goods in financial year 2021/22. Common Good building assets currently used by the Council to deliver services have been treated as Right Of Use assets and remain on the Council's balance sheet at a carrying value of £11.301m at 31 March 2026. This is based on continued Council use of the assets and formal lease agreements have been put in place in August 2024 for £11.415m. If this process requires further asset transfers the necessary adjustments will be made following agreement.

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.

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

The items in the Council's Balance Sheet at 31 March 2026 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. The main area of risk in PPE relates to Land and Buildings valued on a Depreciated Replacement Cost basis due to the volatility of inflation rates. More information on the valuations process can be found in Note 12.

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 Council'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 Council's assets and liabilities is disclosed in notes 12 and 29.

Pensions Liability/Asset

Estimation of the liability/asset 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 Council with expert advice about the assumptions to be applied. The effects on the liability/asset 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 £10.262m. However, the assumptions interact in complex ways.

During 2025/26, the Council's actuaries advised that the net pension asset had increased by £32.986m. As a result of a change in market conditions. the accounting cost of future benefits has reduced to such an extent that they are smaller than the contributions expected for the Fund to pay (i.e. the Fund would build up a surplus rather than using it up under these accounting conditions) and so there is no economic benefit accessible to the employer, meaning that no pension asset can be recognised on the Balance Sheet.

Arrears

At 31 March 2026, the Council had Accounts Receivable debtors due of £4.854m and Council Tax debtors of £26.511m. Provision for bad debts amounted to £1.022m and £11.314m 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 £0.102m for Accounts Receivable debtors and £1.131m for Council Tax.

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.

2024/25 Net Expenditure Chargeable to the General Fund £'000	2024/25 Adjustments between the Funding and Accounting Basis £'000	2024/25 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		2025/26 Net Expenditure Chargeable to the General Fund £'000	2025/26 Adjustments between the Funding and Accounting Basis £'000	2025/26 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
57,047	28,031	85,078	Infrastructure & Environment	54,492	18,716	73,208
36,094	(10,358)	25,737	Finance	40,681	(9,682)	30,998
81,817	(7,752)	74,065	Adult Services	88,439	(8,959)	79,480
167,185	27,538	194,723	Education & Childrens Services	170,953	12,425	183,378
29,476	(252)	29,224	Resilient Communities	31,478	(2,957)	28,521
8,702	878	9,581	Corporate Governance	8,897	891	9,788
9,380	220	9,600	People, Performance & Change	9,559	34	9,593
389,701	**38,308**	**428,008**	**Net Cost of Services**	**404,498**	**10,468**	**414,966**
(362,087)	(9,173)	(371,259)	Other Income and Expenditure	(384,727)	(5,027)	(389,754)
27,614	**29,135**	**56,749**	**(Surplus) or Deficit on Provision of Services**	**19,771**	**5,442**	**25,213**
(60,862)			**Opening General Fund Balance**	**(42,901)**		
56,749			(Surplus) or Deficit on General Fund	25,213		
(38,787)			Transfer (to)/from reserves	(18,267)		
(42,901)			**Closing General Fund as 31 March**	**(35,955)**		

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 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	17,814	(296)	(1,179)	16,339	(2,375)	13,964
Finance	(18,796)	(32)	(4)	(18,833)	8,609	(10,224)
Adult Services	1,852	(250)	(1,347)	254	(7,363)	(7,109)
Education & Childrens Services	21,102	(295)	598	21,405	(4,876)	16,530
Resilient Communities	3,951	(134)	(699)	3,118	(6,749)	(3,631)
Corporate Governance	522	(88)	498	933	41	974
People, Performance & Change	-	(51)	50	(1)	(35)	(36)
	26,444	**(1,145)**	**(2,083)**	**23,216**	**(12,748)**	**10,468**
Other income and expenditure from the Expenditure and Funding Analysis	(10,446)	875	(1,868)	(11,439)	6,412	**(5,027)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**15,999**	**(270)**	**(3,951)**	**11,778**	**(6,336)**	**5,442**

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2024/25

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	18,418	1,021	(368)	19,072	8,960	28,031
Finance	(7,845)	115	(12)	(7,742)	(2,615)	(10,358)
Adult Services	258	898	(174)	983	(8,735)	(7,752)
Education & Childrens Services	37,943	1,089	590	39,622	(12,084)	27,538
Resilient Communities	5,341	479	(358)	5,462	(5,714)	(252)
Corporate Governance	531	317	41	889	(11)	878
People, Performance & Change	-	190	(8)	182	39	220
	54,647	**4,109**	**(288)**	**58,468**	**(20,160)**	**38,308**
Other income and expenditure from the Expenditure and Funding Analysis	(9,936)	(4,040)	(944)	(14,920)	5,748	(9,173)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**44,711**	**69**	**(1,233)**	**43,547**	**(14,412)**	**29,135**

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 Comprehensive Income & Expenditure Statement.

(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, e.g. 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, e.g. for non ring-fenced government grants.

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

Note 5 Expenditure and Funding Analysis

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

Expenditure/Income	2024/25 £`000	2025/26 £`000
Expenditure		
Employee Benefits Expenses	220,013	231,444
Other Service Expenses	297,234	310,732
Support Services Recharges	390	384
Depreciation, Amortisation, Impairment	79,965	61,687
Interest Payments	18,885	25,467
Loss on Disposal of Assets	2,944	1,700
Total Expenditure	**619,431**	**631,415**
Income		
Fees, Charges and Other Service Income	(169,533)	(189,282)
Interest and Investment Income	(5,044)	(993)
Gain on Disposal of Assets	(2,575)	(2,663)
Income from Council Tax and Non Domestic Rates	(111,721)	(118,549)
Government Grants and Contributions	(273,809)	(294,716)
Total Income	**(562,682)**	**(606,202)**
(Surplus) or Deficit on the Provision of Services	**56,749**	**25,213**

Note 6 Acquired and Discontinued Operations

There were no Acquired or Discontinued operations in 2025/26.

Note 7 Prior Year Adjustments

There were no Prior Year Adjustments reported in 2025/26.

Note 8 Significant Trading Operation

SBc Contracts was the only 'Significant Trading Operation' at Scottish Borders Council in terms of the Local Government (Scotland) Act 2003, however a reclassification agreed on 10 September 2024 defined SBc Contracts as a Trading Operation and therefore there is no requirement to disclose trading performance separately.

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2025/26, Scottish Borders Council received £0.455m (2024/25 £0.449m) 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 2026.

The Council collects National Non-Domestic Rates Income under an agency arrangement, which is then remitted to the Scottish Government, where it is pooled nationally and re-distributed back to Councils along with the General Revenue Grant. Further details can be found in the NDR Income Account.

Note 10 Related Parties

The Council is required under IAS 24 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.

Entities with Significant Influence:

Central Government i.e. 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. Income from Scottish Government amounted to £292.460m in 2025/26 (2024/25: £271.203m). Amounts due from Scottish Government at 31 March 2026 relating to 2025/26 are £1.560m (2024/25: £2.114m).

Other Public Bodies:

Other public bodies that the Scottish Government have control or significant influence over are considered related parties by IAS 24. The material transactions for these bodies are reported below:

	2025/26			
	Income £'000	Expenditure £'000	Net Expenditure £'000	Debtor/(Creditor) £'000
Public Bodies				
Other Local Authorities	2,663	1,993	(670)	1,157
NHS Bodies	16,410	1,399	(15,011)	(23)
Scottish Qualifications Authority	28	554	526	-
Scottish Water	473	98	(375)	-
Scottish Water Horizons	-	85	85	-
South of Scotland Enterprise Agency	2,036	356	(1,680)	13
Disclosure Scotland	-	44	44	(1)
Care Inspectorate	-	117	117	(8)
Scottish Fire & Rescue Service	2	4	2	-
Historic Environment Scotland	311	-	(311)	665
Scottish Police Authority	30	148	118	-
Sport Scotland	25	-	(25)	-
Transport Scotland	191	1,740	1,549	13
Business Stream	-	1,095	1,095	1,033
	22,169	**7,633**	**(14,536)**	**2,849**

Note 10 Related Parties continued

The Council works closely with NHS Borders 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 £2.967m (2024/25: £2.699m) was transferred from NHS Borders and utilised as follows:

	2024/25	2025/26
Children's Services	£0.112m	£0.116m
Older People	£1.289m	£1.421m
Adults with Learning Difficulties	£1.033m	£1.157m
People with Mental Health Needs	£0.134m	£0.138m
Support Services	£0.131m	£0.135m

Other funding from NHS Borders in 2025/26 to support services are:

	2024/25	2025/26
Older People	£9.743m	£11.03m
Adults with Learning Difficulties	£2.011m	£2.189m
People with Mental Health Needs	£0.628m	£0.498m
People with Physical Difficulties	£0.264m	£0.275m
Other Support Services	£1.995m	£1.509m

Community Equipment Store:

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure (funded by Scottish Government) totalled £1.491m in 2025/26 (2024/25: £1.173m), with a contribution from NHS Borders of £0.909m (2024/25: £0.714m).

Key Management Personnel:

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 highlighted that during 2025/26 the Council commissioned material works and services totalling £0.403m from a business in which a Councillor declared an interest. Contracts were entered into in full compliance with the Council's standing orders and the Councillors Code of Conduct. The total value of transactions between the Council and companies in which members have an interest in 2025/26 was £0.461m (2024/25: £0.484m). The Remuneration Report shows the total allowances paid to Senior Members in 2025/26. 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 material transactions of £0.350m between the Council and a 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 £0.415m (2024/25: £0.074m).

Note 10 Related Parties continued

Joint Ventures:

The Scottish Borders Health and Social Care Integration Board was established on 6 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 2025/26 the Council made a payment of £80.043m to the Board (2024/25: £73.743m) with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. An additional payment of £8.288m (2024/25: £8.207m) was made for the provision of services relating to the Social Care Fund with income directly funded by NHS Borders. At 31 March 2026 a debtor of £1.824m and creditor figure of £1.806m between the board and Scottish Borders Council was outstanding (2024/25: £1.346m and £1.329m).

Subsidiaries:

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 2025/26 and received no interest during the year. At 31 March 2025 and 2026 no debtor between Bridge Homes and SBC was outstanding. Bridge Homes LLP had previously been consolidated into the Council's Group Accounts as a subsidiary.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1 April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. Following a review of services provided by the Trust it was decided to transfer Active Schools and Sports development back under the control of the Education and Children's Services directorate of Scottish Borders Council from 1 October 2024. Payments of £6.611m (including management fee of £5.647m) were made to the trust in 2025/26 (2024/25: £7.720m and £5.403m). 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 to ensure the continuation of the tenancy arrangements. Rental income for 2025/26 due to Lowood Tweedbank Limited amounted to £0.050m (2024/25: £0.049m). Lowood Tweedbank is a subsidiary of Scottish Borders Council which has been excluded from the Council's Group Accounts on the basis of materiality.

SB Inspires LLP was established on 3 November 2021. The principal activity of SB Inspires is delivering professional development training and digital education consultancy to educators in Scotland as an accredited Apple Professional Learning Provider (APLP). SB Inspires had a turnover of £0.136m in 2025/26 (2024/25: £0.133m). SB Inspires LLP 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 £0.331m for 2025/26 (2024/25 £0.345m) Common Good and Trusts are consolidated into Scottish Borders Council Group Accounts as subsidiaries. Notes 35 and 36 includes detail of transactions administered by Scottish Borders Council on behalf of Common Good and Trusts.

Note 10 Related Parties continued

Other Related Parties:

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 2025/26, the Scottish Borders Council Pension Fund had an average balance of £1.2m (2024/25: £1.1m) of cash administered by Scottish Borders Council within separate external banking arrangements. In addition, the Council charged the Pension Fund £0.029m (2024/25: £0.026m) 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:

	2024/25	**2025/26**
Due to/ (from) the Scottish Borders Council Pension Fund	(£0.469m)	(£0.500m)

Associates:

The Council previously provided routine material financial assistance (management fee) to other bodies as follows:

	2024/25	**2025/26**
Jedburgh Leisure Facilities Trust	£0.125m	£0.000m

Jedburgh Leisure Facilities Trust was recognised as an Associate of Scottish Borders Council and had been excluded from Council's Group Accounts on the basis of materiality.

Jedburgh Leisure Facilities Trust ceased trading on 29th November 2024 and entered insolvency proceedings on 5 December 2024.

Note 11 Audit Remuneration

In 2025/26, the agreed audit fee for the year was £0.364m in respect of services provided by Audit Scotland (2024/25: £0.349m).

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2025/26

	Property Plant & Equipment					
	Other Land & Buildings £'000	VPFE * £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Gross book value (GBV) at 31 March 2025	**504,760**	**108,524**	**99,099**	**5,957**	**1,014**	**719,354**
Acquisitions & Recognition in the year	4,724	16,712	33,375	31	-	**54,842**
Revaluation Increase/(Decrease) To Revaluation Reserve	5,517	-	-	-	-	**5,517**
Revaluation Increase/(Decrease) To CIES	(13,211)	-	-	(2,068)	-	**(15,279)**
Transfers	107,422	114	(111,044)	1,340	-	**(2,168)**
Disposals	(2,155)	(2,108)	-	(798)	-	**(5,061)**
Gross book value (GBV) at 31 March 2026	**607,057**	**123,242**	**21,430**	**4,462**	**1,014**	**757,205**
Cumulative depreciation at 31 March 2025	**(11,547)**	**(78,542)**	**(1,147)**	**(421)**	**-**	**(91,657)**
Depreciation for the year	(21,411)	(10,428)	-	(601)	-	**(32,440)**
Revaluation Written Out To Revaluation Reserve	7,363	-	-	971	-	**8,334**
Revaluation Written Out To CIES	2,554	-	-	56	-	**2,610**
Impairment Losses Recognised In Revaluation Reserve	(464)	-	-	-	-	**(464)**
Impairment Losses Recognised In CIES	(643)	(480)	-	(31)	-	**(1,154)**
Transfers	88	-	-	(88)	-	**-**
Disposals	1,242	2,032	-	112	-	**3,386**
Cumulative depreciation at 31 March 2026	**(22,818)**	**(87,418)**	**(1,147)**	**(2)**	**-**	**(111,385)**
Net book value at 31 March 2026	**584,238**	**35,825**	**20,284**	**4,460**	**1,014**	**645,820**
Net book value at 31 March 2025	**493,213**	**29,982**	**97,952**	**5,536**	**1,014**	**627,697**

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2025/26

Right of Use Assets (included in Other Land and Buildings)

The balances shown under Other Land and Buildings include the Council's PPP arrangements for the provision of five secondary schools, as detailed in Note 17 (value of these right of use assets is £138.697m) and Common Good building assets currently used by the council to deliver services, as detailed in Note 12 (the value of these right of use assets is £11.301m).

The IFRS16 remeasurement of PPP lease liability of £4.304m is included in 'Other Land and Buildings', however is considered as part of the valuation of the overall asset and therefore does not necessarily correspond to the net change in asset value.

Comparative Movements in 2024/25

	Property Plant & Equipment					
	Other Land & Buildings £'000	VPFE £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Gross book value (GBV) at 31 March 2024	**479,646**	**112,924**	**136,536**	**6,446**	**1,014**	**736,565**
Acquisitions & Recognition in the year	34,191	11,085	82,017	423	-	**127,716**
Revaluation Increase/(Decrease) To Revaluation Reserve	7,494	-	-	(800)	-	**6,694**
Revaluation Increase/(Decrease) To CIES	(32,681)	-	-	(132)	-	**(32,813)**
Transfers	17,710	215	(119,454)	696	-	**(100,833)**
Disposals	(1,600)	(15,700)	-	(675)	-	**(17,975)**
Gross book value (GBV) at 31 March 2025	**504,760**	**108,524**	**99,099**	**5,957**	**1,014**	**719,354**
Cumulative depreciation at 31 March 2024	**(4,961)**	**(80,262)**	**(1,131)**	**1**	**-**	**(86,353)**
Depreciation for the year	(24,028)	(11,864)	-	(536)	-	**(36,428)**
Revaluation Written Out To Revaluation Reserve	17,009	-	-	508	-	**17,517**
Revaluation Written Out To CIES	3,719	-	-	29	-	**3,748**
Impairment Losses Recognised In Revaluation Reserve	(196)	-	-	(100)	-	**(296)**
Impairment Losses Recognised In CIES	(4,045)	(492)	(16)	(323)	-	**(4,876)**
Transfers	-	-	-	-	-	**-**
Disposals	955	14,076	-	32	-	**15,031**
Cumulative depreciation at 31 March 2025	**(11,547)**	**(78,542)**	**(1,147)**	**(421)**	**-**	**(91,657)**
Net book value at 31 March 2025	**493,213**	**29,982**	**97,952**	**5,536**	**1,014**	**627,697**
Net book value at 31 March 2024	**474,685**	**32,662**	**135,405**	**6,447**	**1,014**	**650,212**

Note 12 Property, Plant & Equipment continued

Infrastructure Assets

Due to practical difficulties in applying the Code of Practice on Local Authority Accounting in the United Kingdom's requirements in relation to the measurement of infrastructure assets and the application of component accounting for the recognition and derecognition of replaced components of infrastructure assets, the Scottish Government has issued Local Government Finance Circular 09/2022 Statutory Override – Accounting for Infrastructure Assets. In accordance with this, the Council has applied the permitted statutory overrides to exclude the reporting of gross cost and accumulated depreciation in relation to this class of asset and to account for the derecognition of any replaced part of an infrastructure asset at nil value.

The movements in relation to Infrastructure Assets for 2025/26 and 2024/25 are as follows.

	Infrastructure Assets (£000's)	
	2024/25	2025/26
Opening Net Book Value	**144,706**	**247,687**
Acquisitions & Recognition in the year	12,367	18,017
Revaluations	-	699
Transfers	100,833	2,167
Disposals	-	(26)
Depreciation for the year	(9,322)	(12,356)
Impairment Losses Recognised In CIES	(897)	(186)
Closing Net Book Value	**247,687**	**256,002**

Total Property, Plant and Equipment

	2024/25 £'000	2025/26 £'000
Infrastructure Assets Net Book Value at 31 March	247,687	256,002
Other Property, Plant & Equipment Net Book Value at 31 March	627,697	756,864
Total PPE Net Book Value at 31 March	**875,384**	**1,012,866**

The Council had no investment properties in 2025/26.

Note 12 Property, Plant & Equipment continued

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.

Capital Commitments

As at 31 March 2026 the Council has entered into several commitments for the construction or enhancement of Property, Plant and Equipment in future years, this is budgeted to cost £67.770m (2024/25: £41.362m). These commitments can be categorised as follows:

	Capital Commitments as at 31 March 2025 £'000	Capital Commitments as at 31 March 2026 £'000
Infrastructure & Environment		
Hawick Flood Protection Scheme	2,173	1,034
Other Infrastructure & Environment	476	1,655
Education & Lifelong Learning		
Galashiels Community Campus	15,017	2,761
Peebles High School	15,092	3,690
Earlston Primary School	516	-
Hawick High School	-	49,998
Other Education & Lifelong Learning	299	1,063
Strategic Commissioning & Partnerships		
ICT Transformation Project	7,086	3,051
Resilient Communities		
Borders Innovation Park Phase 2 & 3	-	1,312
Former Jedburgh Grammer School Demolition	-	1,348
Other Resilient Communities	410	1,613
Social Work & Practice		
Tweedbank Care Village	162	245
Other Social Work & Practice	131	-
Total	**41,362**	**67,770**

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 2025/26 the fixed assets relating to Technical Services and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.

Note 12 Property, Plant & Equipment continued

- 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 both the Council's Estates Surveyor, J. Stewart MRICS, and D.M Hall, Chartered Surveyors during 2025/26.

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.

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. Valuations are carried out internally with some contracted to DM Hall, Chartered Surveyors and reviewed by the internal Estates Team. 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:

- 31 March 2026 – Technical Services and Surplus Properties
- 31 March 2025 – Common Good, Trust and Surplus Properties
- 31 March 2024 – Planning, Economic Development, and Surplus Properties
- 31 March 2023 – Education & Lifelong Learning and Surplus Properties
- 1 April 2021 – Social Work, Resources and Surplus Properties

Note 12 Property, Plant & Equipment continued

Revaluations

In 2025/26, the requirement to revalue an asset when its fair value differs materially from its carrying value has been withdrawn (IAS 16 paragraph 34). Instead, the Council has adopted the following process as detailed in the CIPFA Code of Practice:

A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Council engaged DM Hall to undertake an indexation review of assets valued on a Depreciated Replacement Cost basis and the internal Estates team completed an indexation review of the other assets which had not been subject to formal valuation in year.

Based on this exercise, certain Depreciated Replacement Cost assets were revalued at 31 March 2026 to reflect material changes identified in their carrying value.

	Property Plant & Equipment					
	Other Land & Buildings £'000	VPFE £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Cost	561,187	123,242	132,474	11,062	1,014	**828,979**
New Certified Valuation						
31st March 2026	(7,694)	-	-	(2,068)	-	**(9,762)**
31st March 2025	(19,725)	-	-	(932)	-	**(20,657)**
31st March 2024	13,642	-	-	18	-	**13,660**
31st March 2023	2,198	-	-	522	-	**2,720**
31st March 2022	57,449	-	-	(4,140)	-	**53,309**
Gross book value (GBV) at 31 March 2026	**607,057**	**123,242**	**132,474**	**4,462**	**1,014**	**868,249**

Further revaluation gains of £0.699m over the periods above were recognised in relation to Infrastructure Assets but as per Local Government Finance Circular 09/2022 Statutory Override – Accounting for Infrastructure Assets, have not been included in the table above at Gross Book Value.

Common Good Assets Judicial Review

Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets were transferred from Scottish Borders Council's Balance Sheet to the Common Goods in financial year 2021/22. Common Good building assets currently used by the Council to deliver services have been treated as Right of Use assets and remain on the Council's balance sheet at a carrying value of £11.301m at 31 March 2026.

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 2024	161	771	82	1,014	1,014
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2025	161	771	82	1,014	1,014
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2026	161	771	82	1,014	1,014

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 Resilient Services Directorate 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 Borders artists including Tom Scott and Anne Redpath and pictures of Borders 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.

Note 14 Intangible Assets

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

2024/25 £'000		2025/26 £'000
2,140	**Gross book value (GBV) at 31 March**	473
20	Expenditure in the year	208
(1,687)	Disposals	-
473	**Gross book value (GBV) at 31 March**	679
(1,838)	**Cumulative amortisation at 31 March**	(301)
(150)	Amortisation for the year	(124)
1,687	Disposals	-
(301)	**Cumulative amortisation at 31 March**	(425)
172	**Net book value at 31 March**	254

There were no revaluations of intangible assets in 2024/25 or 2025/26.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2024/25 or 2025/26.

Note 16 Leases

Council as lessee

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles.

Right-of-use assets

The Council adopted IFRS 16 from 1 April 2024, to recognise right of use assets, which meant that the majority of leases where the Council acts as lessee came onto the balance sheet. With effect from 1 April 2024, IFRS 16 also applied to service concession arrangements i.e. Public Private Partnerships (PPP) and similar schemes. The contractual arrangements continue to be disclosed in Note 17.

Right-of-Use Assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in the year of adoption and not by adjusting prior year figures.

The Council has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets (less than £5,000). The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Council used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Authority's incremental borrowing rate at that date.
- A single discount has been applied to portfolios of leases with reasonably similar characteristics.

Notes to the Core Financial Statements

Note 16 Leases continued

- The weighted average of the incremental borrowing rates used to discount liabilities was 5.07%.
- Right-of use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2026 – any initial direct costs have been excluded.
- All leases were assessed as to whether they were onerous at 31 March 2026, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2026 balance sheet.

2024/25 £'000		2025/26 £'000
	Short Term Creditors	
8,899	Leases - PPP arrangements	8,917
1,485	Leases - ROU	1,317
10,384		10,234
	Other Long Term Liabilities	
96,859	Leases - PPP arrangements	92,169
3,603	Leases - ROU	1,381
100,462		**93,550**
110,846		**103,784**

Right of Use Assets (included in Other Land and Buildings)

The balances shown under Other Land and Buildings relate to the Council's PPP arrangements for the provision of five secondary schools (value of these right of use assets is £138.697m) and Common Good building assets currently used by the council to deliver services, as detailed in Note 12 (the value of these right of use assets is £11.301m).

2024/25 £'000		2025/27 £'000
148,199	**Opening Net Book Value**	154,330
29,051	Adjustment for IFRS16 Transition	-
177,250	**Revised Opening Net Book Value**	154,330
2,131	Remeasurement for IFRS16	4,304
-	Additions	38
-	Disposals	-
(4,797)	Depreciation charge for the year	(4,733)
(20,254)	Revaluations in year	(3,966)
(22,920)		**(4,357)**
154,330	**Closing Net Book Value**	**149,973**

The right of use assets related to common good are treated as donated assets held at fair value on the Balance Sheet with a peppercorn lease liability.

Note 16 Leases continued

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Balance at 1 April 2025	3,186	1,872	5,058
Additions	7	132	139
Adjustments	17	14	31
Revaluations			-
Depreciation/Amortisation	(1,944)	(623)	(2,567)
Disposals	(29)	(3)	(32)
Balance at 31 March 2026	**1,238**	**1,392**	**2,630**

Maturity analysis of lease liabilities

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 minimum lease payments are made up of the following amounts:

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected payments):

2024/25 £'000		2025/26 £'000
10,384	Not later than one year	10,234
34,285	Later than one year and not later than five years	26,827
66,178	Later than five years	66,723
110,846	**Total**	**103,784**

The amount charged to the Council CIES amounted to £3.9m in 2025/26 (2024/25: £5.8m), related to total interest expense on the lease liabilities.

Low value and short-term leases

Leases that do not meet the definition of a finance lease are accounted for as operating leases. Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease

The disclosures below relate to low value (below £5k) assets and leases that have less than 12 months to run.

Maturity Analysis

2024/25 £'000		2025/26 £'000
840	Not later than one year	840
1,256	Later than one year and not later than five years	558
-	Later than five years	-
2,097	**Total**	**1,398**

Note 16 Leases continued

Asset classes

2024/25 £'000		2025/26 £'000
46	Other Land and Buildings	46
2,050	Vehicles, Plant, Furniture and Equipment	1,352
2,097	**Total**	**1,398**

Recognised as expense during the year is £0.8m.

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:

2024/25 £'000		2025/26 £'000
1,873	Not later than one year	817
1,418	Later than one year and not later than five years	2,022
3,193	Later than five years	3,847
6,484	**Total**	**6,686**

Note 17 Private Finance Initiatives and Similar Contracts

During 2006/07, the Council entered a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. Since then, agreements have been entered into for Kelso High School and Jedburgh Intergenerational Community Campus.

The agreements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the Council is in control of services provided under the PFI scheme. As ownership of the long-term assets will pass to the Council at the end of the contract for no additional charge, the Council carries the assets on the Balance Sheet. The assets classified under these leases are included in Other Land and Buildings.

The Council makes an agreed payment each year, some of 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.

Note 17 Private Finance Initiatives and Similar Contracts continued

Contractual payments remaining to be made under the PPP contract at 31 March 2026 are as follows:

	Payments for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2026/27	9,786	4,347	3,500	17,634
Payable within two to five years	42,972	17,521	13,623	74,117
Payable within six to ten years	64,071	23,860	13,470	101,401
Payable within eleven to fifteen years	43,559	17,974	9,592	71,125
Payable within sixteen to twenty years	3,715	6,798	5,782	16,295
Payable within twenty one to twenty five years	-	-	-	-
Total	**164,104**	**70,501**	**45,967**	**280,572**

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.

Implementation of PPP Service Concession Flexibilities

The Council has exercised the Service Concessions flexibility made through Financial Circular 10/2022 (Finance Leases and Service Concession Arrangements), with the statutory repayment of principal elements of the lease component of service concession arrangements being made over the estimated asset lives (up to 50 years), as opposed to the period of the contract.

Payments made to operators remain unchanged, with differences between the actual amounts paid to the operator towards liability under the contracts and the principal repayments recognised through the Comprehensive Income and Expenditure Statement being held in the Capital Adjustment Account. Further details are disclosed in Note 31.

The current notional repayments noted above have been compared against an annuity repayment profile based on the estimated useful asset lives for each of the PPP arrangement over the contract period. The most appropriate asset life is considered to be 50 years which replicates the useful asset life of other similar type assets held on the Council's Balance Sheet i.e. schools. By applying the flexibility, a one-off combined retrospective saving of £29.093m was achieved. In year savings have been realised in the scheduled debt repayment for 2025/26 is £3.278m. This will be followed by a reduction in the annual charges for a further 13 years and then the continuation of the statutory charges after the PPP and similar contracts have been repaid. Over the full asset life of the arrangement, the total repayment for the debt liability remains the same.

	Total of PPP Schemes		
	Current Position	Principal Repayments based on simple 50 year annuity	
PPP Principal Repayments	Current Repayment	Revised Repayment	(Reduction)/Cost
	£'000	£'000	£'000
pre 2025/26	46,190	10,075	(36,115)
2025/26	4,382	1,104	(3,278)
Years 2-5	16,883	4,986	(11,897)
Years 6-10	22,860	7,737	(15,123)
Years 11-25	28,958	38,215	9,257
Years 26-40	-	49,128	49,128
Years 41-50	-	8,028	8,028
TOTAL	119,273	119,273	

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.

2024/25 £'000		2025/26 £'000	
411,878	Opening capital financing requirement		512,727
	Capital Investment		
-	Consent to Borrow	-	
-	Subordinated Debt	-	
3,572	Service Concession Arrangement	-	
140,518	Property, plant and equipment	82,078	
5,058	Right of Use Assets	170	
20	Intangible assets	208	82,454
	Sources of Finance		
(4,031)	Capital Receipts	(1,600)	
(32,372)	Government grants and other contributions	(40,646)	
-	NHT Repayment of Principal	-	
(2)	Subordinated Debt Repayment	(1)	
(11,914)	Loans fund repayments	(17,016)	(59,262)
512,727	**Closing Capital Financing Requirement**		**535,919**

2024/25 £'000		2025/26 £'000
	Explanation of Movements in Year	
-	Increase in underlying need to borrow (supported by government financial assistance)	-
100,849	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	23,191
100,849	**Increase/(Decrease) in capital financing requirement**	**23,191**

Note 19 Termination Benefits

During 2025/26 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 3 employees, incurring expenditure of £0.046m - 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.

Note 20 Defined Benefit Pension Schemes continued

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 recognises 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.

2024/25 £'000	Comprehensive Income and Expenditure Statement	2025/26 £'000
	Cost of Services	
22,144	Current Service Costs	17,554
0	Past Service Costs, including curtailments	85
	Financing and Investment Income and Expenditure	
(4,040)	Net Interest Expense	875
18,104	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**18,514**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
17,665	Return on plan assets (excluding the amount included in the net interest expense)	4,752
(108,817)	Actuarial (gains) and losses arising on changes in financial assumptions	(19,450)
(6,970)	Actuarial (gains) and losses arising on changes in demographic assumptions	4,032
(1,194)	Other	4,918
201,289	Changes in the effect of the asset ceiling	(14,523)
101,973	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(20,271)**
	Movement in Reserves Statement	
69	Reversal of net charges made for retirement benefits in accordance with the Code	270
	Actual amount charged against the General Fund Balance for pensions in the year	
16,592	Employers' contributions payable to the scheme	17,357
1,443	Retirement benefits payable to pensioners	1,427
-	Effect Of Business Combinations & Disposals	-

Note 20 Defined Benefit Pension Schemes continued

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 normally the net liability represented by the present value of the defined benefit obligation and the fair value of the plan assets. For 2025/26 the actuarial gains have resulted in a net asset position.

IAS 19 Employee Benefits requires that the net defined benefit asset recognised in the Balance Sheet is measured at the lower of the net asset position in the defined benefit fund and the asset ceiling, which is defined as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Following advice from the Council's actuary, the net pension asset recognised in the balance sheet has been limited to £nil in line with the accounting requirements of IFRIC 14.

Separately the Council has continued to recognise the unfunded element of its pension liabilities as there are no scheme assets to cover the future costs of these liabilities as they are due going forward.

2024/25 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2025/26 £'000
636,767	Present value of the defined benefit obligation	659,147
(822,276)	Fair value of plan assets	(871,845)
(185,509)	Sub total	(212,698)
201,289	Asset Ceiling Adjustment	227,479
15,780	**Net liability/(asset) arising from defined benefit obligation**	**14,781**

IFRIC 14 limits the measurement of the defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In accordance with IFRIC 14, the pension asset derived through IAS 19 valuation should be capped at the pension asset ceiling. This represents the economic benefit available as a reduction in future contributions. This is calculated as the present value of IAS 19 future service costs (calculated based on IAS 19 assumptions as at the balance sheet date) less the present value of future service contributions if these are classed as a minimum funding requirement.

The pension asset ceiling has been calculated in accordance with IFRIC 14 by the Council's appointed actuaries. The calculation assumes the future working lifetime of the employer as 8 years as at the most recent triennial funding valuation. It assumes a discount rate of 6.2% p.a. and salary increase of 3.7% p.a. from the employer's 31 March 2026 accounting report, giving an annuity of 41.5.

	2025/26 £'000
Net present value of estimated future service costs	696,163
Net present value of future contributions	851,808
Net Asset Ceiling	0

As the net present value of future contributions are greater than the net present value of estimated future service costs, the asset ceiling is £0.

Note 20 Defined Benefit Pension Schemes continued

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2024/25 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2025/26 £'000
805,693	**Opening Fair Value of Scheme Assets**	822,276
38,544	Interest Income	47,612
	Remeasurement (gains) and losses:-	
(17,665)	Return on plan assets, excluding the amount included in the net interest expense	4,752
16,592	Employer Contributions including unfunded pensions	17,357
5,722	Contributions by Scheme Participants	6,046
(26,610)	Estimated Benefits Paid	(26,198)
822,276	**Closing Fair Value of Scheme Assets**	**871,845**

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

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 2026.

2024/25 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2025/26 £'000
719,431	**Opening Defined Benefit Obligation**	636,767
22,144	Current Service Cost	17,554
34,504	Interest Cost	36,820
5,722	Contributions by Scheme Participants	6,046
-	Effect Of Business Combinations & Disposals	-
	Remeasurement (gains) and losses:-	
(108,817)	Actuarial (gains)/losses arising from changes in financial assumptions	(10,500)
(8,164)	Other	-
	Past Service Cost	85
(26,610)	Benefits Paid	(26,198)
(1,443)	Unfunded Pension Payments	(1,427)
636,767	**Closing Defined Benefit Obligation**	**659,147**

Note 20 Defined Benefit Pension Schemes continued

Local Government Pension Scheme assets comprised:

2024/25 £'000	Local Government Pension Scheme assets comprised:	2025/26 £'000
13,787	Cash and cash equivalents	25,828
	Equity Instruments	
	By industry type	
28,998	Consumer	32,253
18,825	Manufacturing	23,919
21,035	Energy and utilities	26,346
148,559	Financial Institutions	122,275
12,447	Health and Care	13,925
20,965	Information Technology	29,702
0	Other	
250,829		**248,420**
	Investment Funds - Quoted in Active Market	
0	Managed Fund - UK Equities Passive	0
0	Managed Fund - Property	0
0	Managed Fund - Bonds	0
0	Managed Fund - Infrastructure	0
0	Managed Fund - Other	0
0		**0**
	Debt Securities - Unquoted	
77,844	Corporate Bonds (investment grade)	83,682
36,312	Corporate Bonds (non-investment grade)	
58,182	Other	93,497
172,338		**177,179**
	Private Equity - Unquoted	
142,683	All	129,777
	Real Estate	
2,480	UK property - quoted	964
82,265	UK property - unquoted	90,535
-	Overseas Property - quoted	2,742
84,745		**94,241**
	Investment Funds and Unit Trusts - Unquoted	
88,961	Equities	111,150
68,933	Bonds	85,249
-	Other	1
157,894		**196,400**
822,276	**Total Assets**	**871,845**

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

2024/25 £'000	Fair Value of Scheme Assets	2025/26 £'000
	Equity instruments:	
	By company size	
250,829	Large capitalisation	248,420

Note 20 Defined Benefit Pension Schemes continued

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 at 31 March 2023.

The principal assumptions used by the actuary are shown below:

2024/25	Basis for Estimating Assets and Liabilities	2025/26
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
20.60	Men	21.00
23.20	Women	23.40
	- longevity at 65 for future pensioners (years)	
21.00	Men	21.30
24.80	Women	24.90
2.8%	Rate of inflation - CPI	3.0%
3.5%	Rate of increase in salaries	3.7%
2.8%	Rate of increase in pensions	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%

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

2024/25		Category Analysis of the Scheme Assets as at 31 March	2025/26	
%	£'000		%	£'000
42	339,790	Equities	42	359,570
-	-	Gilts	-	-
29	241,271	Other Bonds	30	262,428
10	84,745	Real Estate	11	94,241
2	13,787	Cash	3	25,828
-	0	Multi-Asset Fund	-	-
17	142,683.0	Private Equity	15	129,778
-	0	Infrastructure	-	-
100	**822,276**	**Total**	**100**	**871,845**

Note 20 Defined Benefit Pension Schemes continued

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, i.e. 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	1%
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 2025/26 the Council paid £16.032m to teachers' pensions in respect of teachers' retirement benefits, representing 26% of pensionable pay for the period 1 April 2025 to 31 March 2026 (£15.525m in 2024/25). 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 2025/26 these amounted to £0.766m representing 1.24% of pensionable pay (£0.784m and 1.30% in 2024/25).

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 2026 there were 13,466 members (2024/25:13,419).

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, Finance Team, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 23 Events after the Reporting Period

The unaudited annual accounts were issued by the Director of Finance on 22 June 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2026 the financial statements have been adjusted in all material respects.

Note 24 Inventories

2024/25 £'000		2025/26 £'000
1,473	**Balance outstanding at start of year**	**1,124**
(349)	Movement during year	(73)
1,124	**Balance outstanding at year-end**	**1,051**

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	Historical Legal Claims £'000	Municipal Mutual Insurance £'000	Asset Decommissioning £'000	Hawick Flood Protection £'000	Total £'000
Balance at 1 April 2025	(50)	(29)	(389)	(3,756)	(1,952)	(6,176)
Additional charges to provisions	-	-	-	(127)	-	(127)
Payments made or released	-	-	-	22	1,952	1,974
Balance at 31 March 2026	(50)	(29)	(389)	(3,861)	-	(4,329)

Within 12 Months	(50)	(29)	(389)	(214)	-	(682)
Over 12 months	-	-	-	(3,647)	-	(3,647)
Total	(50)	(29)	(389)	(3,861)	-	(4,329)

Note 25 Provisions continued

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

Historical Legal Claims Provision relates to civil claims raised against the Council in relation to historical child abuse.

Municipal Mutual Insurance – estimate of outstanding claims relating to the Council following Municipal Mutual Insurance Ltd ceasing operations in 1992.

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.

Provision for Hawick Flood Protection scheme relates to the anticipated costs required to complete the asset.

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- 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 must 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.
- On 3 December 2025, Scottish Borders Council issued a letter of comfort to provide assurance on its commitment of the provision of ongoing financial support to Live Borders. This remains in place for at least a period of 12 months following the signing of Live Borders Accounts for the year ended 31 March 2025.
- Significant additional costs relating to asbestos removal required as part of the demolition of the old Peebles High School, Galashiels Academy and Hawick High School are being investigated. However, it is not possible to quantify the financial impact on Scottish Borders Council at this time.

Note 27 Contingent Assets

The following Contingent Assets are noted:

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

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2025/26.

2024/25 £'000		2025/26 £'000
	Credited to Taxation and Non Specific Grant Income	
(12,450)	General Capital Grant	(14,295)
(8,626)	Other Grants	(20,458)
(7,350)	Developer Contributions	(197)
(28,426)	**Total**	**(34,950)**
	Credited to Services	
(488)	Infrastructure & Environment	(301)
(9)	Finance	(164)
(16)	Adult Services	(21)
(7,119)	Education & Childrens Services	(10,049)
(28,627)	Resilient Communities	(23,937)
(1,745)	Corporate Governance	(1,810)
(61)	People Performance & Change	(80)
(38,065)		**(36,361)**

The table below shows grant income received in advance and the services where these grants will be applied in future years.

2024/25 £'000		2025/26 £'000
	Capital Grants Received In Advance	
(98)	Culture and Related Services	(333)
(1,548)	Developer Contributions	(1,465)
-	Economic Regeneration	(9,636)
(1,347)	Education	(1,342)
(918)	Environmental Services	-
(16)	Other Services	(35)
(386)	Planning & Economic Development	(68)
(18)	Roads and Transport	-
(4,331)		**(12,879)**

Note 29 Financial Instruments

Scottish Borders Council has 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 assets.

Fair Value Hierarchy

Under IFRS 13 (Fair Value Measurement), the Council 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 Council can access at the measurement date
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – unobservable inputs for the asset or liability.

Fair Value Hierarchy for Financial Assets and Liabilities that are not measured at Fair Value

	31st March 2026			
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(368,082)	-	(368,082)
Market debt	-	(572)	-	(572)
Other debt	-	(10,107)	-	(10,107)
Total	**-**	**(378,761)**	**-**	**(378,761)**

	31st March 2025			
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(317,584)	-	(317,584)
Market debt	-	(547)	-	(547)
Other debt	-	(13,823)	-	(13,823)
Total	**-**	**(331,954)**	**-**	**(331,954)**

The fair value for financial assets and financial liabilities 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.

Note 29 Financial Instruments continued

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

Financial Instruments - Balances

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

	Long Term		Current	
	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000
Loans and Receivables				
Cash and Cash Equivalents	-	-	1,573	17,429
Debtors	1,122	1,107	51,871	52,770
Total Loans and Receivables	**1,122**	**1,107**	**53,443**	**70,199**
Borrowings				
Bank Overdraft	-	-	(1,835)	(5,024)
Financial Liabilities (principal amount)	(254,129)	(314,219)	(95,000)	(84,908)
Accrued interest	-	-	(4,867)	(5,632)
Total Borrowings	**(254,129)**	**(314,219)**	**(101,702)**	**(95,564)**
Other Liabilities				
PPP and Finance Lease Liabilities	(100,462)	(94,868)	(10,383)	(10,234)
Bonds	-	-	(518)	(419)
Total Other Long-Term Liabilities	**(100,462)**	**(94,868)**	**(10,901)**	**(10,653)**
Creditors				
Creditors at amortised cost (excluding Other Liabilities)	-	-	(47,501)	(45,426)
Total Creditors	**-**	**-**	**(47,501)**	**(45,426)**

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 2025 £'000	31 March 2025 %		31 March 2026 £'000	31 March 2026 %
(14,744)	4	Bonds and Mortgages	(14,472)	4
(239,355)	68	Public Works Loan Board	(299,747)	74
(201,484)	**80**	**Long Term Borrowing (→ 1 year)**	**(314,219)**	**78**
(99,867)	28	Short Term Borrowing repayable within 12 months	(90,540)	22
(353,996)	**100**	**Total Borrowing**	**(404,759)**	**100**

Note 29 Financial Instruments continued

Analysis of Borrowing by Maturity:

2024/25 £'000		2025/26 £'000
(99,867)	Less than 1 year	(90,540)
(51,200)	Between 1 and 2 years	(51,592)
(60,474)	Between 2 and 7 years	(120,172)
(7,500)	Between 7 and 15 years	(7,500)
(134,954)	More than 15 years	(134,955)
(353,996)	**Total**	**(404,759)**

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

	2025/26		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	25,467	-	25,467
Interest payable and similar charges	**25,467**	**-**	**25,467**
Interest Income	-	(1,868)	(1,868)
Interest and investment income	**-**	**(1,868)**	**(1,868)**
Net (gain) / loss for the year	**25,467**	**(1,868)**	**23,599**

	2024/25		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest Expense	18,946	-	18,946
Interest Payable & Similar Charges	**18,946**	**-**	**18,946**
Interest Income	-	(1,004)	(1,004)
Interest Receivable & Similar Income	**-**	**(1,004)**	**(1,004)**
Net (gain) / loss for the year	**18,946**	**(1,004)**	**17,942**

Note 29 Financial Instruments continued

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, new borrowing 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 2025		31 March 2026	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	(334,017)	(317,584)	(389,850)	(368,082)
Other debt	(19,979)	(14,370)	(14,910)	(10,680)
Bank Overdraft	(1,835)	(1,835)	(5,024)	(5,024)
Total Debt	**(355,832)**	**(333,789)**	**(409,784)**	**(383,785)**
Creditors	(57,884)	(57,884)	(56,079)	(56,079)
Total Financial Liabilities	**(413,715)**	**(391,673)**	**(465,863)**	**(439,864)**

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 2025		31 March 2026	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	1,573	1,573	17,429	17,429
Debtors	51,871	51,871	52,770	52,770
Total Loans and Receivables	**53,443**	**53,443**	**70,199**	**70,199**

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.

Note 29 Financial Instruments continued

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.

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 within 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.

Note 29 Financial Instruments continued

The annual Treasury Management Strategy for 2025/26, which incorporates the prudential indicators, was approved by the Council on 20 February 2025. The key issues within the strategy were:

- The Authorised Limit for 2025/26 was set at £663.5m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £530.8m. 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 £530.8m and £185.8m 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%

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 MUFG Corporate Markets. 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,
- Credit Default Swap (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 2026 was approved by the Council on 20 February 2025 and is available on the Council's website: Other financial information | Scottish Borders Council (scotborders.gov.uk)

Note 29 Financial Instruments continued

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 recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2026 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.

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.

Note 29 Financial Instruments continued

The maturity analysis of financial liabilities is as follows, together with the maximum and minimum limits for fixed interest rate borrowing maturing in each period, as approved by the Council in the Treasury Management Strategy on 20 February 2025:

	Approved Minimum Limits £'000	Approved Maximum Limits £'000	Actual 31 March 2025 £'000	Approved Minimum Limits £'000	Approved Maximum Limits £'000	Actual 31 March 2026 £'000
Less than 1 year	-	99,540	99,867	-	106,160	90,540
Between 1 and 2 years	-	99,540	51,200	-	106,160	51,592
Between 2 and 7 years	-	99,540	60,474	-	106,160	120,172
Between 7 and 15 years	-	99,540	7,500	-	106,160	7,500
More than 15 years	99,540	497,700	134,955	106,160	530,800	134,955
Total			**353,997**			**404,759**

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.

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 borrowing 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.

Note 29 Financial Instruments continued

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	416
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)	13,448

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. 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.

Note 30 Debtor and Creditor Analysis

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

Debtors

2024/25 £'000		2025/26 £'000
19,275	Trade Receivables	19,835
9,085	Prepayments	8,680
35,070	Other Receivable Amounts	36,591
63,431		**65,106**

Creditors

2024/25 £'000		2025/26 £'000
(17,623)	Trade Payables	(17,742)
(29,877)	Other Payables	(29,420)
(10,384)	Short term lease liabilities	(10,234)
(57,884)		**(57,395)**

The short term lease liabilities now includes amounts relating to liabilities for Right of Use assets in line with IFRS 16.

Note 30 Debtor and Creditor Analysis continued

Debtors for Local Taxation

Council Tax

Water and sewerage charges are administered and collected by the Council on behalf of Scottish Water under an agency agreement. At 31 March 2026, £8.150m of outstanding water and sewage charges, included in the analysis below, have a nil carrying value within these financial statements.

Subject to the above, the past due but not impaired amount for Council Tax can be analysed by age as follows:

2024/25 £'000		2025/26 £'000
637	Less Than 2 Months	523
231	2 To 4 Months	208
233	4 To 6 Months	193
3,080	6 Months To 1 Year	3,287
28,321	More Than 1 Year	22,300
32,502		**26,511**

For financial year 2025/26 the impairment allowance for Council Tax debtors amounted to £11.314m (2024/25: £13.510m).

Non-Domestic Rates

Non-Domestic Rates are administered and collected by the Council on behalf of the Scottish Government under an agency agreement and as such have a nil carrying value within these financial statements.

Subject to the above, the past due but not impaired amount for Non-Domestic Rates can be analysed by age as follows:

2024/25 £'000		2025/26 £'000
238	Less Than 2 Months	300
31	2 To 4 Months	116
2	4 To 6 Months	133
672	6 Months To 1 Year	860
3,197	More Than 1 Year	4,566
4,140		**5,975**

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 2025 £'000	Transfers between reserves and funds £'000	(Gains) or Losses for the Year £'000	Balance as at 31 March 2026 £'000
Usable Reserves				
General Fund Balances	(42,901)	(18,267)	25,213	(35,955)
Capital Fund	(8,431)	1,505	-	(6,926)
Property Maintenance Fund	-	-	-	-
Insurance Fund	(1,226)	475	-	(751)
Unusable Reserves				
Capital Adjustment Account	(185,923)	(5,794)	(554)	(192,270)
Financial Instruments Adjustment Account	4,549	(268)	-	4,281
Revaluation Reserve	(184,272)	21,511	(12,346)	(175,107)
Pensions Reserve	15,780	(270)	(729)	14,781
Employee Statutory Adjustment Account	7,287	1,108	-	8,396
Total	**(395,137)**	**-**	**11,584**	**(383,552)**

Note 31 Movement in Reserves continued

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

This details the adjustments that are made to the Comprehensive Income and Expenditure Statement 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 2024/25

	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	(62,088)	-	-	-	(62,088)	62,088	-	
Impairment losses (charged to CI&ES)	(5,772)				(5,772)	5,772	-	
Revaluation Losses	(29,065)				(29,065)	29,065	-	
Capital grants and contributions applied	28,426				28,426	(28,426)	-	28
Employee Statutory Adjustments	(316)				(316)	316	-	
Profit/(Loss) on disposal of assets	(370)	(2,575)			(2,945)	2,945	-	
Revenue Expenditure Funded From Capital under Statute	(435)				(435)	435	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	620				620	(620)	-	
Net retirement charges per IAS 19	(16,661)				(16,661)	16,661	-	
Loans Fund principal repayments and Statutory premia	11,914				11,914	(11,914)	-	
Capital Expenditure charged to General Fund balance	766				766	(766)	-	
Employers contribution payable to Pension Fund	16,592				16,592	(16,592)	-	
Net Transfers to or (from) other reserves	2,801	4,363		47	7,211	(7,211)	-	
Total in year adjustments	(53,588)	1,788	-	47	(51,753)	51,753	-	

Note 31 Movement in Reserves continued

Adjustments between accounting basis & funding basis under regulations 2025/26

	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	(67,875)				(67,875)	67,875	-	
Impairment Losses (charged to CI&ES)	(1,340)				(1,340)	1,340	-	
Revaluation Losses	(15,232)				(15,232)	15,232	-	
Capital grants and contributions applied	34,950				34,950	(34,950)	-	28
Employee Statutory Adjustments	(1,108)				(1,108)	1,108	-	
Profit/(Loss) on disposal of assets	963	(2,663)			(1,700)	1,700	-	
Revenue Expenditure Funded From Capital under Statute	(9,219)				(9,219)	9,219	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	268				268	(268)	-	
Net retirement charges per IAS 19	(17,087)				(17,087)	17,087	-	
Loans Fund principal repayments and Statutory premia	17,016				17,016	(17,016)	-	
Capital Expenditure charged to General Fund balance	-				-	-	-	
Employers contribution payable to Pension Fund	17,357				17,357	(17,357)	-	
Net Transfers to or (from) other reserves	2,653	4,168	-	475	7,295	(7,295)	-	
Total in year adjustments	(38,655)	1,505	-	475	(36,675)	36,675	-	

Note 31 Movement in Reserves continued

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:

2024/25 £'000	Analysis as at 31 March	2025/26 £'000
	Earmarked Balances of the General Fund	
(82)	Education & Childrens Services - Devolved School Management	534
	Specific Departmental Reserves	
(318)	Infrastructure & Environment	-
(160)	Finance	-
-	Adult Services	-
(824)	Education & Childrens Services	(130)
(92)	Resilient Communities	-
(3,785)	Corporate Governance	(3,158)
-	People Performance & Change	-
(30,075)	Allocated Reserves - Financial Plan	(25,474)
(35,336)		(28,227)
(7,564)	Non-Earmarked Balances of the General Fund	(7,728)
(42,901)	**Total General Fund Reserve**	**(35,955)**

Unusable Reserves

Unusable reserves are those that the Council is not able to use to provide services. The movements in these reserves are analysed below as follows:

Note 31 Movement in Reserves continued

Unusable Reserves

	Capital Adjustment Account	Financial Instruments Adjustment Account	Revaluation Reserve	Pensions Reserve	Employee Statutory Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31/03/2025 carried forward	(185,923)	4,549	(184,271)	15,780	7,287	(342,578)
Depreciation Charged	43,672		20,387			64,059
Amortisation						-
Revaluation (gains)/losses			(12,810)			(12,810)
Impairment losses			464			464
Assets written off on de-recognition or sale	576		1,124			1,700
Revenue Expenditure funded from Capital	9,219					9,219
Employee Statutory Adjustments					1,108	1,108
Capital Receipts Applied						-
Capital Grants and Contributions Applied	(34,950)					(34,950)
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements		(268)				(268)
Net retirement charges per IAS 19				17,087		17,087
Loans Fund principal repayments and Statutory premia	(17,016)					(17,016)
Actuarial (gains)/losses on Pensions Assets and Liabilities				(729)		(729)
Employers Pension Contributions and Payments				(17,357)		(17,357)
Capital from Current Revenue	-					-
Adjustment On The Implementation Of IFRS16	(554)					(554)
Transfer Between Reserves	(7,295)					(7,295)
Balance at 31 March 2026	**(192,270)**	**4,281**	**(175,107)**	**14,781**	**8,396**	**(339,919)**

Note 31 Movement in Reserves continued

Unusable Reserves

	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve £'000	Employee Statutory Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31/03/2024 carried forward	(208,164)	5,169	(175,675)	(86,262)	6,972	(457,960)
Depreciation Charged	32,630		14,506			47,136
Amortisation	150					150
Revaluation (gains)/losses	29,065		(24,210)			4,855
Impairment losses	5,772		295			6,067
Assets written off on de-recognition or sale	2,133		812			2,944
Revenue Expenditure funded from Capital	435					435
Employee Statutory Adjustments					316	316
Capital Receipts Applied						-
Capital Grants and Contributions Applied	(28,426)					(28,426)
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements		(620)				(620)
Net retirement charges per IAS 19				16,661		16,661
Loans Fund principal repayments and Statutory premia	(11,914)					(11,914)
Actuarial (gains)/losses on Pensions Assets and Liabilities				101,973		101,973
Employers Pension Contributions and Payments				(16,592)		(16,592)
Capital from Current Revenue	(766)					(766)
Adjustment On The Implementation Of IFRS16	373					373
Transfer Between Reserves	(7,212)					(7,212)
Balance at 31 March 2025	(185,923)	4,549	(184,271)	15,780	7,287	(342,578)

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 a Council 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.

Note 31 Movement in Reserves continued

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.

Note 32 Cash Flow

2024/25 £'000	Reconciliation to General Fund Surplus	2025/26 £'000
56,749	**Net (Surplus) or deficit on the provision of services**	**25,213**
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(47,134)	Depreciation	(47,363)
(34,838)	Impairment & Revaluation Loss through CIES	(16,573)
(150)	Amortisation of intangible assets	(124)
(69)	Movement in pension liability	270
(370)	Gain/Loss on carrying amounts of assets disposed	927
(349)	Net movement in inventories charged to CIES	(73)
2,329	Net movement in debtors charged to CIES	887
(27,490)	Net movement in creditors charged to CIES	(3,268)
(173)	Net movement in provisions charged to CIES	(106)
(108,244)		**(65,423)**
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
28,426	Capital grants received	34,950
(1,603)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the CIES	-
26,823		**34,950**
(24,672)	**Net Cash Outflow / (Inflow) from Operating Activities**	**(5,260)**

Note 33 Impairment & Revaluation Gain/Losses

During 2025/26, Scottish Borders Council recognised a net impairment and revaluation loss of £16.573m within the Net Cost of Services. This includes a reversal of £1.578m against losses incurred in previous periods.

Note 34 Cash and Cash Equivalents

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

2024/25 £'000		2025/26 £'000
6	Cash held by officers	11
567	Bank current accounts	418
1,000	Short term deposits	17,000
1,573	**Total**	**17,429**
(1,835)	Bank Overdraft	(5,024)
(262)	**Total As Per Cash Flow Statement**	**12,405**

Note 35 Common Good Funds

The Council administers the Common Good Funds of the former Burgh Councils of twelve towns within its area. All funds are held for the benefit of the residents of those former burghs and must be used in the first instance to maintain the assets of the Common Good. Thereafter, funds can be used for purposes which are in the interests of the community for which the Common Good Fund was established.

Accounting Policies

The Common Good accounts are prepared in accordance with the accounting policies adopted by the Council as detailed in Note 1 to the financial statements with the exception of the treatment of 'Reserves'. The Reserves policy adopted for the Common Good Fund Accounts follows LASAAC guidance LASAAC Common Good Fund Guidance (CIPFA). This approach requires that assets should be depreciated and set against any surplus in the income and expenditure account. Therefore, statutory adjustments are not applied to the Common Good Fund statements.

The Community Empowerment (Scotland) Act 2015 places new obligations on Councils with regards to the recording and use of Common Good assets. The Council is required to prepare and publish a register of all Common Good properties and make it publicly available. Public consultation on the proposed register closed on 5 June 2019. The Act also requires local authorities to publish any proposals and consult with community bodies before disposing of or changing the use of Common Good assets.

Note 35 Common Good Funds

Comprehensive Income and Expenditure Statement for the year ended 31 March 2026

2024/25 £'000		2025/26 £'000
	Income	
(231)	Rents and Other Income	(341)
(231)	**Total Income**	(341)
	Expenditure	
53	Premises- related Expenditure	184
95	Supplies and Services	186
66	Third Party Grants and Payments	45
20	Bad Debts written off	
834	Depreciation	1,314
1,068	**Total Expenditure**	1,729
837	**Cost Of Services**	**1,388**
	Gains/(Loss) on the sale of investments	
(175)	Investment income and similar income	(164)
22	Changes in fair value of investments	(223)
684	**(Surplus) or Deficit on Provision of Services**	1,002
(4,092)	Gains on Revaluation of Property	
(4,092)	**Other Comprehensive (Income) and Expenditure**	-
(3,408)	**Total Comprehensive (Income) and Expenditure**	**1,002**

Balance Sheet as at 31 March 2026

2024/25 £'000		2025/26 £'000
17,552	Property Plant & Equipment	16,305
2,695	Long-Term Investments	2,981
	Long Term Loans	54
20,247	**Long-Term Assets**	**19,340**
82	Sundry Debtors	78
16	Operating Balance Debtor (Scottish Borders Council)	40
98	**Current Assets**	**118**
(69)	Short-Term Creditors	(184)
(69)	**Current Liabilities**	**(184)**
20,276	**Net Assets**	**19,274**
(17,186)	Property Revaluation Reserve	(15,872)
(3,090)	Usable Reserves	(3,402)
(20,276)	**Total Reserves**	**(19,274)**

Note 35 Common Good Funds continued

The Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a list of property which is held as part of the Common Good. The review of property titles to facilitate the publication of the list has been completed, and following a period of public consultation, the findings are now available on the Scottish Borders Council website at Common Good asset register.

Details of the Common Good Funds long term assets are as follows:

2024/25 £'000		2025/26 £'000
13,734	**Opening Net Book Value**	17,552
560	Additions	67
4,092	Revaluations	-
	Assets Transferred from General Services (Revaluation Balances)	-
(834)	Depreciation	(1,314)
17,552	**Closing Net Book Value**	**16,305**

Note 35 Common Good Funds continued

Movement in Common Good Reserves

Usable Reserves 2024/25 £'000	Unusable Reserves 2024/25 £'000	Total Reserves 2024/25 £'000		Usable Reserves 2025/26 £'000	Unusable Reserves 2025/26 £'000	Total Reserves 2025/26 £'000
(3,774)	(13,094)	(16,868)	**Opening Balance at 1 April brought forward**	(3,090)	(17,186)	(20,276)
			Movement in reserves during the period			
684	-	684	(Surplus) or Deficit on provision of services	1,002	-	1,002
-	(4,092)	(4,092)	Other Comprehensive Expenditure and (Income)	-	-	-
(3,090)	(17,186)	(20,276)	**Total Comprehensive Expenditure and Income**	(2,088)	(17,186)	(19,274)
			Adjustments between usuable and unusable reserves			
-	-	-	Depreciation charged to the Revaluation Reserve	-	-	-
-	-	-	**Total adjustments between useable and unusable reserves**	-	-	-
(3,090)	(17,186)	(20,276)	**(Increase)/Decrease in year**	(2,088)	(17,186)	(19,274)
(3,090)	(17,186)	(20,276)	**Balance at 31 March 2026 carried forward**	(2,088)	(17,186)	(19,274)

Note 35 Common Good Funds continued

Common Good Fund Analysis	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
Balance Brought forward at 1 April 2025	(239)	(21)	(54)	(1,068)	(5,408)	(548)	(2,131)	(1,379)	(2,348)	(82)	(1,697)	(5,301)	(20,276)
(Surplus)/Deficit in the Year	13	(2)	48	117	187	61	(100)	83	89	46	241	221	1,002
Fund Balance at 31 March 2026	(226)	(23)	(6)	(951)	(5,221)	(487)	(2,231)	(1,296)	(2,259)	(36)	(1,456)	(5,080)	(19,274)
Total Reserves	(226)	(23)	(6)	(951)	(5,221)	(487)	(2,231)	(1,296)	(2,259)	(36)	(1,456)	(5,080)	(19,274)

Note 36 Charitable, Educational and Other Trust Funds Accounts

Scottish Borders Council administers numerous charitable trusts and bequests.

Those registered with the Office of the Scottish Charity Regulator (OSCR) at 31 March 2026 are detailed below:

- **SBC Educational Trust (SC044762)**
- **SBC Community Enhancement Trust (SC044764)**
- **SBC Welfare Trust (SC044765)**
- **Scottish Borders Council Charitable Trusts (SC043896)**

These charities each contains funds that are restricted by purpose and geographical area.

All OSCR registered charities are subject to OSCR requirements and a full set of financial statements compliant with those requirements are published separately.

Scottish Borders Council Ormiston Trust for Institute was deregistered from OSCR prior to 31 March 2025 and is now included within non-registered charities with a further 39 non-registered charities.

None of these funds represent assets of the Council and as a result are not included in the Council's Balance Sheet.

Note 36 Charitable, Educational and Other Trust Funds Accounts continued

The Trust Fund accounts are prepared in accordance with the accounting policies adopted by the Scottish Borders Council as detailed in Note 1 to the financial statements.

A summary Comprehensive Income and Expenditure Statement, Balance Sheet and Movement in Reserves Statement are detailed below, recognising all registered and unregistered charities administered by the Council.

Income & Expenditure Account for the year ended 31 March 2026

2024/25 £'000		2025/26 £'000
	Income	
(37)	Rents and Other Income	(41)
(37)	**Total Income**	(41)
	Expenditure	
27	Premises- related Expenditure	21
8	Supplies and Services	46
72	Third Party Grants and Payments	92
177	Depreciation	717
284	**Total Expenditure**	877
247	**Cost Of Services**	**836**
-	Gains/(Loss) on the sale of investments	
(170)	Investment income and similar income	(167)
1	Changes in fair value of investments	(238)
78	**(Surplus) or Deficit on Provision of Services**	431
(580)	Gains on Revaluation of Property	-
(580)	**Other Comprehensive (Income) and Expenditure**	-
(502)	**Total Comprehensive (Income) and Expenditure**	431

Balance Sheet as at 31 March 2026

2024/25 £'000		2025/26 £'000
2,744	Property Plant & Equipment	2,027
2,486	Long-Term Investments	2,725
5,230	**Long-Term Assets**	**4,752**
23	Sundry Debtors	26
687	Operating Balance Debtor (Scottish Borders Council)	753
710	**Current Assets**	**779**
(18)	Short Term Creditors	(40)
(18)	**Current Liabilities**	**(40)**
5,922	**Net Assets**	**5,491**
(2,852)	Property Revaluation Reserve	(2,136)
(3,070)	Usable Reserves	(3,355)
(5,922)	**Total Reserves**	**(5,491)**

Note 36 Charitable, Educational and Other Trust Funds Accounts continued

2024/25 £'000		2025/26 £'000
2,341	**Opening Net Book Value**	2,744
-	Additions	
580	Revaluations	
-	Assets Transferred from General Services (Revaluation Balances)	
(177)	Depreciation	(717)
2,744	**Closing Net Book Value**	2,027

Movement in Trusts reserves

Usable Reserves 2024/25 £'000	Unusable Reserves 2024/25 £'000	Total Reserves 2024/25 £'000		Usable Reserves 2025/26 £'000	Unusable Reserves 2025/26 £'000	Total Reserves 2025/26 £'000
(3,148)	(2,272)	(5,420)	**Opening Balance at 1 April brought forward**	(3,070)	(2,852)	(5,922)
			Movement in reserves during the period			
78	-	78	(Surplus) or Deficit on provision of services	431	-	431
-	(580)	(580)	Other Comprehensive Expenditure and (Income)	-	-	-
78	(580)	(502)	**Total Comprehensive Expenditure and (Income)**	431	-	431
			Adjustments between usuable and unusable reserves			
-	-	-	Depreciation charged to the Revaluation Reserve	-	-	-
-	-	-	**Total adjustments between usable and unusable reserves**	-	-	-
78	(580)	(502)	**(Increase)/Decrease in year**	431	-	431
(3,070)	(2,852)	(5,922)	**Balance at 31 March 2025 carried forward**	(2,639)	(2,852)	(5,491)

Note 36 Charitable, Educational and Other Trust Funds Accounts continued

Trust Funds Analysis	Education £'000	Charitable £'000	Welfare £'000	Community Enhancement £'000	Total Registered Charities £'000	Ormiston £'000	Non Registered Charities £'000	Total Non Registered Trusts £'000	Total Charities and Trusts £'000
Balance Brought forward at 1 April 2025	(17)	(843)	(821)	(215)	(1,896)	(669)	(3,357)	(4,026)	(5,922)
(Surplus)/Deficit in the Year	(3)	(119)	(76)	(19)	(217)	527	121	648	431
Fund Balance at 31 March 2026	(20)	(962)	(897)	(234)	(2,113)	(142)	(3,236)	(3,378)	(5,491)
Total Reserves	(20)	(962)	(897)	(234)	(2,113)	(142)	(3,236)	(3,378)	(5,491)

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.

2024/25 £'000	2024/25 £'000		2025/26 £'000	2025/26 £'000
	(85,097)	Gross Charges Levied		(93,126)
5,744		Less: Council Tax reduction Scheme	6,411	
5,744			6,411	
8,934		Discounts and Exemptions	10,188	
920		Allowance for Impairment	1,001	
-		Miscellaneous	-	
	15,598			17,600
	(69,499)			(75,526)
	(69,499)	**Total Income Credited to the Comprehensive Income & Expenditure Statement**		(75,525)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2025

The calculation of the council tax base, i.e. 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 2024/25	Number of Properties 2025/26	Proportion	2024/25 £	2025/26 £
A	16,580	16,533	240/360	904.07	994.48
B	12,790	12,797	280/360	1,054.75	1,160.23
C	7,441	7,439	320/360	1,205.43	1,325.97
D	6,357	6,352	360/360	1,356.11	1,491.72
E	6,649	6,651	473/360	1,781.78	1,959.95
F	5,121	5,128	585/360	2,203.68	2,424.05
G	4,771	4,807	705/360	2,655.72	2,921.29
H	499	502	882/360	3,322.47	3,654.71
Total	60,208	60,209			
Provision for Non Collection	(722)				
TOTAL	59,486	60,209			

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 2025/26 the Band D charges were £277.92 for water and £322.47 for waste water.

Supplementary Financial Statements

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.

2024/25			2025/26	
£'000	£'000		£'000	£'000
	(61,117)	Gross Rates Levied & Contribution in Lieu		(61,856)
	1,592	Prior Year Adjustments	2,243	-
16,400		Less: Reliefs and Other Deductions	17,385	
587		Write-offs of uncollectable debts & allowance for impairment	1,552	
-		Interest paid on overpaid rates	-	
	16,987			18,937
	(42,538)	**Net Non-Domestic Rate Income**		(42,919)
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	(42,538)	**Contribution to National Pool**		(42,919)
	42,222	**Distribution received from National Pool**		43,024
	(42,222)	**Income Credited to the Comprehensive Income & Expenditure Statement**		(43,024)

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 1 April 2025

Classification	Number	Rateable Value £'000
Advertising	7	18
Care Facilities	80	2,203
Communications (non-Formula)	3	3
Cultural	50	799
Education and Training	95	11,885
Garages and Petrol Stations	206	2,755
Health Medical	90	4,145
Hotels,etc	107	3,657
Industrial Factories,Warehouses & Stores	2,350	25,361
Leisure Entertainment,Caravans & Hol.Sites	1,191	8,110
Offices including Banks	960	8,483
Other	578	2,359
Petrochemical	4	1,578
Public Houses	78	1,109
Public Service Subjects	431	6,301
Quarries, Mines, etc	11	385
Religious	284	1,599
Shops	1,233	20,633
Sporting Subjects	1,157	2,735
Undertakings	42	12,650
Total	8,957	116,768

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2025/26 was 49.8p for properties with a rateable value up to £51,000 with supplements of 5.6p for properties with a rateable value between £51,000 and £100,000 and 7.0p for properties with a rateable value in excess of £100,000.

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (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 follow.

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 Ltd
- Lowood Tweedbank Ltd
- SB Inspires LLP

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 in notes 35 and 36. 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 Ltd, 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. Following a review of services provided by the Trust it was decided to transfer Active Schools and Sports development back under the control of the Education and Children's Services directorate of Scottish Borders Council from 1 October 2024.

Bridge Homes LLP, Lowood Tweedbank Limited and SB Inspires LLP have been excluded from the Group accounts in 2025/26 on the basis of materiality.

Associates

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

Jedburgh Leisure Facilities Trust which ceased trading on 29 November 2024, and entered insolvency proceedings on 5 December 2024, had previously been excluded from the Group accounts on the basis of materiality.

Group Accounts

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 Comprehensive Income & Expenditure Statement showed gross expenditure of £280.678m and income of £288.200m of which £3.761m net surplus has been consolidated into SBC Group Accounts on a 50% joint equity basis. Both the Balance Sheet and Movement in Reserves Statement show a net position of £16.573m and £8.287m was consolidated into the SBC Group Accounts.

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

Group Comprehensive Income and Expenditure Statement

2024/25				2025/26		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
99,155	(14,077)	85,078	Infrastructure & Environment	91,628	(18,420)	73,208
27,006	(1,269)	25,737	Finance	39,903	(7,480)	32,422
175,576	(101,511)	74,065	Adult Services	197,671	(118,191)	79,480
208,149	(13,426)	194,723	Education & Childrens Services	198,487	(15,110)	183,378
67,883	(38,706)	29,177	Resilient Communities	57,086	(28,564)	28,521
15,353	(5,772)	9,581	Corporate Governance	16,003	(6,215)	9,788
9,770	(170)	9,600	People, Performance & Change	9,783	(190)	9,593
1,068	(231)	837	Common Good	1,729	(341)	1,388
273	(40)	233	Trust Funds	877	(41)	836
-	(1,102)	(1,102)	Share of Operating Results Of Associates & Joint Venture	(3,761)	-	(3,761)
604,233	**(176,304)**	**427,929**	**Services provided by the Council**	**609,406**	**(194,553)**	**414,853**
604,233	**(176,304)**	**427,929**	**Net Cost of Services**	**609,406**	**(194,553)**	**414,853**
-	-	-	Roads Trading Operation (Surplus)/Deficit (External)	-	-	-
			Other Operating Expenditure			
2,944	(2,575)	370	(Gain)/Loss on Disposal of Assets	1,700	(2,663)	(963)
			Financing & Investment Income and Expenditure			
18,946	-	18,946	Interest Payable & Similar Charges	25,467	-	25,467
-	(1,364)	(1,364)	Interest Receivable & Similar Income	-	(2,687)	(2,687)
-	(4,040)	(4,040)	Net Interest Expense on the Net Defined Benefit Liability	-	875	875
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			Taxation and Non-Specific Grant Income			
-	(245,383)	(245,383)	Revenue Support Grant	-	(259,766)	(259,766)
-	(42,222)	(42,222)	Non-Domestic Rates Pool for Scotland	-	(43,024)	(43,024)
-	(69,499)	(69,499)	Council Tax	-	(75,525)	(75,525)
-	(28,426)	(28,426)	Capital Grants and Contributions	-	(34,950)	(34,950)
		56,310	**(Surplus)/Deficit on Provision of Services**			**24,281**

Group Comprehensive Income and Expenditure Statement

2024/25				2025/26		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		56,310	**(Surplus)/Deficit on Provision of Services**			**24,281**
		(23,916)	(Surplus)/Deficit on revaluation of Non Current Assets			(12,346)
		(4,287)	Any Other (Gains) Or Losses			(554)
		98,297	Actuarial (gains)/losses on pension assets/liabilities			3,878
		70,094	**Other Comprehensive Income and Expenditure**			(9,021)
		126,404	**Total Comprehensive (Income)/Expenditure**			**15,259**

Group Balance Sheet

2024/25 £'000		2025/26 £'000
	Property Plant and Equipment	
515,662	Other Land and Buildings	605,754
30,010	Vehicle, Plant, Furniture & Equipment	34,452
247,687	Infrastructure	256,003
5,536	Surplus Assets	4,460
97,952	Assets Under Construction	20,284
1,039	Heritage Assets	1,039
172	Intangible Assets	254
5,058	Right Of Use Assets	2,630
5,180	Long Term Investments	5,706
4,526	Investments In Associates & Joint Ventures	8,288
1,122	Long Term Debtors	1,161
4,607	Pension Asset	0
918,551	**Long Term Assets**	**940,031**
1,232	Inventories	1,167
63,762	Short Term Debtors	65,444
(11,560)	less Impairment of Receivables	(12,336)
3,801	Cash and Cash Equivalents	17,609
57,234	**Current Assets**	**71,884**
(1,835)	Bank Overdrafts	(5,024)
(99,867)	Short Term Borrowing	(90,541)
(61,038)	Short Term Creditors	(57,364)
(2,628)	Provisions	(683)
(165,367)	**Current Liabilities**	**(153,612)**
(254,129)	Long Term Borrowing	(315,219)
(100,462)	Deferred Liabilities	(94,868)
(3,548)	Provisions	(3,647)
(4,331)	Capital Grants Receipts in Advance	(12,879)
-	Pension Liability - Funded Obligations	
(15,780)	Pension Liability - Unfunded Obligations	(14,781)
(378,250)	**Long Term Liabilities**	**(441,394)**
432,168	**Net Assets**	416,909
432,168	**Net Assets/(Liabilities) including Pension Liability**	**416,909**

Group Balance Sheet

2024/25 £'000	Financed By:	2024/25 £'000
	Useable Reserves	
(8,431)	Capital Fund	(6,926)
(42,901)	General Fund Balance	(35,955)
-	Property Maintenance Fund	-
(1,226)	Insurance Fund	(751)
(12,386)	Share of Group Entities Usable Reserves	(13,555)
	Unusable Reserves	
(185,923)	Capital Adjustment Account	(192,270)
4,549	Financial Instruments Adjustment Account	4,281
(184,272)	Revaluation Reserve	(175,107)
15,780	Pension Reserve	14,781
7,287	Employee Statutory Adjustment Account	8,396
(24,645)	Share of Group Entities Unusable Reserves	(19,802)
(432,168)	**Total Reserves**	**(416,909)**

The unaudited accounts were authorised for issue on 22 June 2026.

Suzanne Douglas CPFA
Director of Finance

Group Movement in Reserves Statement

Movement In Reserves during 2024/25

	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 01/04/2024	(72,354)	(12,067)	**(84,419)**	(457,960)	(16,190)	**(474,150)**	**(558,571)**
Movement In Reserves during 2024/25							
Total Comprehensive Income & Expenditure	56,749	(440)	**56,310**	78,430	(8,335)	**70,095**	**126,404**
Adjustments between accounting basis & funding basis under regulations	(36,951)	121	**(36,830)**	36,951	(121)	**36,830**	**-**
Increase or Decrease in 2024/25	19,798	(319)	**19,480**	115,381	(8,456)	**106,925**	**126,403**
Balance at 31/03/2025 carried forward	**(52,557)**	**(12,386)**	**(64,942)**	**(342,579)**	**(24,645)**	**(367,226)**	**(432,168)**

Movement In Reserves during 2025/26

	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 01/04/2025	(52,557)	(12,386)	**(64,942)**	(342,579)	(24,645)	**(367,226)**	**(432,168)**
Movement In Reserves during 2025/26							
Total Comprehensive Income & Expenditure	25,213	(932)	**24,281**	(13,628)	4,607	**(9,021)**	**15,260**
Depreciation & Impairment charges to Revaluation Reserve	20,388	-	**20,388**	(20,388)	-	**(20,388)**	**-**
Adjustments between accounting basis & funding basis under regulations	(36,675)	(2,029)	**(38,704)**	36,675	2,029	**38,704**	**-**
Increase or Decrease in 2025/26	8,925	(2,961)	**5,964**	2,659	6,636	**9,295**	**15,259**
Balance at 31/03/2026 carried forward	**(43,633)**	**(15,347)**	**(58,981)**	**(339,920)**	**(18,008)**	**(357,932)**	**(416,909)**

Group Cash Flow Statement

2024/25 £'000		2025/26 £'000	2025/26 £'000
56,310	**Net (Surplus) or Deficit on the provision of services**		**24,281**
1,102	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	3,761	
(109,675)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(66,929)	
26,823	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	34,950	
(25,440)	**Net Cash Flows From Operating Activities**		**(28,218)**
	Investing Activities		
107,805	Purchase of PP&E, Investment Property andIintangible Assets	78,943	
(2,575)	Proceeds from PP&E, investment Property and Intangible assets	(2,627)	
(223)	Purchase/(Disposal) of Short & Long-Term investments	667	
13,156	Other Items which are Investing Activities	(39,285)	
118,163	**Net Cash Flows from Investing Activities**		**37,698**
	Financing Activities		
(114,619)	Cash received from loans & other borrowing	(50,300)	
6,461	Cash payments for the reduction of the outstanding liabilities relating to right of use assets and on-balance sheet PFI contracts	4,382	
13,000	Repayments of Short and Long-Term borrowing	300	
5,835	Other items which are financing activities	1,239	
(89,323)	**Net Cash Flows from Financing Activities**		**(44,379)**
3,400	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(10,619)**
5,366	Cash and Cash Equivalents at the beginning of the reporting period		1,966
1,966	Cash and Cash Equivalents at the end of the reporting period		12,585
3,400	Movement		**(10,619)**

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 Note 1.

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

2024/25 £'000	Reconciliation to General Fund Surplus	2025/26 £'000
56,310	**Net (Surplus) or Deficit on the provision of services**	**24,281**
1,102	**Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement**	**3,761**
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(48,528)	Depreciation	(49,781)
(34,838)	Impairment & Revaluation Loss through CIES	(16,573)
(150)	Amortisation of intangible assets	(124)
(69)	Movement in pension liability	270
(370)	Gain/Loss on carrying amounts of assets disposed	927
(341)	Net movement in inventories charged to CIES	(73)
1,758	Net movement in debtors charged to CIES	833
(26,964)	Net movement in creditors charged to CIES	(2,302)
(173)	Net movement in provisions charged to CIES	(106)
(109,675)		**(66,929)**
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
28,426	Capital grants received	34,950
-	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the CIES	-
28,426		**34,950**
(23,837)	**Net Cash Outflow / (Inflow) from Operating Activities**	**(3,937)**

Notes to the Group Accounts

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The deficit of £25.213m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £24.281m. The net asset position of the Council's single entity Balance Sheet of £383.552m becomes £416.909m on group consolidation. Overall, the Group Balance Sheet position has decreased by £11.585m from 2024/25.

Note 4 Material Movements on Consolidation

The material movements between the Council's and the Group entities financial statements are summarised as follows:

Group Balance Sheet

	£'000	Joint Ventures £'000	Subsidaries £'000			£'000	2025/26 £'000
	SBC	HSCIJB	Common Good	Trust Funds	Live Borders	Inter Company	
Long Term Assets	905,815	9,199	19,340	4,752	1,836	-	**940,942**
Current Assets	71,250	-	118	779	841	(1,104)	**71,884**
Current Liabilities	(152,327)	-	(184)	(40)	(1,372)	311	**(153,612)**
Long Term Liabilities	(426,405)	(912)	-	-	(1,000)	792	**(427,525)**
Net Assets/(Liabilities) excluding Pension Asset/Liability	**398,333**	**8,287**	**19,274**	**5,491**	**305**	0	**431,690**
Pension Asset/(Liability)	(14,781)	-	-	-	-	-	**(14,781)**
Net Assets/(Liabilities) including Pension Asset/ Liability	**383,552**	**8,287**	**19,274**	**5,491**	**305**	**0**	**416,909**

Financed By:	£'000	Joint Ventures £'000	Subsidaries £'000			£'000	2025/26 £'000
	SBC	HSCIJB	Common Good	Trust Funds	Live Borders	Inter Company	
Useable Reserves	(43,632)	(8,287)	(3,402)	(3,355)	1,489	-	**(57,187)**
Unusable Reserves	(339,920)	-	(15,872)	(2,136)	(1,794)	-	**(359,722)**
Total Reserves	**(383,552)**	**(8,287)**	**(19,274)**	**(5,491)**	**(305)**	**-**	**(416,909)**

Note 4 Material Movements on Consolidation

Live Borders Financial Accounts are prepared in accordance with FRS102 and as such the pension reserves are included in those accounts as unrestricted reserves.

These have been consolidated into SBC Group Accounts Unusable Reserves which include the pension reserve for Scottish Borders Council.

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 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.

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 exclusion being 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 Council 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 Employee Statutory Adjustment 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.

Glossary of Terms

Trust Funds: The Council administers 111 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 76 of which have charitable status and have been reorganised into 4 charities registered with the Office of the Scottish Charity Regulator (OSCR).

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

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Scottish Borders COUNCIL