

Scottish Borders Cares LLP

Registered number SO305156

Members' Annual Report and Financial Statements

For the year ended 31 March 2019



SBCARES

in safe hands

day services home care care homes independent living





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Members' Annual Report

The Members present their Annual Report and Financial Statements for the year ended 31 March 2019.

Principal Activity

The principal activity of Scottish Borders Cares LLP ("SB Cares LLP") is the provision of Adult Social Care services.

The Partnership employs **876** staff (**570** full time equivalents) with a number of staff having more than one role.

These financial statements represent the results of the year from 1 April 2018 until 31 March 2019.

Designated Members

The Members who held office during the year and to the date of these financial statements were as follows:

Scottish Borders Council

SBC Nominees Limited.

The members who held office at the date of approval of this Members' report confirm that, so far as they are aware, there is no relevant audit information of which the Partnership's Auditor is unaware; and each Member has taken all the steps that they ought to have taken as a Member to make themselves aware of any relevant audit information and to establish that the Partnership's Auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

SB Cares Trading Name

Scottish Borders Cares LLP and Scottish Borders Supports LLP ("SB Supports") are both Limited Liability Partnerships working with Scottish Borders Council to provide Adult Social Care Services and collectively trade under the name of SB Cares.

Scottish Borders Cares LLP provides adult care services to Scottish Borders Supports LLP.

Members' Annual Report *(continued)*

Governance

The two Limited Liability Partnerships (LLPs) that trade as SB Cares are managed by a single Board of Management which is subject to the provision of the individual Members Agreement for each of the LLPs. Neither Scottish Borders Cares LLP nor the Board of Management shall make decisions in respect of the reserved matters set out in this agreement.

The Board of Management is employed by Scottish Borders Supports LLP and consists of:

- a) The Managing Director
- b) Chief Operating Officer
- c) The Operations Director
- d) The Chair

In addition, up to five additional independent persons can be assumed to the Board of Management, where the persons have skills, knowledge or experience deemed to be useful to the Board of Management in fulfilling its obligations and functions to the SB Cares and its Members. There are currently two independent persons on the Board of Management.

The meetings of the Board of Management are held on a monthly basis.

SB Cares' Officers meet with Scottish Borders Council quarterly at the Council's Major Contracts' Governance Group Committee which replaced its Limited Liability Partnership - Strategic Governance Group during 2017. This Group enables the Council to subject SB Cares to appropriate review and scrutiny. The public minutes and papers from this Committee can be found on the Scottish Borders Council website (www.scotborders.gov.uk).

In addition the Chief Executive of Scottish Borders Council (the Council) may at any time invite the SB Cares' Officers to attend a meeting of the Council's Corporate Management Team to discuss such matters related to the Members Agreement and the Services of the Business.

Transactions with Members

No remuneration of Members occurred during the year. The Members' share in the profit or loss for the year is accounted for as an allocation of profits with unallocated profits and losses included within 'other reserves'.

Scottish Borders Cares LLP transacts with Scottish Borders Supports LLP not with Members. These transactions are covered by a five year Service Provision Agreement between the two LLPs which commenced on 1 April 2015.

Members' Annual Report *(continued)*

2018/19 Financial Review – Scottish Borders Cares LLP

Overall the two LLP's were able to provide Scottish Borders Council an efficiency contribution rebate of **£206k** on the contract to provide adult social care services for the year ending 31 March 2019. Additional Funding notified for the Community Equipment Store (£250k) was not received in full and has not been resolved for the 2018-19 close, £125k was not received. Had the funding been received in full for the Community Equipment Store a contribution rate of £331k would have been returned prior to any pension adjustments.

These financial statements represent the results of the year of trading from 1 April 2018 until 31 March 2019. As shown in the table below in the year ended 31 March 2019, Scottish Borders Cares LLP generated an operating surplus on a management accountancy basis of £380k. Taking into account adjustment in the annual leave accrual (which resulted in a positive adjustment to the annual accounts) of £77k and pensions adjustments of £3,308k the overall position is a deficit of £2,851k in 2018-19. No liability for pensions was transferred at inception to SB Cares LLP and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

	Year Ending 31 March	
	2018 £000	2019 £000
Total Comprehensive Income/(Loss) for the year	(735)	(2,851)
<i>Remove Accounting Standard Adjustments:</i>		
Retirement Benefits Adjustments	723	3,308
Annual Leave	-	(77)
Income/(Loss) for the year on a Management Accounts Basis	(12)	380

The major movement in the Financial Statements is the net increase of £3,308k (£723k in 2017/18) in the actuarial valuation of the LLPs Pension Liability Obligation. The actuarial valuation undertaken specifically for the annual accounts, is calculated in accordance with accounting standards, specifically International Accounting Standard (IAS19) and uses a number of high level assumptions including inflation, asset growth, salary/pension increases and discount rate. These assumptions are reviewed and updated on an annual basis and are only used for IAS19 purposes and are not relevant to calculations undertaken for funding purposes. In accordance with the agreement between Scottish Borders Council and Scottish Borders Cares LLP, no liability was transferred from the Council to the LLP at the date of its

Members' Annual Report *(continued)*

incorporation and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

The LLP is an admitted body within the Scottish Borders Pension Fund (the Fund), which is a Local Government Pension Scheme and, under the management arrangements of this scheme, the funding valuations are undertaken every three years (the Triennial Valuation). The most recent Triennial Valuation was undertaken during 2016/17 and this resulted in a full revaluation of the funding position for the LLP's pension obligations and including an assessment of employer contribution rates for the future 3 years. This recent valuation determined that the pension obligations of the LLP are more than covered by the assets under management by the Fund as at the valuation date.

The final result of the Triennial Valuation was that the Fund's actuary estimates that the LLP's pension assets are equivalent to 113% of the projected liabilities. This is a positive result for the LLP and has also meant that the employer contribution rate will not be required to change in the next 2 years from the current levels.

Overall the LLP performed as expected for the year of trading delivering services through its contract with Scottish Borders Supports LLP.

Business Review – SB Cares

As stated previously Scottish Borders Supports LLP is one of the two LLPs which combine to trade as SB Cares. As the Board of Management sets the strategic objectives and oversees the performance and management of the two LLPs as a combined whole, the Business Review is being presented as a joint review of both Scottish Borders Cares LLP and Scottish Borders Supports LLP.

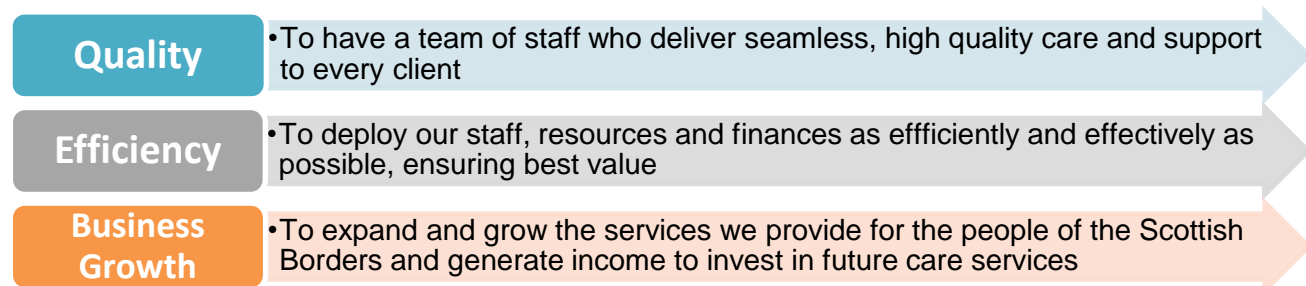
Strategic Context

SB Cares' Vision is to:

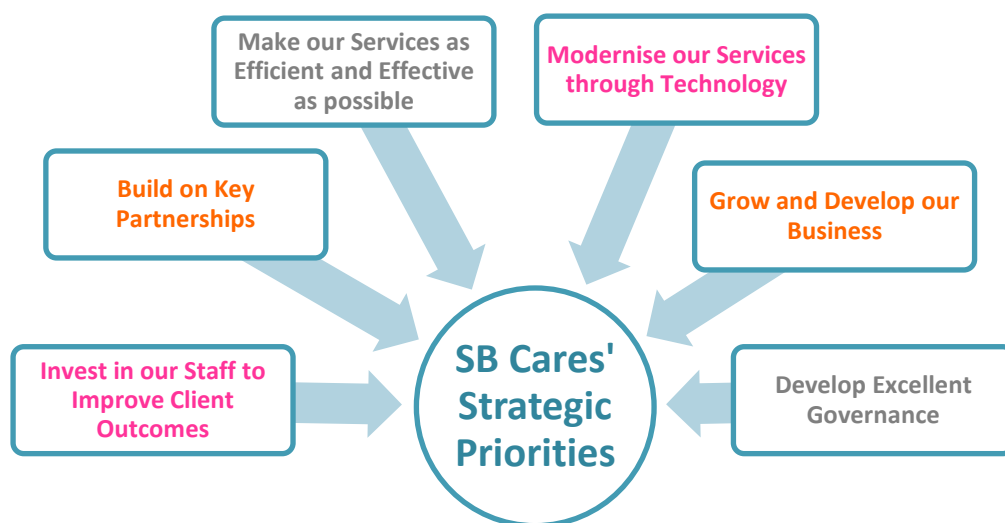


Members' Annual Report *(continued)*

SB Cares will focus on three **Strategic Aims** in order to support the delivery of this Vision and these are:



These Strategic Aims underpin all of our priorities and actions, with Quality being the key aim of all that we do. The Board of Management has agreed six priorities on which the Board and the Senior Management Team have developed action plans for delivering, developing and improving the services to our clients. **Our Priorities** are as follows:



2018/19– Summary of Our Activities

2018/19 has been another busy and successful year for SB Cares and this report, at the end of our fourth year of trading, provides an overview of the activities throughout the year.

Key Facts and Figures for 2018/19

SB Cares supported over 12,000 clients, families and carers through the provision of its adult social cares services throughout the Scottish Borders by:

- Delivering over **15,000 visits per week** to enable more than **900 people** to remain in their own homes.

Members' Annual Report *(continued)*

- Delivering **11,840 pieces** of additional ability equipment to support 2,336 new clients to live more independently, with a total of **9,818 clients** using equipment on loan from the Community Equipment Service at the end of the financial year.
- Supporting **1,545** clients and another **291 individual homes** in supported housing schemes to maintain independence with 24 hour monitored personal alarms.
- Providing 24 hour support through **127 long stay / respite beds** in a care home environment for those people with higher level needs.
- Providing 24 hour support through **39 Transitional and Discharge to Assess beds** to deliver improved patient care journeys.
- Supporting **181** clients through our older people and learning disability day services enabling people to remain at home and providing respite to families and carers.

Delivering Our Strategic Priorities during 2018/19

✓ **Invest in our Staff to Improve Client Outcomes**

SB Cares has:

- a. implemented a robust classroom and work shadowing induction programme including familiarisation visits in order to continue to improve quality of care to clients; and
- b. developed support and monitoring frameworks for new and acting managers to provide tools and knowledge; and
- c. rolled out a management training programme for service line managers; and
- d. implemented new staffing models within Care at Home to support improving quality of care, and effectiveness of scheduling visits; and
- e. agreed and implemented the new rota system with Care at Home to provide consistency of care across a 24/7 service improving staff work life balance and quality of outcomes for clients.

✓ **Build on Key Partnerships**

SB Cares has:

- a. successfully implemented a collaborative approach to delivery of the Alarms Monitoring Service in conjunction with East Lothian Council through a successful tri-party agreement; and
- b. worked collaboratively with Scottish Borders Council to provide an outcome focused older people day service in pilot areas. This has been done under the Integrated Joint Board for Health and Social Care in partnership with NHS Borders; and
- c. worked with Borders College to secure delivery of SVQ social care courses.

Members' Annual Report *(continued)*

✓ **Make our Services as Efficient and Effective as possible**

SB Cares has:

- a. successfully continued to implement further roll out of a dedicated vehicle fleet including electric vehicles for the home care teams which supports improved continuity of care provision to clients during adverse winter weather, and opens up employment opportunities to individuals with limited personal vehicle access;
- b. fully implemented the new rota across Homecare which provides a consistent, more responsive and flexible 7 day service;
- c. transitioned the alarm monitoring and out of hours' telephony services of Border Care to East Lothian Council's centre of excellence in order to secure the benefits of new technology for call handling, enabling the provision of cost effective services in 2018-19, the delivery of increased service resilience and improved overall caller experience; and
- d. worked collaboratively with Human Resources, Scottish Borders Council to implement a project with regards to sickness absence delivering a reduction in the level of absence.

✓ **Modernise our Services through Technology**

SB Cares has:

- a. developed and implemented a programme of technology training sessions predominantly aimed at Scottish Borders Council Social Work Services resulting in an increase in technology referrals; and
- b. commenced a pilot within Homecare to trial "Armed" a technology system solution focussed on falls prevention.

✓ **Grow and Develop our Business**

SB Cares has:

- a. earned our first grade 6 awarded from the Care Inspectorate within St Ronans Care Homes and subsequently nominated for a National Care Award; and
- b. engaged with Meridian a consultancy firm specialising in health care productivity through the Integrated Joint Board to look at opportunities within services to develop productivity outcomes.

✓ **Develop Excellent Governance**

SB Cares has:

- a. engaged effectively with the IJB, Scottish Borders Council Major Contracts Governance Group, Audit and Scrutiny Committee and Corporate Management Team. Delivered against key priorities of the Health and Social Care Partnership's strategic agenda.

Members' Annual Report *(continued)*

Quality of Our Care

day services home care care homes independent living

Our registered care services continue to be regulated by the Care Inspectorate based on the National Care Standards, and on relevant regulations. The new quality framework distilled these standards into quality statements which fell into four categories, Quality of Care, Quality of Environment, Quality of Staff and Quality of Management. Each quality statement inspected is graded as follows:

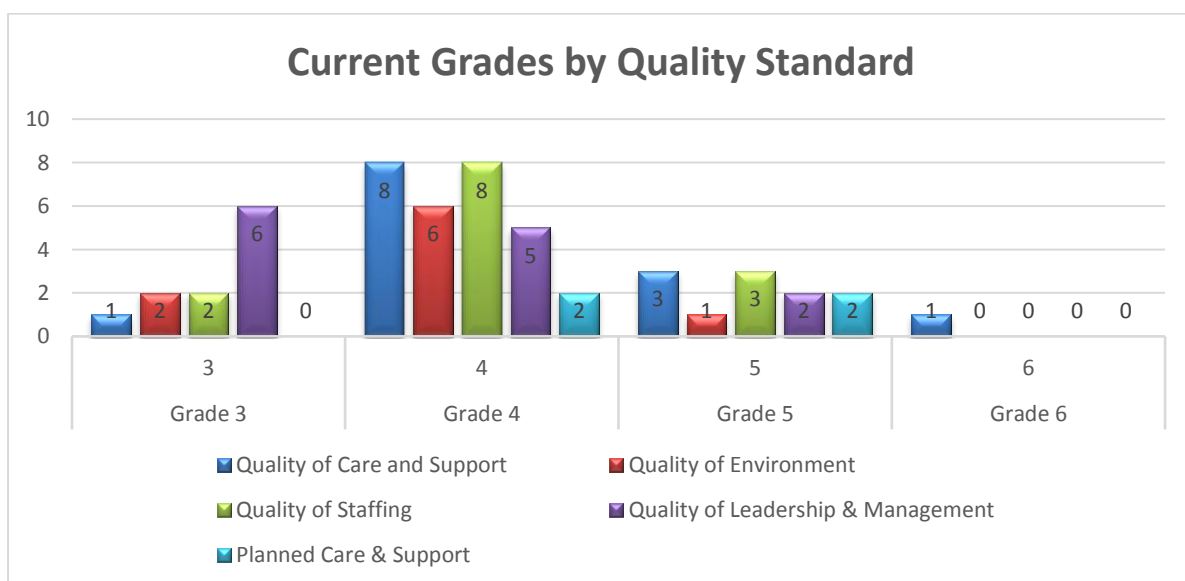
- Grade 6 – Excellent
- Grade 5 – Very good
- Grade 4 – Good
- Grade 3 – Adequate
- Grade 2 – Weak
- Grade 1 – Unsatisfactory

The grades are then aggregated for each of the four categories, so that published inspection reports give four grades for the service.

Due to the new quality standards and grading a direct comparison to prior gradings is not practical. Graph 1 below highlights current grades by themes and previous overall grades.

SB cares was also awarded its first **grade 6** in 2018-19.

GRAPH 1



Members' Annual Report *(continued)*

Previously Care Inspectorate grading was not themed and one grade was received at each inspection report for each registration. This cannot be compared directly with the themed approach to grading and the following table details the grades received previously for reference purposes.

Grade	%
Grade 3	45%
Grade 4	44%
Grade 5	11%

Members' Annual Report *(continued)*

Risk Management

Corporate Risk Management

SB Cares recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

SB Cares has adopted the Council's corporate risk policy to embed risk management into its business practices. SB Cares has continued to monitor, manage and mitigate risk through the proactive management of its risk register and associated actions.

The register is regularly reviewed to ensure that it reflects risks and mitigations associated with the delivery of its current Business Plan. The regular review is undertaken by the Senior Management Team and Board of Management as part of its performance monitoring processes.

The Council's Audit & Risk function, as part of the Service Level Agreement, carries out regular audits of business functions and areas of risk whose findings are reported to the Board of Management. The Council's Head of Audit and Risk and Risk Manager attend the Board of Management meetings on a quarterly basis.

Public Sector Financial Pressures

The overall pressure on public finances continues to be the dominant risk to SB Cares. Budget pressures and service reduction within the Council has an effect on SB Cares as it provides key services to this main client. SB Cares continues to monitor the change in business operation and address the mitigation of risk proactively. This is accomplished through working closely with its key partners and our clients as well as reviewing its business model to secure continuous improvement.

Financial Management

Cash flow management procedures are in place to ensure that resources are managed effectively.

The Board of Management receive a monthly update on the financial position for SB Cares and this includes narrative commentary on movements and updating of the forecast out-turn for the organisation.

Members' Annual Report *(continued)*

Combined Financial Position –SB Cares – 2018/19

SB Cares as a trading entity reports to the Board of Management on a monthly basis, presenting the financial position on a management accounting basis (i.e. excluding the impact of the accounting for retirement benefits). This allows informed monitoring and evaluation of the trading financial position.

Overall across the two companies Supports and Cares, the LLP was able to provide Scottish Borders Council an efficiency contribution rebate of **£206k** on the contract to provide adult social care services for the year ending 31 March 2019. If approved funding was received in full for the Community Equipment Store a contribution rate of £330k would have been returned prior to any pension adjustments.

The total amount of the cumulative contribution returned since inception totals **£3.656m** a **7%** return rate on grant funding.

The table below shows the combined position for the 2 LLPs, showing the Comprehensive Income and Expenditure reported position per the 2018/19 Annual Accounts and the trading position as presented on a management accounts basis for 2018/19.

	Year Ending 31 March 2019		
	SB Supports LLP	SB Cares LLP	Total SB Cares
	£000	£000	£000
Total Comprehensive Income/(Loss) for the year	(251)	(2,851)	(3,102)
<i>International Accounting Standard Adjustments:</i>			
IAS 19 Retirement Benefits Adjustments	-	3,308	3,308
SBC Service Efficiency Contract Rebate including holiday accrual	-	206	206
Income/(Loss) for the year on a Management Accounts Basis	(251)	251	0

An overall assessment of the combined results of the Scottish Borders Supports and Scottish Borders Cares LLPs has resulted in the generation of an efficiency contribution on the annual contract fee for services of **£206k** on top of previously achieved reductions in the contract.

The table below identifies what SB Cares has been able to contribute through contractual rebates as part of its trading arrangements with the Council:

Members' Annual Report *(continued)*

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Recurring Savings returned to SBC:				
2015/16	480	480	480	480
2017/18	-	-	465	465
2018/19				206
Total Recurring Savings	480	480	945	1,151
One-Off Savings returned to SBC - 2016/17	-	600	-	-
Annual Savings	480	1,080	945	1,151
% of Contractual Management Fee	3%	7%	6%	7%
Cumulative Savings	480	1,560	2,505	3,656

This year's contribution has been achieved by a three distinct efficiency projects undertaken during the year including:

- ✓ Contract out of delivery of Alarms systems monitoring with East Lothian Council
- ✓ Continuation of fleet optimisation activity especially in Home Care
- ✓ Reduction in absence

In conclusion the Members Report and Financial Statements for the year ended 31 March 2019, demonstrate that SB Cares continues to improve and drive forward with its service and financial priorities.

The Members' Annual Report was signed on behalf of Members by

Philip Barr

**For and on behalf of
 Scottish Borders Council**

Designated member

Xth September 2019

Statement of Members' Responsibilities in respect of the Members' Report and the Financial Statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and Loss Account

for the year ended 31 March 2019

2018		2019	Notes to Accounts Ref
£000		£000	
14,890	Turnover	15,489	1
(17,227)	Cost of Sales	(17,513)	2, 6
(2,337)	Gross Loss	(2,024)	
-	Administrative Expenses	(1)	
(2,337)	Loss on Ordinary Activities after Taxation	(2,025)	
(2,337)	Profit/(Loss) for the Financial Year Available for Discretionary Division Among Members	(2,025)	
	Other Comprehensive Income/(Loss):		
1,602	Actuarial (Loss)/Gain from Pension Obligations	(826)	6
(735)	Total Comprehensive Loss for the year	(2,851)	

SB Cares LLP's turnover and expenses all relate to continuing operations.

Balance Sheet

at 31 March 2019

2018		2019	Notes to Accounts Ref
£000		£000	
	Current Assets		
408	Debtors	1,021	4
6	Cash at Bank and in Hand	9	
414		1,030	
	Creditors		
(772)	Amounts falling due within 1 year	(932)	5
(358)	Net Current Liabilities	99	
(4,347)	Provisions for Liabilities – Pension and Similar Obligations	(7,655)	6
(4,705)	Net Liabilities attributable to Members	(7,556)	
	Represented by:		
	Members' Other Interests:		
-	Members Capital Account	-	
(4,347)	Pensions Reserve	(7,655)	
(358)	Profit and Loss Reserve	99	
(4,705)	Total Members' Interests	(7,556)	

The Accounting Policies on pages 20 to 24 and the Notes to the Accounts on pages 25 to 34 form part of these Financial Statements. These financial statements were approved by the Members and authorised for issue on Xth September 2019 and were signed on its behalf by:

Philip Barr
For and on behalf of
Scottish Borders Council
Designated member
Company registered number: **SO305156**
Xth September 2019

Statement of Changes in Net Assets Attributable to Members

For the year ended 31 March 2019

	Members Capital Account £000	Pension Reserve £000	Profit & Loss Reserve £000	Total Members Interests £000
Balance at 1 April 2017	-	(3,624)	(346)	(3,970)
Loss for the Financial Year Available for Discretionary Division Among Members	-	-	(2,337)	(2,337)
Actuarial Gain from Pension Obligations	-	1,602	-	1,602
Transfer to/From Pension Reserve	-	(2,325)	2,325	-
Balance at 31 March 2018	-	(4,347)	(358)	(4,705)
Balance at 1 April 2018	-	(4,347)	(358)	(4,705)
Surplus / Loss for the Financial Year Available for Discretionary Division Among Members	-	-	(2,025)	(2,025)
Actuarial (Loss) from Pension Obligations	-	(826)	-	(826)
Transfer to/From Pension Reserve	-	(2,482)	2,482	-
Balance at 31 March 2019	-	(7,655)	99	(7,556)

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

(i) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

The financial statements have been prepared in accordance with FRS101. In preparing these financial statements, the LLP applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

In these financial statements, the LLP is considered a qualifying entity under FRS 101 and has applied the exemptions available under FRS101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations of share capital;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the LLP is a wholly owned subsidiary of Scottish Borders Council, the LLP has taken advantage of the exemption contained in International Accounting Standard 24 'related parties' ("IAS24") and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

(ii) Changes in accounting policies in 2019

The LLP has applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" with effect from 1 April 2018. Due to the transition methods chosen by the LLP in applying the two standards, comparative information throughout these financial statements has not been restated.

The impact of applying applied IFRS 15 "Revenue from Contracts with Customers" is set out in the income recognition accounting policy note *(viii)* and the impact of applying IFRS 9 "Financial Instruments" is set out in the financial assets accounting policy note *(x)*.

IFRS 15 introduces a 5 step process for recognising revenue based on the transfer of control rather than the previous transfer of risk and reward.

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a forward looking expected credit loss model for impairment rather than the previous incurred loss model.

Accounting policies *(continued)*

Both of these changes have been considered as part of the preparation of the LLP's accounts for 2019 and neither are considered to have had a material impact on the financial statements.

(iii) Going Concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Members' report on page 4. Notwithstanding net current liabilities of £7,556,000 as at 31 March 2019 and a loss for the year then ended of £2,851,000 the financial statements have been prepared on a going concern basis which the Members consider to be appropriate for the following reasons.

The Members have prepared cashflow forecasts for a period of 18 months from the date of the approval of these financial statements which indicate that, taking account of reasonably possible downsides, the LLP will have sufficient funds, through continuing funding from Scottish Borders Council, to meet its liabilities as they fall due for that period.

The cash flow forecasts take into account the fact that the LLP has a service provision agreement in place with Scottish Borders Council until March 2020, which the Members expect to be renewed and will continue to provide the existing or an increased level of funding over a period of three to five years. Scottish Borders Council, together with the Borders' Integration Joint Board, are currently undertaking a strategic review of its arrangements for the provision of Adult Social Care Services in line with the recommendations of the Audit Scotland's 2018 report "Council's Use of Arms-length Organisations", which will review all council services.

Scottish Borders Council and Borders' Integration Joint Board have indicated their intention to continue to fund the services presently provided by SB Cares at the presently agreed level for 2019/20. However, the ability of Scottish Borders Council and Borders' Integration Joint Board to continue to provide this funding is dependent on the results of the strategic review, resource allocations to the Borders' Integration Joint Board and board approval.

As with any LLP placing reliance on council funding to continue in operation, the Members acknowledge that there can be no certainty that this funding will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Additionally, the Members have received a guarantee for SB Cares LLP pension liability from Scottish Borders Council which has the effect of covering the obligations that create the LLP's net liability position.

Based on these indications the Members believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the LLP's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in

Accounting policies *(continued)*

the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(iv) Members' Remuneration and Allocation of Profits

Members are not remunerated by the LLP. A Member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

(v) Members' Capital

The capital requirements of the LLP are determined from time to time by the Members. No interest is paid on capital.

(vi) Value Added Tax (VAT)

The LLP is registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

(vii) Taxation

Taxation on all partnership profits is solely the liability of individual members. Consequently neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

(viii) Income Recognition

The LLP has adopted IFRS 15 "Revenue from Contracts with Customers" in the 2018 financial statements and the IFRS has been applied prospectively from 1 April 2018. The change in accounting policy caused by the application of IFRS 15 has not had a material impact on the timing of revenue recognition or any material impact on the LLP's financial accounting. No adjustments were made on transition at 1 April 2018

IFRS 15 requires the LLP to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied, based on the transfer of control. Accordingly, the LLP continues to recognise income in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent that identified performance obligations are satisfied with respect to the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

(viii) Trade and Other Debtors

Trade and other debtors are in line with IFRS 9 "Financial Instruments" for the 2019 financial statements. A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably

Accounting policies *(continued)*

(ix) Trade and Other Creditors

Trade and other creditors are recognised in line with IFRS 9 "*Financial Instruments*" for the 2019 financial statements. A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably

(x) Financial Assets

The LLP has adopted IFRS 9 "*Financial Instruments*" for the 2019 financial statements, and the IFRS has been applied prospectively from 1 April 2018. The change in accounting policy caused by the application of IFRS 9 has not had a material impact on the LLP's operating profit or balance sheet. No adjustments were made on the transition at 1 April 2018.

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is measured at an amount equal to lifetime expected credit losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the LLP considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LLP's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the LLP expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Accounting policies *(continued)*

(xii) Retirement Benefits

All existing and new Members of staff have the option of joining the SB Cares Pension Fund ("the Fund"). The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of the LLP. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes to Annual Accounts

(forming part of the financial statements)

1 Turnover

Turnover is reported in line with IFRS 15 'Revenue from Contracts with Customers' which requires the LLP to apportion revenues from customer contracts to separate performance obligations and recognise revenues as each performance obligation is satisfied, based on the transfer of control. Accordingly, the LLP continues to recognise income in the accounting period to which it relates. Income from grants, contracts and other services rendered is included to the extent that identified performance obligations are satisfied with respect to the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

2 Staff Numbers and Costs

The average Full Time Equivalent (FTE) number of persons employed by the LLP during the year, analysed by category, was as follows:

	2017/18	2018/19
Number of Employees - Front Line Services Staff (FTE)*	550	570

** a number of employees have part-time contracts*

Staff costs for the above persons were:	£000	£000
Wages and salaries	11,860	11,970
Social security costs	788	818
Pension costs	4,100	4,360
Total Staff Costs	16,748	17,148

3 Particulars of Members

The number of Members of the Limited Liability Partnership for the year was two. No remuneration was paid to either Member.

Notes to Annual Accounts *(continued)*

4 Debtors

	As at 31 March	
	2018 £000	2019 £000
Trade Debtors	2	11
Amounts Owed by Group Members	334	957
Prepayments and Accrued Income	4	15
Value Added Tax	25	24
Other Debtors	43	15
Total Debtors	408	1,021

5 Creditors: Amounts falling due within One Year

	As at 31 March	
	2018 £000	2019 £000
Other taxation and social security	(363)	(338)
Accruals and deferred income	(408)	(594)
Other creditors	(1)	-
Total Creditors: Amounts falling due within One Year	(772)	(932)

6 Employee Benefits

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Scottish Borders Council Pension Fund, in which it is a participating employer. The latest full actuarial valuation was carried out as at 31 March 2017 and reported a 113% funding level.

The Scottish Borders Council Pension Fund is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

In accordance with the agreement between Scottish Borders Council and Scottish Borders Cares LLP, no liability was transferred from the Council to the LLP at the date of its incorporation and a guarantee relating to the pension liability is in place from the Council to the LLP which has the effect of ultimately transferring the risk of underfunding of pension liabilities to Scottish Borders Council.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Governance

The administering authority for the Fund is Scottish Borders Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers. The LLP has the opportunity to participate in the Pension Fund through Employers' meetings and the Pension Board/Committee should a vacancy arise.

As administering authority to the Fund, Scottish Borders Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Risk exposure

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

Investment risk	The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
Interest rate risk	The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
Inflation risk	All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
Longevity risk	In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Scottish Borders Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

All of the above risks identified above could result in the Fund being insufficient to meet the full benefit liabilities due to the LLP's employees when they retire. The legal agreements in place around the incorporation of the LLP and the guarantee for the pension liability from Scottish Borders Council means that in the event that there is a funding gap, and the LLP has insufficient funds to meet these, the Council will be required to cover these.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Amendments, curtailments and settlements

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a Member such as added years by a Member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2019.

Curtailments

The cost of curtailments arising as a result of the payment of unreduced pensions on early retirement are calculated at the point of exit, with interest applied to the accounting date accounted for separately. We are not aware of this arising in 2019.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

The assets and defined benefit obligations prior to 1 April 2015 will be accounted and disclosed for within Scottish Borders Council for service prior to the transfer date.

	2018 £000	2019 £000
Present Value of Funded Defined Benefit Obligations	(13,285)	(18,961)
Fair Value of Plan Assets	8,938	11,306
Net Pension Liability	(4,347)	(7,655)

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

<i>Movements in Present Value of Defined Benefit Obligation:</i>	Year to 31 March	
	2018 £000	2019 £000
Opening Defined Benefit Obligation	8,864	13,285
Current Service Cost	4,052	3,935
Past Service Costs	5	275
Interest Cost	255	388
Actuarial Losses/(Gains)	(343)	1,389
Contributions by Members	569	547
Estimated Benefits Paid Net of Transfers in	(117)	(858)
Closing Defined Benefit Obligation	13,285	18,961

<i>Movements in Fair Value of Plan Assets:</i>	Year to 31 March	
	2018 £000	2019 £000
Opening Fair Value of Plan Assets	5,240	8,938
Expected Return on Plan Assets	1,435	811
Contributions by Employer	1,811	1,868
Contributions by Members	569	547
Estimated Benefits Paid plus Unfunded Net Of Transfers In	(117)	(858)
Closing Fair Value of Plan Assets	8,938	11,306

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

	Year to 31 March	
	2018 £000	2019 £000
<i>Recognised in the Profit and Loss Account</i>		
Service Cost	4,057	4,210
Interest on Defined Benefit Pension Plan Obligation	77	140
Administration Expenses	2	-
Recognised Pensions Service Costs	4,136	4,350
<i>Re-measurements in Other Comprehensive Income:</i>		
Return on Fund Assets in Excess of Interest	144	563
Other Actuarial Gains/(Losses) on Assets	1,115	-
Change in Financial Assumptions	742	(1,389)
Change in Demographic Assumptions	341	-
Experience Gain/(Loss) on Defined Pension Obligation	(740)	-
Re-measurements of Net Assets / (Defined Liability)	1,602	(826)

	2018 *		2019	
	£0	%	£0	%
Equities	5,899	66	6,331	56
Bonds	1,788	20	3,053	27
Property	1,251	14	1,696	15
Cash	-	-	226	2
Total Estimated Fair Value of Plan Assets	8,938	100%	11,306	100%

* 2018 fair value of the Plan assets are restated in line with 2019 methodology following a change in actuaries and basis of asset classification.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

In valuing the assets and liabilities of the Pension Fund for the Financial Statements at 31 March 2018, assumptions have been made as indicated below.

Asset Valuation Actuarial Assumptions:

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2018 *	2019
	%	%
Discount Rate	3.8	2.4
Future Salary Increases	4.3	3.5
Pension Increase Rate	2.5	2.5

* **The 2018 actuarial assumptions are not restated for 2018.**

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Demographic Assumptions:

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity

The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Life Expectancy from age 65 as at 31 March (in years)			
	2018		2019	
	Males	Females	Males	Females
Employee retiring today	21.6	24.2	21.6	24.2
Employee retiring in 20 years	23.3	26.0	23.3	26.0

Financial Assumptions

The financial assumptions were set with reference to market conditions at 31 March 2019 and include:

	Financial Assumptions (%)	
	2018	2019
Discount Rate	2.60	2.40
Pension Increases	2.30	2.50
Salary Increases	3.30	3.50

The LLP expects to contribute approximately £1.86 million to its defined benefit plan in the next financial period.

Notes to Annual Accounts *(continued)*

6 Employee Benefits *(continued)*

Sensitivity Analysis

The following sensitivity analysis relating to the adjustment of various assumptions has been undertaken by the actuary.

Change in assumption as at 31 March 2019	
Adjustment to discount rate	-0.50%
Approximate increase in employer liability	12%
Approximate monetary amount	2,202
Increase in salary increase rate	0.50%
Approximate increase in employer liability	0
Approximate monetary amount	394
Increase in pension increase rate	0.50%
Approximate increase in employer liability	0
Approximate monetary amount	1,764

7 Financial Instruments

The financial instruments held are trade receivables, cash and cash equivalents, trade creditors and other creditors. All are held at amortised cost which, given their short term nature is estimated to equate to fair value.

The partnership's exposure to credit risk is considered to be minimal given its principal trade debtor is Scottish Borders Council. Similarly given the nature of its business it is considered to have limited liquidity risk.

8. Post Balance Sheet Events

There were no post balance sheet events requiring adjustment or disclosure within the financial statements

9 Ultimate Parent Organisation

The LLP's ultimate parent undertaking is Scottish Borders Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Scottish Borders Council may be obtained from its registered office at Scottish Borders Council offices, Newtown St Boswells, TD6 0SA.

Notes to Annual Accounts *(continued)*

10 Related Parties

Scottish Borders Council made a contribution in line with the Partnership Agreement of £20M. Additional funding was also received for Scottish Borders Council for additional contracted works of £774k.

Facilities were leased to the LLP for a peppercorn rent. Scottish Borders Council also provided various support functions including Legal, HR, Payroll and IT which the company received free of charge.

11 New Standards

The LLP has applied the following new amended or improved standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" for the first time in the 2019 financial statements. Due to the transition methods chosen by the LLP in applying the two standards, comparative information throughout these financial statements has not been restated.

Both of these changes have been considered as part of the preparation of the LLP's accounts for 2019 and neither are considered to have had a material impact on the financial statements.

12. Standards issued but not yet effective

IFRS 16 – leases for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the LLP has not early adopted the new or amended standards in preparing these consolidated financial statements.

IFRS 16 is expected to have a material impact on the LLP's financial statements in the period of initial application based on early testing. The LLP plans to apply IFRS 16 initially on in the year end accounts for 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 31st March 2019, with no restatement of comparative information.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Independent Auditor's Report to the Members of Scottish Borders Cares LLP

Opinion

We have audited the financial statements of Scottish Borders Cares LLP ("the LLP") for the year ended 31 March 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement Of Changes in Net Assets Attributable to Members and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to the profit and loss account of the financial statements which indicates that the LLP incurred a net loss of £2,851,000 for the year (2018: net loss of £735,000) and had net current liabilities of £7,556,000 (2018 net current liabilities of £4,705,000), and the LLP's ability to continue as a going concern is dependent upon continued funding from Scottish Borders Council and Borders' Integration Joint Board, which is in turn dependent upon the outcome of a strategic review being undertaken within Scottish Borders Council. These events and conditions, along with the other matters explained in the accounting policies, constitute a material uncertainty that may cast significant doubt on the LLP's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis.

Independent Auditor's Report to the Members of Scottish Borders Cares LLP (continued)

of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a LLP and this is particularly the case in relation to Brexit.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 16, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Scottish Borders Cares LLP (continued)

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Hugh Harvie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
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SB CARES is the trading name of Scottish Borders Cares LLP (SO305156) and Scottish Borders Supports LLP (SO 305176).
Both bodies are Limited Liability Partnerships working with Scottish Borders Council to provide Adult Social Care Services.

