

Please find attached the Reports and Accounts in respect of Item 7 on the agenda for the above meeting.

7.	Scottish Borders Council Final Reports and Accounts 2022/23 Consider the following reports:- (Copies attached.)	30 mins
(a)	Audit Scotland - Annual Reports 2022/23 (i) Scottish Borders Council; and (ii) Pension Fund	(Pages 3 - 108)
(b)	Director - Finance and Procurement report on Annual Accounts 2022/23	(Pages 109 - 116)
(c)	Scottish Borders Council Audited Annual Accounts to 31 March 2023	(Pages 117 - 252)
(d)	Pension Fund Audited Annual Accounts to 31 March 2023	(Pages 253 - 348)
(e)	Bridge Homes LLP Audited Annual Accounts for the year to 31 March 2023	(Pages 349 - 364)
(f)	Lowood Tweedbank Limited Annual Accounts for the year to 31 March 2023	(Pages 365 - 372)
(g)	SB Inspires LLP Annual Accounts	(Pages 373 - 384)

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Scottish Borders Council

2022/23 Annual Audit Report – PROPOSED



 AUDIT SCOTLAND

Prepared for the Members of Scottish Borders Council and the Controller of Audit
September 2023

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Key messages

2022/23 annual accounts

- 1 Our audit opinions on the annual accounts of Scottish Borders Council (the Council) and its group are unmodified, i.e., the financial statements and related reports are free from material misstatement.
- 2 Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report.

Financial management and sustainability

- 3 The Council continues to balance its budget each year and operated within budget in 2022/23. While facing significant financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the Council continues to demonstrate sound financial management maintaining reserves in line with the long term Revenue Financial Strategy.
- 4 There are appropriate and effective budget setting, financial management and monitoring arrangements in place.
- 5 Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes.

Best Value

- 6 The Council plan outlines the Council's vision for 2033 and elected members have shaped that vision.
- 7 The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years.
- 8 A Best Value Assurance Report on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council has concluded these have now been addressed.

Vision, leadership and governance

- 9 Governance arrangements are appropriate and operated effectively.
- 10 There is effective scrutiny, challenge and informed decision making.

Use of resources to improve outcomes

- 11** There is strong partnership working to meet the health and social care challenges facing the Scottish Borders.
- 12** The Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Scottish Borders Council. The scope of the audit was set out in our Annual Audit Plan presented to the 13 March 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Scottish Borders Council's annual accounts
- conclusions on Scottish Borders Council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the members of Scottish Borders Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of Scottish Borders Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. Scottish Borders Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Scottish Borders Council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of Scottish Borders Council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £328,340 (£323,340 in respect of the Council and £5,000 in respect of the Trust accounts) as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to Scottish Borders Council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Our audit opinions on the annual accounts of Scottish Borders Council (the Council) and its group are unmodified, i.e., the financial statements and related reports are free from material misstatement.

Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report.

Audit opinions on the annual accounts are unmodified

11. The Council approved the annual accounts for Scottish Borders Council and its group for the year ended 31 March 2023 on 28 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality for the group was assessed as £9.350 million

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#). The revision had no impact on our audit approach.

Exhibit 1

Materiality values

Materiality level	Council	Group
Overall materiality	£9.0 million	£9.350 million
Performance materiality	£5.4 million	£5.6 million
Reporting threshold	£250,000	£250,000

Source: Audit Scotland

14. The overall materiality threshold for the audit of the annual accounts of the Council was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60 per cent of overall materiality, reflecting findings reported in prior years.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Valuation of land and buildings</p> <p>A number of issues have been identified from our testing of land and buildings assets:</p> <ul style="list-style-type: none"> • Buildings valued using depreciated replacement cost (DRC) were sample tested and issues identified. The accuracy of underlying data and assumptions (including obsolescence) was incorrect, and these have been revisited by the valuer. Our sample was overstated by £ 0.64 million. Further work was carried out which increase and decreased values of DRC assets with a final position of £0.13 million understatement. • An impairment review did not identify that Parkside primary school buildings had been demolished in year. Assets were overstated by £1.19 million. 	<p>No adjustment has been made in the accounts. We are satisfied that the errors identified are not material to the accounts.</p> <p>Recommendation 1 (Refer Appendix 1, action plan)</p>
<p>2. Significant trading operation</p> <p>The Council has one significant trading operation (STO), SBc Contracts. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three-year period.</p> <p>SBc Contracts reported an operating surplus of £1.299 million in 2022/23. However, following technical accounting adjustments for IAS 19 Employee Benefits (including pensions), the final position was a deficit for 2022/23 of £75,000 for external works and a three-year cumulative deficit of £0.331 million.</p>	<p>The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.</p> <p>There is no impact on our Independent Auditor's Report.</p> <p>Recommendation 2 (Refer Appendix 1, action plan)</p>
<p>3. Internal recharges</p> <p>In 2022/23, a total of £14.2 million of infrastructure asset additions were completed by SBc Contracts. Included in this is a 16 per cent profit margin, equivalent to £2.3 million.</p> <p>As SBc Contracts is a significant trading operation of the Council, this would not be classed as a cost which is wholly attributable to bringing the asset into use, in line with IAS 16.</p>	<p>No adjustment has been made in the accounts. We are satisfied that the maximum potential error is not material to the accounts.</p> <p>Recommendation 3 (Refer Appendix 1, action plan)</p>

Issue	Resolution
<p>£2.3 million represents the maximum error which would be identified in the accounts, but further work needs to be carried out by the Council to fully understanding the costings model in place.</p>	
<p>4. Pension ceiling asset</p> <p>The unaudited accounts recognised the Council's share of its local government pension scheme assets and liabilities as at the balance sheet date. In the unaudited accounts, the net pension asset was recognised in accordance with IAS 19: Employee Benefits of £64.297 million.</p> <p>IFRIC 14 limits the measurement of the net 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 in accordance with IFRIC 14 at the pension asset ceiling. This represents the economic benefit available as a reduction in future contributions.</p>	<p>The Council engaged with the actuary, Hymans Robertson, to provide an actuarial valuation of the net pension asset ceiling (cap) in accordance with IFRIC 14.</p> <p>This information was not received from the actuary before the unaudited accounts were submitted to audit.</p> <p>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. This has been calculated as £32.666 million and is reflected in the updated accounts.</p> <p>The audit team have reviewed the actuarial assumptions applied and basis of calculation and satisfied that this is appropriate and that the net pension asset ceiling has been appropriately capped in accordance with IFRIC 14.</p>
<p>5. Assets on Common Good Land</p> <p>A judicial review concluded that all Council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. The Council has a number of operational assets which stand on Common Good land.</p>	<p>The current accounting treatment reflects the substance of the transaction but that the Council should look to establish a formal agreement between the Council and common good funds for the use of the assets.</p> <p>Recommendation 4</p> <p>(Refer Appendix 1, action plan)</p>

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual accounts

19. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we

performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assessed the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments during the period.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year</p>	<p>Results: We found no instances of material misstatement due to fraud caused by management override of controls.</p>
<p>2. Estimation in the valuation of land and buildings.</p> <p>Scottish Borders Council held land and buildings with a NBV of £458 million as at 31 March 2022. Land and building asset categories are revalued on a five-year rolling basis and following</p>	<p>Reviewed the information provided to the external valuer to assess for completeness.</p> <p>Evaluated the competence, capabilities, and objectivity of the internal and external professional valuers.</p> <p>Obtained an understanding of the management's involvement in the valuation process to</p>	<p>Results: Our findings in respect of the audit work we carried out are detailed in Exhibit 2.</p> <p>Adjustments have been made to the financial statements to ensure that the carrying value of land & buildings represent fair value at 31 March 2023.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>an audit recommendation the valuation date has been changed from 1 April to 31 March.</p> <p>There can be a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p>	<p>assess if appropriate oversight has occurred.</p> <p>Critically assessed the approach Scottish Borders Council has adopted to assess the risk that assets not subject to valuation are materially misstated, consider the robustness of that approach and the appropriateness of any assumptions made.</p> <p>Tested the reconciliation between the financial ledger and the property asset register.</p> <p>Reviewed the reasonableness of the underlying assumptions used in the valuation and confirmed that the valuations were undertaken in accordance with the CIPFA Code of Practice on Local Authority Accounting.</p>	<p>Assurance has been gained that there are no material misstatements in the carrying value of land & buildings.</p>

Source: Audit Scotland

20. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- The review of legal agreements relating to, and accounting treatment of those assets utilised by Scottish Borders Council, but which have been identified as properly owned by the Common Good.
- The pension liability valuation due to the material value and significant assumptions used in the calculation of the liability. We will utilise the work of PwC as auditor expert in assessing the reasonableness of the methodology used and assumptions made by the Council’s actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2023.
- In 2021/22, the Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even. A matter reported by exception was included within our Independent Auditor’s Report. The presentation and disclosure of significant trading operations will be reviewed to determine if there are any implications for our Independent Auditor’s Report.

21. We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, we have outlined our recommendations as set out in [Exhibit 2](#).

Identified misstatements of £6.7 million were adjusted in the financial statements

22. In addition to the misstatements outlined in [Exhibit 2](#), other misstatements of £6.7 million were identified in the annual accounts and are detailed within [Appendix 2A](#). As noted in [Exhibit 2](#) the adjustment relating to the net pension asset ceiling of £31.6 million related to late information from the actuary. Adjustments have been processed to the annual accounts for the above misstatements. We concluded that further audit procedures were not required as the misstatements arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

There were number of non-material misstatements identified within the financial statements

23. We identified a number of misstatements which were not corrected by management in the audited accounts. We considered the size, nature and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that these were not material. Further details of the uncorrected misstatements are included in [Appendix 2B](#).

The unaudited annual accounts were received in line with the agreed audit timetable

24. The unaudited annual accounts were received in line with our agreed audit timetable on 29 June 2023. Scottish Borders Integration Joint Board (the IJB) figures were not included in the group accounts, as information had not been received from the IJB.

Limited progress was made on prior year recommendations

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

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The Council operated within budget in 2022/23.

The Council continues to balance its budget each year and the level of reserves is in line with the long term Revenue Financial Strategy.

There are appropriate and effective budget setting, financial management and monitoring arrangements in place.

The Council operated within budget in 2022/23

26. The Council approved its 2022/23 budget in February 2022. The budget was set at £324.9 million, including the use of £2.4 million of earmarked reserves carried forward from 2021/22 and £8.1 million of savings. The budget was prepared against the significant financial uncertainty caused by the Covid-19 pandemic.

27. The decision was made to redirect the Covid-19 reserve to a “Recovery Fund” and to utilise this fund to balance the 2022/23 budget. The remaining balance of £5.8 million within the Recovery Fund was drawn down as required to meet identified financial pressures arising during the year.

28. The Council has a good track record of delivering services within budget over several years. The actual outturn for the year was expenditure of £323.4 million, which was an underspend of £1.5 million against the final approved budget for the year.

29. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under/overspends against budget

Area	£m	Reason for variance
Underspends		
Infrastructure and Environment	1.14	Underspend in temporary accommodation and catering. There are compensating overspends within Resilient Communities and School Meals.

Area	£m	Reason for variance
		The net position for I&E is an underspend of £0.868 million primarily being driven by an increased surplus within SBc Contracts, additional income and staff turnover.
Social Work & Practice and Public Health	0.48	Underspend in Older People, People with Physical Disabilities and Joint Mental Health Services.
Finance & Corporate Governance	0.21	Staff turnover and discretionary underspends
People, Performance & Change	0.23	Staff turnover, additional income and discretionary spend savings
Overspends		
Strategic Commissioning & Partnerships	0.51	Information Technology being over budget due to increased service charges and mobile telephony costs

Source: Scottish Borders Council 2022/23 Annual Accounts

The Council has appropriate and effective budget setting and monitoring arrangement in place

30. The Council continues to balance its budget each year and maintains the level of reserves is in line with the long term Revenue Financial Strategy.

31. The Council has an Executive Committee with 17 members, half of all council elected members. This operates as the overall strategic committee for the Council and has cross-party membership. The Executive Committee receive regular revenue and capital monitoring reports and, from a governance perspective, conducts detailed scrutiny of financial performance.

32. From our review of these reports, we concluded that these provide an overall picture of the budget position at service level and good explanations for significant variances against budget. These allow both members and officers to carry out scrutiny of the Council's finances.

33. Council members worked collaboratively to set the Council budget for 2023/24. A cross party budget working group was established as a mechanism to support this and facilitated robust early discussions that enabled scenarios and options to be worked through.

34. The Council has appropriate and effective budget setting and monitoring arrangements in place.

The level of General Fund reserves has decreased slightly however uncommitted reserves is in line with the financial strategy

35. One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves reduced slightly from £64.5 million in 2021/22 to £62.2 million in 2022/23. The General Fund is the largest usable reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure. The total level of general fund reserves has reduced from £51.991 million in 2021/22 to £49.647 million in 2022/23. However, the level of uncommitted reserves has increased from £9.849 million in 2021/22 to £9.980 million in 2022/23.

36. The Council reviews the level of its uncommitted reserves when setting the budget each year. The review is based on an assessment of corporate risks, with each risk being assigned a likely financial amount as well as a likelihood of the risk occurring. As part of the budget setting process for 2023/24, the Financial Strategy Risk Register was considered by the Council in February 2023. At this time the financial risk was assessed as being £14.3 million with the projected unallocated general fund balance of £8.4 million sufficient to cover 59 per cent of the risks at that time. This is a decrease on the prior year position which covered 61 per cent of the assessed risks at that time.

37. We are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level.

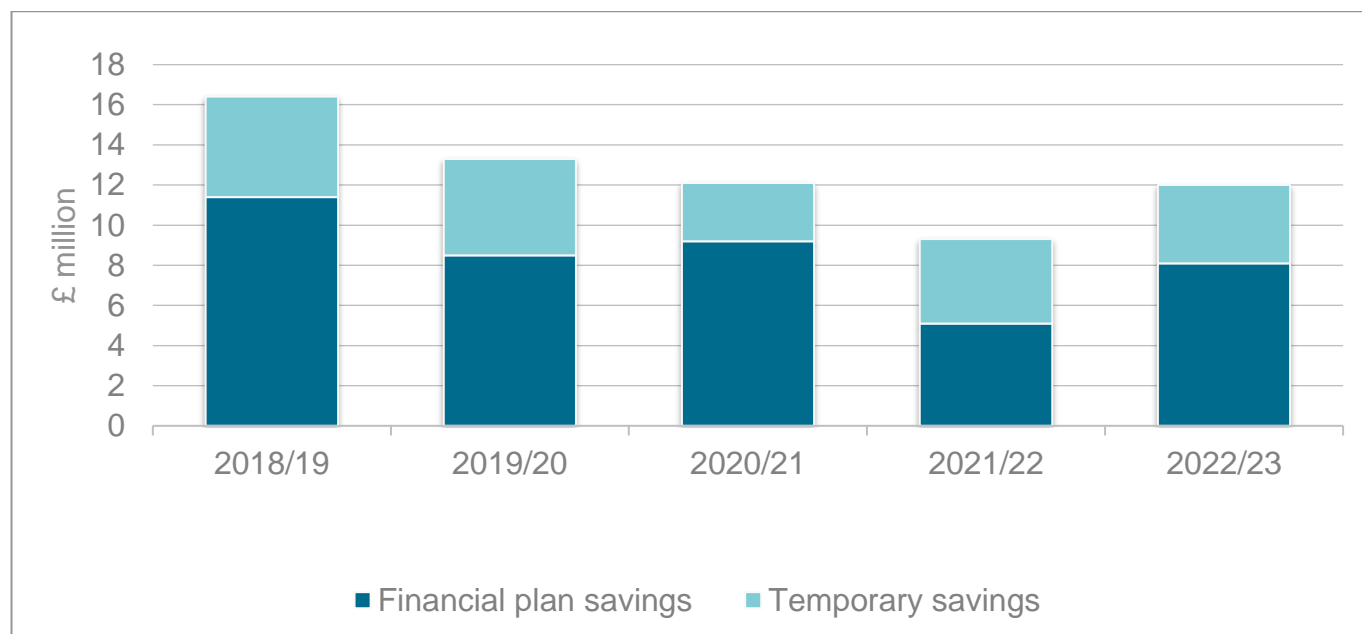
Planned efficiency savings were achieved

38. Financial plan savings of £12.027 million were reported in 2022/23. The total savings are made up of £8.147 million included within the 2022/23 financial plan plus £3.880 million of savings brought forward from previous years. Of these savings £8.934 million (74 per cent) were reported as delivered permanently and a recurring saving to the Council. This is important to support the Council deliver financially sustainable services.

39. [Exhibit 5](#) below highlights the level of savings being reported within the Council on an ongoing basis. The savings are categorised into those established as part of the Financial Plan in each year and those temporary savings brought forward from previous years for permanent delivery.

Exhibit 5

Savings



Source: Scottish Borders Council annual accounts 2022/23

Capital expenditure was less than originally budgeted in 2022/23

40. The Council agrees a ten-year capital plan each year as part of its budget process. Total capital expenditure in 2022/23 was £63.537 million. The total capital spend was £11.583 million below the revised capital budget of £75.120 million. The main areas of underspend were in respect of flood and coastal protection of £4 million, plant and vehicle £1.8 million and the school estate £4.8 million.

Borrowing levels have decreased in 2022/23

41. At 31 March 2023, long term borrowing stood at £209.9 million, a slight decrease of £0.6 million on the 2022 level of £210.5 million. During the same period, short term borrowing decreased from £4.8 million to £3.6 million.

42. Capital financing need was not fully funded by external loan debt and instead by internal cash. The Council has applied this strategy on the basis that this is prudent and cost effective in an environment where investment returns are low and counterparty risk is high.

43. Total external debt, which includes the Council's long-term liabilities, was within the authorised limit and operational boundary set in the Treasury Management Strategy. The current borrowing position complies with the Prudential Code, and the Council will continue to consider the affordability of future borrowing.

The Council has not identified any buildings/sites which have Reinforced Autoclaved Aerated Concrete

44. Reinforced Autoclaved Aerated Concrete (RAAC) was widely used in the construction of floors and roofs from the 1950s to early 1990s. Recent investigations have identified that leaks or water exposure could lead to the deterioration of RAAC planks.

45. The Scottish Government are working in partnership with the UK Government on research into the extent of the use of RAAC in public buildings and public bodies, including the Council, have been advised to check as a matter of urgency whether any buildings in their estates have roofs, floors, cladding or walls made of RAAC.

46. The Council has undertaken an assessment of its estate and has not identified the existence of RAAC in its buildings, with specific work on the school estate concluding in September. We will monitor any further work on this to fully understand the impact of RAAC and any future potential remediation work required.

Overall, we concluded that the Council has satisfactory systems of internal control in place

47. Our responsibilities under the Code of Audit Practice requires us to assess the system of internal control put in place by management. We seek to gain assurance that the Council:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud, or corruption
- complies with established policies, procedures, laws, and regulations.

48. We carried out a review of the key controls within the financial systems used by the Council during our interim audit. We concluded that the Council has satisfactory systems of internal control in place, however business continuity testing could be improved. A significant number of continuity plans are in place across the council (departments, schools, care homes) and these should be refreshed periodically to ensure that they are readily accessible to staff. Disaster recovery is addressed in paragraph [80](#).

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

49. The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

50. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, counter fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

51. The Integrity Group, which supports management in their primary responsibility for the prevention, detection, and investigation of fraud, met regularly during the year.

52. The Integrity Group carried out a Counter Fraud Controls Assessment for 2022/23 which was presented to the Audit Committee on 13 February 2023 and provided assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection, and investigation of fraud. A Cyber Security Maturity Assessment had been undertaken that has delivered recommendations on how to enhance and increase the effectiveness of current controls and identify areas where resilience against persistent threats could be improved. An action plan of recommendations to enhance the Council's resilience to fraud was approved at the meeting.

53. We have reviewed the arrangements put in place by the Council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error, and irregularities.

National Fraud Initiative

54. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud.

55. The previous external auditors reported that the Council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas and full participation in the 2020/21 NFI exercise was not achieved due to continued resourcing pressures.

56. Participation in the 2022/23 NFI exercise has commenced, and the NFI Self-Appraisal Checklist 2022/23 has been completed and presented to the Integrity Group and subsequently considered by the Audit Committee on 13 February 2023. Assurances were given that the remaining questions on the Self-Appraisal would be completed and reviewed by the Integrity Group in alignment with the phases within the timetable of the National Fraud Initiative 2022/2023 exercise.

57. In July 2023, we were advised that work is being carried out on the NFI exercise, but this has been offline with information still to be recorded on the NFI portal. It is important that the investigation work and conclusions reached are recorded in the NFI portal in a timely manner to inform the national review.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The Council has appropriate budget setting and monitoring arrangements in place.

Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes.

We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability identified in our 2022/23 Annual Audit Plan

58. [Exhibit 6](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 6

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>Financial Sustainability</p> <p>Scottish Borders Council continues to operate in an increasingly complex and challenging environment where they aim to provide the best possible service within the resources available. The principal pressures identified by the Council are the continuing constraints on external revenue and capital funding from central government, rising costs resulting from high rates of inflation which is expected to continue through 2023/24,</p>	<p>Reviewed the Council's annual budget setting arrangements.</p> <p>Reviewed and assessed budget monitoring arrangements.</p> <p>Reviewed the Council's medium to longer-term financial planning.</p> <p>Reviewed of the Council's financial position and delivery of planned savings.</p>	<p>Results and conclusion:</p> <p>We reviewed the Council's medium to longer-term financial planning and concluded that clear plans are in place and are regularly reviewed and reported.</p> <p>The Council recognise the financial challenges facing the organisation but have appropriate measures in place to assess and monitor financial sustainability. It is recognised that over the medium to longer term.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>and increasing service pressures, particularly relating to population demographics where there are increasing number of older people requiring care services and children requiring to be looked after and accommodated out with the authority.</p>		

The Council has appropriate budget setting and monitoring arrangements in place

59. The Council faces significant uncertainty for 2023/24 onwards in terms of financial settlement, recovery from Covid-19, inflation and rising living costs.

60. The Council approved its 2023/24 budget in February 2023. Budget monitoring is reported to the Executive Committee on a quarterly basis. The latest monitoring report was presented to the Executive Committee in August 2023 and was based on the first quarter of 2023/24. The report projected overall pressures within the Council of £3.771 million at the financial year end made up of £3.267 million of service pressures together with £0.504 million of inflation pressures. The overall £3.771 million pressure identified created a significant risk to the Council's ability to balance the 2023/24 budget.

61. A review was undertaken by the Council Management Team. As a result, the recommendation was made that, as the Recovery Fund was not sufficient to address this scale of pressure a 20 per cent reduction in some previously approved earmarked balances, brought forward from 2022/23, be utilised as a solution to balancing the budget in 2023/24. This was approved by the Executive Committee.

62. We have concluded that the Council has appropriate budget setting and monitoring arrangements in place to ensure that the budget is reviewed on a regular basis to consider the impact of ongoing uncertainties.

Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes

63. The Council has continued to adopt a five-year approach to medium term revenue planning, and a ten-year timeframe for the capital plan. The long-term financial strategy, published for the first time as part of the 2022/23 financial planning process, has been extended to include revenue for a ten-year period to allow the Council to plan more effectively over a longer period.

64. During 2023/24, the Council will adopt the change in statutory accounting treatment for Service Concession Arrangements as set out by the Scottish Government in Finance Circular 10/2022. This permits the Council to undertake internal accounting changes that extend the period to the life of the asset over

which the principal repayment of the unitary charge can be made, instead of the life of the contract for the five schools built through Public Private Partnerships.

65. The Council Plan 2023/24 was published in April 2023 sets out a 10 year vision and outlines the priorities, proposed outcomes and actions for 2023/2024. The Council's medium-term budget covers the period to 2027/28 with the longer-term financial plan projecting forward to 2032/33.

66. The Council Plan is divided into three main sections:

- a **Strategic Context and Vision** section which, in responding to strategic challenges and opportunities, outlines a long-term vision for the Council
- a **Scottish Borders-Wide Actions** section listing the key strategic priorities and outcomes for the Council over the next financial year
- a **Locality Actions** section featuring key actions and priorities in each of the Borders' five Area Partnership localities.

67. The Council continues to monitor, review and reforecast its plans as appropriate, to take into account ongoing uncertainties.

4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

The Council plan outlines the Council's vision for 2033 and elected members have shaped that vision.

The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years.

A Best Value Assurance Report on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council has concluded these have now been addressed.

Best Value work in 2022/23

68. For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years

69. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts three, five and six of this annual audit report.

70. Annual thematic Best Value work is set by the Accounts Commission. The results of this work were reported to elected members at the Audit Committee on 25 September 2023. This report will be published on the Audit Scotland website in due course.

71. The audit recommendations made in this report, together with the management responses, are included in [Appendix 1](#) of this report.

Leadership of the development of new local strategic priorities

72. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The key findings in this report are:

- Since the last BVAR in 2019, there has been a significant amount of change in the leadership of the Council at both officer and elected member level. However, the Council continues to demonstrate evidence of collaborative working between members of different political parties since the 2022 election. This is reflected in the development of the Council vision, following the election.
- The Council plan outlines the Council's vision for 2033. Elected members have shaped that vision. The Council plan is refreshed annually and sets out actions to deliver that vision. The overall community plan for the area was last updated in 2018 and the Council acknowledges it needs to work with partners to update this plan, that further work is required to align the corporate plan to the budget setting process and to directorate delivery plans.
- The Council has established a comprehensive induction programme to support elected members. It now needs to encourage the uptake of personal training and development plans for elected members. A period of stability in council leadership will support moving forward with plans to deliver the vision for 2034. The Council needs to ensure its revised approach to people, and succession planning, is delivering the anticipated benefits and addressing the challenges of workforce planning.
- The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years. The Council is coming to the end of its five-year transformation programme, Fit for 2024. While recognising the Council will continue to transform over the coming years, there is an opportunity for the Council to reflect on what improvements to service delivery and customer experience have been achieved through this programme.
- The Council has made efforts to engage with citizens and communities over the new council priorities but acknowledges it could do more to encourage participation in consultation. The revised corporate plan has a good focus on the building blocks of community engagement.
- Inequalities and climate change are incorporated into the Council plan outcomes. The Council is establishing its monitoring arrangements to assess its risk and impact in both these areas.

Best Value improvement recommendations from previous years have now been addressed

73. A Best Value Assurance Report on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council responded by identifying 40 improvement action points. The Council has been reporting progress against those actions to the Audit Committee, with the most recent report in March 2023 showing progress made against all 40 actions, concluding that these are now addressed. As such, the Council has now closed off monitoring against the BVAR recommendations and will monitor against its corporate improvement plan.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

Governance arrangements are appropriate and operated effectively.

There is effective scrutiny, challenge and informed decision making.

Governance arrangements are appropriate and operated effectively

74. The Council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate.

75. In January 2023 the current Chief Executive was appointed to the post on a permanent basis, having been acting Chief Executive since June 2022. The senior leadership model within the Council has been reorganised with eight Director roles supporting the Chief Executive.

76. The Council has appropriate governance arrangement in place which support effective scrutiny, challenge and decision making. This is informed by our regular attendance at the Audit Committee and review of Council and other committee papers as appropriate. The Council decided in August 2022 to separate the Audit Committee from the Scrutiny & Petitions Committee which has been the practice since September 2022.

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

ICT Governance

78. CGI report on contract performance to the External Services/Providers Monitoring Group each quarter. Reports provide detail on transformation progress, a summary of key projects and on service performance. The Social

Work Pathfinder project programme commenced in October 2022 with three key aims:

- provide mobile technology to front line staff which will be populated during home visits to save returns to the office to update data and should automatically populate the Mosaic system
- revise business processes to capture accurate data to allow the service to improve efficiency and make more informed decisions on further improvements
- develop a performance dashboard to provide senior managers with the information they need to manage their service area.

79. Audit Scotland reported in their 2020/21 Annual Audit Report that the Council was continuing to work to achieve Cyber Essentials + reaccreditation. The Council's application for reaccreditation was submitted on 30 September 2022 and was confirmed on 31 January 2023.

80. CGI have not yet undertaken a full disaster recovery test due to factors including available resources and agreement of a convenient time within the business for services to be taken offline. The IT team have, however, been able to successfully complete several disaster recovery tests in specific areas in response to service incidents.

81. In addition, mandatory training for data and cyber security eLearning modules was at a lower completion rate than when last reported to the Audit Committee. Actions were being undertaken including helping support non-office based staff to complete this training.

Climate change arrangements

82. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

83. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

84. The Climate Change Act 2019 committed Scotland to Net Zero by 2045. The Public Bodies Climate Change Reporting Duties place a legal requirement on public bodies to set target dates for zero direct emissions and indirect emission reductions. They must also report on how spending and resources will contribute to these targets, and report on the body's contribution to Scotland's Climate Change Adaptation Programme.

85. The Council declared a climate emergency in September 2020, which was followed up with the development of a Climate Change Route Map in June

2021. The Council identified priority actions to deliver on the Route Map and the Council approved those in March 2022. The path to net zero was underlined in the Council Plan for 2023/24, with Outcome 1 in the Council Plan is a 'Clean, green future'.

86. The Council takes forward its vision for 'Clean, green future' in the actions for its five localities. Flooding and coastal erosion is a risk for the Council and there are actions on flood management in Berwickshire, Eildon, Teviot and Liddesdale and Tweeddale. Nature-based flood-management solutions, including natural flood defences have been put in place to manage the impact of extreme weather on the River Tweed.

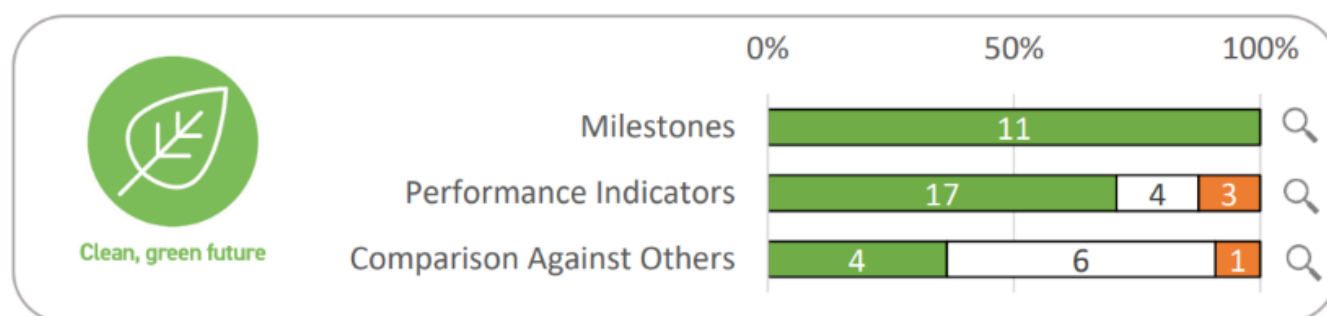
87. The Council is working with external bodies to clarify its approach to the challenges of climate change. They are working in partnership with South of Scotland Enterprise to establish carbon baselines for the Council as an organisation but also for the wider Scottish Borders area. The Council has also been working with the Edinburgh Climate Change Institute on their plans for action.

88. In line with other authorities, the Council submitted its [annual climate change report](#) to the Scottish Government in November 2022. It also has a [web-site page](#) laying out progress to date, however this is not measured against a baseline or targets. The Council does report quarterly and annually against its corporate plan outcomes, with its performance report for 2022/2023 being presented to the Executive Committee in June 2023.

89. The Council reports performance against milestones (actions and milestones to be achieved each year), performance indicators (quantitative indicators to measure performance) and comparison with others (comparisons to the Scottish average and comparator authorities). [Exhibit 7](#) shows some highlights of performance against Outcome 1.

Exhibit 7

Highlights of annual performance for outcome 1, 'Clean, green future' for 2022/23.



Please see page 3 of the annual performance report for descriptions of colours against performance. In general, green is positive performance, amber denotes where further focus is required.

- Milestones: All Milestones set out for being achieved this year have been met. This has included positive progress on:
 - Increasing numbers of allotments
 - Extreme weather assessments of critical infrastructure
 - Creation of plans to improve sustainability of local energy systems
- Performance Indicators:
 - The recycling rate of household waste continues to be high and increasing, and less than half a percent of waste is going to landfill. This positive position is due to the closure of the Council's landfill in 2019, and a new contract that extracts as much recyclates as possible from the waste before it is treated in an energy from waste plant.
 - Electricity and Gas consumption has not decreased and has seen some increases from last year. This is due to colder weather conditions, and increased ventilation requirements due to Covid.
- Comparison with others:
 - Our household recycling rate is higher than authorities similar to us and Scotland's average.
 - We are similar to the Scottish average for our carbon emissions and although we are lower than authorities similar to us, we have a long way to go to achieve Net Zero by 2045.

Source: Scottish Borders Council

90. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

There is strong partnership working to meet the health and social care challenges facing the Scottish Borders.

The Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even.

The Performance Management Framework supports the delivery of the Council Plan.

There is strong partnership working to meet the health and social care challenges facing the Scottish Borders

91. The Council has well established working relationships with NHS Borders and the Scottish Borders Integration Joint Board (the IJB). The Council recognise the health and social care challenges facing the region in both demand led pressures with a changing demographic, by 2032 the population of those over 65 years of age will have grown by 51 per cent, and pressures on available resources.

92. The Council has implemented a number of improvements to health and social care service delivery, including the use of technology to support more efficient and effective frontline service delivery. However, the Council recognise the need for greater integration of services is required to develop a sustainable and patient centred model of care.

93. The Council, working with NHS Borders and the IJB established a vision to be the rural Integrated Healthcare Exemplar (rIHE) for the region. The aim is transforming the model of care from reactive to preventative and improve health outcomes and inequalities in a sustainable way. The key partners have developed an overarching business case which proposes significant process and technological changes to support an integrated model of care between the partners. This requires support from wider partners including Scottish Ambulance Service, NHS 24 and partners from wider industries to support required development.

94. The current proposals have yet to receive Scottish Government support that would be required to meet the investment required. Officers continue to work closely with key partners to engage with the Scottish Government around the system of care.

The Council failed to comply with the statutory requirement for their significant trading operation, SBc Contracts to break even

95. The Council has one significant trading operation (STO), SBc Contracts, which provides a range of activities including revenue and capital works for council services and external contracts for other local authorities, the Scottish Government, and the private sector.

96. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three-year period.

97. SBc Contracts reported an operating surplus of £1.299 million in 2022/23. However, following technical accounting adjustments for IAS 19 Employee Benefits (including pensions), the final position was a deficit for 2022/23 of £75,000 for external works and a three-year cumulative deficit of £0.331 million.

98. The adjustments for IAS 19 are made to comply with accounting standards. The pension adjustment values all future pension liabilities for employees at the balance sheet date as if these pension payments were to be made now. This does not reflect the projected pattern of when pensions will be paid. As a trading organisation, the STO results require to be reported included this adjustment. Further details are included at [paragraph 20](#).

The Performance Management Framework supports the delivery of the Council Plan

99. 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. We reviewed the performance information submitted to the Executive Committee to assess whether performance measures are aligned to the Council's key priorities and outcomes.

100. The Council approved a refreshed Council Plan for 2023/24 which was published in April 2023. This is aligned to the Performance Management Framework which was updated in June 2022 to reflect the six new themes from that plan: Clean, green future; Fulfilling our potential; Strong inclusive economy, transport, and infrastructure; Empowered, vibrant communities; Good health and wellbeing; and Working together improving lives.

101. The Performance Management Framework supports delivery of the Council Plan and its annual review cycle. It looks to place a greater emphasis on the use and management of performance information in order to drive continuous improvement and deliver Best Value.

The requirements of the Statutory Performance Information (SPIs) Direction are being met

102. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

103. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

104. Quarterly performance indicators: The Council has established a suite of set of key performance indicators to help monitor progress against the outcomes detailed in the Council Plan and Community Plan. These indicators are updated quarterly and reported through the Executive Committee. The reports are readily accessible on the Council's website and show actual performance against target performance, performance trend (whether improving or deteriorating), a brief commentary on performance, and comparison with other councils' performance.

105. Annual reporting of performance information: The Council reports on a series of annual performance measures in its Annual Performance Report; the report for 2022/23 was considered at the June 2023 meeting of the Executive Committee.

106. Verification of performance information: The Council's Internal Audit team carry out a review of key performance indicators submitted by the Council each year to the Improvement Service as part of the Local Government Benchmarking Framework (LGBF). The report for 2022/23 information concluded that substantial assurance could be provided over the performance information included within the 2022/23 LGBF Return.

107. We have evaluated the Council's arrangements for fulfilling the above requirements and concluded that the Council has made the necessary arrangements for collecting, recording, and publishing the statutory performance information.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Valuation of land and buildings</p> <p>Issues were identified with regard to the accuracy and underlying assumptions used during the valuation process.</p> <p>In addition, a demolished asset was not initially identified as part of impairment work.</p> <p>Risk – assets are not held at the correct value in the accounts.</p>	<p>The Council should ensure there is a more robust process in place to review valuation assumptions, data used and ensure conclusion are robust. An overarching review to ensure that all valuations make sense should be completed at the end of the process.</p> <p>Exhibit 2</p>	<p>2022/23 year end coincided with significant staffing movement in the Council and a new approach in engaging external support to deliver much of the valuation. Officers will undertake a lessons learned exercise to determine what improvements can be implemented for the 2023/24 audit process.</p> <p>Responsible officer: Director of Infrastructure & Environment, John Curry</p> <p>Agreed date: 31 March 2024</p>
<p>2. Significant trading operation</p> <p>The Council has one significant trading operation (STO), SBc Contracts. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three-year period.</p> <p>SBc Contracts reported an operating surplus of £1.299 million in 2022/23. However, following technical accounting adjustments for IAS 19</p>	<p>The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.</p> <p>Exhibit 2</p>	<p>This review has commenced and will be progressed during 2023/24 as part of the Council's Future Target Operating Model work.</p> <p>Responsible officer: Director of Infrastructure & Environment, John Curry</p> <p>Agreed date: 31 March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Employee Benefits (including pensions), the final position was a deficit for 2022/23 of £75,000 for external works and a three-year cumulative deficit of £0.331 million.</p> <p>Risk – that the Council's significant trading operation activities do not represent best value for the Council.</p>		
<p>3. Internal recharges</p> <p>The Council has identified that £14.2 million of infrastructure asset additions are included in the accounts and include in this is a profit margin of 16% equivalent to £2.3 million.</p> <p>This is not a charge which is wholly attributable in bringing the asset into use.</p> <p>The system reporting has made getting information challenging.</p> <p>Risk – the value of the asset is misstated in the accounts.</p>	<p>As part of the review recommended in point 2 above, the Council should also review the accounting treatment of asset additions from work done by SBc Contracts to ensure it complies with accounting standards.</p> <p>Exhibit 2</p>	<p>Officers can confirm that this will form part of the review of SBc Contracts.</p> <p>Responsible officer: Director of Finance & Procurement, Suzy Douglas</p> <p>Agreed date: 31 March 2024</p>
<p>4. Assets on Common Good Land</p> <p>A judicial review concluded that all Council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. The Council has a number of operational assets which stand on Common Good land.</p> <p>Risk –that the Council does not have a formal agreement in place.</p>	<p>The current accounting treatment reflects the substance of the transaction but that the Council should look to establish a formal agreement between the Council and common good funds for the use of the assets.</p> <p>Exhibit 2</p>	<p>Officers are committed to progressing this work during the remainder of 2023/24.</p> <p>Responsible officer: Director of Finance & Procurement, Suzy Douglas Director of Corporate Governance, Nuala McKinlay</p> <p>Agreed date: 31 March 2024</p>

2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Refresh of the community plan</p> <p>The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.</p>	<p>The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.</p>	<p>The Community Plan will be fully refreshed during 2023.</p> <p>Responsible officer: Director Resilient Communities, Jenni Craig</p> <p>Agreed date: September 2023</p>
<p>2. Ensure the performance management framework includes clearer outcome based targets for the next ten years, so it can demonstrate progress against outcomes</p> <p>The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.</p>	<p>The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.</p>	<p>A revised performance management framework will be developed to report performance against Council Plan strategic outcome to the Executive Committee on a quarterly Basis.</p> <p>Responsible officer: Director People, Performance and Change, Clair Hepburn</p> <p>Agreed date: September 2023</p>
<p>3. Transformation, innovation and service improvement</p> <p>Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.</p>	<p>Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.</p>	<p>Reporting of Transformation Outcomes and improvements will be developed during 2023. The Council will develop a new target Operating model to deliver improvements in service delivery, performance and ensure the Council is resourced to deliver its strategic priorities.</p> <p>Responsible officer: Chief Executive, David Robertson</p> <p>Agreed date: March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Elected member leadership</p> <p>The Council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs.</p>	<p>The Council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs.</p> <p>The Council should continue to support opportunities for cross-party working and promote the benefits that brings.</p>	<p>A new policy on elected member training and development, tailored to the needs of individuals by through a training survey will be agreed and implemented for all members.</p> <p>Responsible officer: Chief Executive, David Robertson</p> <p>Agreed date: October 2023</p>
<p>5. Senior officer leadership</p> <p>The Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council Vision.</p>	<p>The Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council Vision.</p>	<p>Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council</p> <p>Responsible officer: Chief Executive, David Robertson</p> <p>Agreed date: December 2023</p>
<p>6. Planning for the workforce</p> <p>The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>People planning will be fully aligned with service and financial planning as part of the budget process for financial year 2024/25.</p> <p>Responsible officer: Director People Performance and Change, Clair Hepburn</p> <p>Agreed date: February 2024</p>

Follow-up of prior year recommendations 2021/22

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Inquiry Action Plan</p> <p>An action plan implementing the recommendations highlighted in the inquiry report into the Council's handling of school assaults accusations was approved by Council at their meeting on 10 March 2022 along with the establishment of a Review Group to steer the progress of the work required.</p> <p>Progress updates were provided to Council at their meetings in June, August, and October 2022 with 26 of the 52 actions points completed to date.</p> <p>Risk – the required improvement actions are not being addressed.</p>	<p>The Council needs to continue to monitor progress with regards to outstanding actions to ensure that all recommendations from the report are fully implemented.</p>	<p>In Progress</p> <p>The Independent Inquiry Action Plan Update was presented to Councillors in March 2023. At 30 March 2023, of the 54 actions in total, 42 actions were completed, 4 were ongoing and 8 were to be completed at that point.</p> <p>It was agreed at the meeting that the Inquiry Action Plan Group would cease to meet and that any ongoing actions contained in the plan progress as continuous improvement.</p> <p>The Chief Executive was granted delegated authority to monitor and approve any actions deemed to be ongoing.</p> <p>Responsible officer:</p> <p>Chief Executive, David Robertson</p> <p>Revised date:</p> <p>March 2024</p>
<p>2. Significant trading operation</p> <p>The Council's significant trading operation, SBc Contracts, reported a deficit in trading relating to external services for the three-years ended 31 March 2022.</p> <p>Therefore, the Council failed to meet a prescribed financial objective, and this was reported in our Independent Auditor's Report as a matter reported by exception.</p>	<p>The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.</p>	<p>See recommendation 2 above.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – that the Council’s significant trading operation activities do not represent best value for the Council.</p>		
<p>Follow-up of prior year recommendations 2020/21</p>		
<p>1. Asset valuations</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £607 million. The Council has a five-year rolling valuation programme as detailed in Note 12 of the accounts. In line with the Council’s asset policy, assets were revalued at 1 April 2020. Given 2020/21 has been an exceptional year with the Covid-19 pandemic which affected how the Council operated, we needed further evidence for the asset values at 31 March 2021. The valuer’s certificate also included material uncertainty which was inconsistent with the latest guidance from RICS.</p> <p>Risk – that a value at 1 April is not representative of fair value as at 31 March the following year, as required by the Code.</p>	<p>The Council should: review their accounting policy and consider valuing assets at 31 March, rather than at 1 April; and consider valuing 20 per cent of each asset category annually rather than each asset category every five years which can lead to large swings in asset values.</p>	<p>See recommendation 1 above.</p>
<p>2. Assets on Common Good Land</p> <p>A judicial review concluded that all Council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. The Council has a number of operational assets which</p>	<p>The Council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/22 annual accounts of the Council and Common Good Funds.</p>	<p>See recommendation 4 above.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>stand on Common Good land.</p> <p>The full list of affected assets is still to be determined. The Council is in the process of reviewing the legal and accounting implications of the judicial ruling and expects to conclude the process in time for the preparation of the 2021/22 accounts.</p> <p>Risk – the Common Good Funds omit assets which rightly belong to them.</p>		
<p>3. Internal recharges</p> <p>Through our testing of new assets we learned that they included some internal recharges to capital expenditure, for work such as architect fees and road overlays. However, the evidence to support the amounts recharged was not clear or comprehensive.</p> <p>Risk – items are being incorrectly capitalised and revenue expenditure is understated.</p>	<p>The Council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible.</p>	<p>See recommendation 3 above.</p>
<p>4. Non-Domestic Rates</p> <p>Our testing found that the calculation of the NDR debtor is not consistent with the Code. Specifically, the balance in Note 30 Other Receivables, relating to NDR includes taxpayers' debt rather than what the Council is due to receive from or pay to the Scottish Government.</p> <p>Risk – the Council's reporting to the Scottish Government on Non-Domestic Rates is inconsistent with the Code.</p>	<p>The Council should do further work and analysis to ensure that they are fully consistent with the Code.</p>	<p>The Council made adjustments within the 2021/22 financial statements to ensure that the carrying value of NDR balances due to the Scottish Government is in line with the Code.</p> <p>Work remains in progress to ensure that disclosures within the financial statements are fully compliant with the requirements of the Code.</p> <p>The 2022/23 audit work identified that, in respect of</p>

Issue/risk	Recommendation	Agreed management action/timing
		balances with taxpayers, the NDR year-end net debtor and NDR bad debt provision net to zero and therefore balances due from taxpayers are not recognised in the Balance Sheet, which is satisfactory.
<p>5. NFI match investigation</p> <p>As at September 2021, the Council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas. NFI includes data matching on business support grants where weaknesses in controls were identified by internal audit.</p> <p>Risk – there are fraud and errors undetected without investigating the data matches.</p>	<p>The Council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.</p>	<p>Ongoing</p> <p>We will continue to review progress for the 2022/23 NFI matches.</p>
<p>6. Best Value Action Plan</p> <p>The Council agreed an action plan in December 2019 in response to the Best Value Assurance Report (BVAR) published in October 2019. Updates on progress with the action plan were delayed due to the council's response to the Covid-19 pandemic.</p> <p>Risk – that required improvement actions are not being addressed.</p>	<p>The Council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.</p>	<p>Complete</p>

Appendix 2A: Summary of corrected misstatements

We report all corrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises corrected misstatements that were noted during our audit testing.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Accounting Misstatements		£0	£0	£0	£0
1. Net asset pension ceiling (Exhibit 2)*	Net pension asset				31,631
	Pension Reserve			31,631	
2. Internal recharges of staff costs	Expenditure	5,275			
	Staff costs		5,275		
3. Place based investments	Grant expenditure	1,401			
	PPE Assets				1,401

*The net pension asset ceiling adjustment stemmed from late information from the actuary.

Appendix 2B: Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

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

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Accounting Misstatements		£0	£0	£0	£0
1. MMI contingent liability should be report as a provision	Expenditure	310			
	Provision				310
2. Impairment of Parkside School	Expenditure	1,191			
	PPE Buildings				1,191
3. Internal recharges – profit margin charged to capital	Expenditure	2,266			
	Infrastructure assets				2,266

Scottish Borders Council Scottish Borders Council

Proposed 2022/23 Annual Audit Report

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Scottish Borders Council Pension Fund

2022/23 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

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

September 2023

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Key messages

2022/23 annual report and financial statements

- 1 Our audit opinions on the annual report and accounts are unmodified.
- 2 The annual accounts of the Scottish Borders Council Pension Fund (the Fund) give a true and fair view of the state of affairs of the Fund as at 31 March 2023 and have been properly prepared in accordance with the financial reporting framework.

Financial management

- 3 The Fund's investments fell in value by £43 million in year to £866 million. This reflected market movements impacting fund performance with a return on investments of -4.8%, significantly below the benchmark of 2.3%. Fund performance has deteriorated in year reflecting challenging market conditions. However, it is expected that liabilities will have fallen further over this period due to higher interest rates.
- 4 There is comprehensive reporting of investment performance permitting oversight by Committee members. The Fund is looking to build capacity to support financial management arrangements.

Financial sustainability

- 5 The Fund is currently undertaking its triennial valuation. The accounts show an investment asset position in the accounts of £866 million which is greater than the actuarial present value of liabilities of £731 million, which would mean a well-funded position.
- 6 Fund membership levels continue to increase but the ratio of active members to pensioners has reduced over the last five years.
- 7 Cash flows in relation to members continue to be negative with more paid in benefits than received in contributions. Surplus cash is generated through investment income to give overall positive cash flows.

Vision, leadership and governance

- 8 Governance arrangements are appropriate and operate effectively, although members training was not in line with the training policy during 2022/23.
- 9 An independent review of governance was completed during 2022/23 with recommendations to be actioned going forward.

- 10** The Fund was accepted as a signatory to the UK Stewardship Code during 2022/23.

Use of resources to improve outcomes

- 11** 2022/23 was a challenging year for Scottish Local Government Pension Schemes. Only two of the eleven funds reported positive movements in net assets during the year and only three funds, not including Scottish Borders Council Pension Fund Council, reported above benchmark returns. This was the poorest return in the last five years for the Fund.
- 12** Fund administration performance levels in 2022/23 were in line with agreed targets in most areas.
- 13** The Fund has an appropriate best value framework in place which includes effective arrangements for monitoring investment performance and scrutinising investment management.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of the Scottish Borders Council Pension Fund (the Fund). The scope of the audit was set out in an annual audit plan presented to the 21 March 2023 meeting of the Pension Fund Committee and Pension Board. This Annual Audit Report comprises:

- significant matters arising from an audit of the Fund’s annual accounts.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.
- conclusions on the administering authority's arrangements related to the pension fund for meeting its Best Value duties.

2. This report is addressed to Scottish Borders Council, as the administering authority for the Fund, and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I have been appointed by the Accounts Commission as auditor of the Fund for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, pension fund committee members, senior management, and other staff of the administering authority, particularly those in finance and HR, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The administering authority for the Fund, Scottish Borders Council, has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts for the pension fund that are in

accordance with proper accounting practices. Scottish Borders Council, as the administering authority, is also responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of administering authority from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £24,880 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the Fund by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

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

The annual accounts of the Scottish Borders Council Pension Fund (the Fund) give a true and fair view of the state of affairs of the Fund as at 31 March 2023 and have been properly prepared in accordance with the financial reporting framework.

Audit opinions on the annual report are unmodified.

11. The Pension Fund Committee agreed the annual accounts for the Fund for the year ended 31 March 2023 on 22 September 2023, and the annual accounts were approved by the Council on 28 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor, the financial statements:

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

Overall materiality was assessed as £13 million.

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and updated on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#). There was no change to our audit approach.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£13.0 million
Performance materiality	£7.8 million
Reporting threshold	£0.25 million

Source: Audit Scotland

14. The overall materiality threshold for the audit of the annual accounts of the Fund was set with reference to gross investment assets, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality, reflecting the staffing changes working on the pension fund accounts.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Our audit work responded to the risks of material misstatement we identified in the annual accounts.

17. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed. No additional risks were identified during the audit process.

Exhibit 2

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Evaluate significant transactions outside the normal course of business. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. 	<p>No issues were identified regarding the design and implementation of journal entry processing.</p> <p>Testing of year end and post-closing journal entries were focused on risk areas and no issues were identified.</p> <p>No issues were identified relating to unusual activity relating to journal processing.</p> <p>No significant transactions outside the course of normal business were identified.</p> <p>No changes were made to methodology or assumptions used to prepare accounting estimates in year.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2. Estimation applied to Level 3 Investments</p> <p>The fund has a significant portfolio of level 3 investments (£324 million at 31 March 2022) for example in unquoted equities where valuations involve the application of a variety of estimates in determining appropriate valuations. This subjectivity gives rise to a significant risk of material misstatement in the financial statements, relating to accuracy.</p>	<ul style="list-style-type: none"> • Confirmation of year end valuations to Fund Manager valuation reports and custodian report as at 31 March 2023. • Review of the controls in place at the Fund over valuations, including the work of the custodian and the fund managers. • Review the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk. • Review the arrangements in place at the Fund to assess investment 	<p>Level 3 investments were agreed to custodian and independently sourced fund manager reports.</p> <p>A walkthrough of user entity controls relating to the custodian was completed and no issues identified.</p> <p>A review of investment managers controls' reports was completed, and no exceptions noted.</p> <p>Reviewed the results of questionnaires used by the Fund to assess investment manager's arrangement but noted that there was no evidence of overall review of</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>managers' governance arrangements.</p> <ul style="list-style-type: none"> Analytical procedures to gain assurance that the valuation of level 3 investments is appropriate. Review the disclosures included in the accounts to ensure these are adequate in directing the user of the accounts to areas with significant judgement and estimation uncertainty. 	<p>the results by the Fund (see paragraph 29.).</p> <p>Analytical procedures allowed us to gain assurance that the valuation of level 3 investments is appropriate.</p> <p>Reviewed the accounts disclosures and minor points were identified relating to notes in the accounts.</p> <p>Conclusion: no significant issues identified but housekeeping points were raised.</p>

Source: Audit Scotland

18. In addition, we identified an “area of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be a risk of material misstatement to the financial statements. This area of specific audit focus was:

- Estimations applied to the International Accounting Standard (IAS) 26 actuarial valuation** - The disclosure of the actuarial valuation of the pension fund liabilities involves a complex accounting estimate. The Fund engage an independent actuary to support the estimation. The valuation is based on a range of financial and demographic estimations about the future, based on a well-established methodology. The subjectivity around these estimates gives rise to a risk of material misstatement in the financial statements.

19. We kept this area under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

Significant findings and key audit matters

20. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the fund's accounting practices.

21. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

22. We have no significant issues to report from the audit.

Identified misstatements of £2.72 million were identified within the financial statements. These were less than our performance materiality and we did not require to change our audit approach.

23. Late information was received regarding management expenses and taxes. An adjustment was made to the Fund account statement which resulted in increasing taxes by £0.47 million and decreasing management expenses by the same amount in the Fund Account statement. There was no overall impact on the Fund Account totals.

24. We identified two misstatements which were not corrected by management in the audited accounts.

- Level 3 late valuations – misstatements identified were £1.93 million, which if adjusted would have a net impact of increasing investment assets by £1.65 million. These consisted of late valuations for level 3 investment assets. Whilst preparing the accounts, the values which were available were those dated 31 December 2022 and the final valuations were received during our audit. As in previous years this has not been adjusted in the accounts. We are satisfied these are not material to the understanding of investment assets in the accounts.
- Accrued income – we identified that accrued income £0.32 million in the custodian reports and subsequently the accounts reflected a refund of tax from a fund manager with whom the Fund has not had investments for a number of years. We are satisfied this is not material to the understanding of investment assets in the accounts. Management have undertaken to review this in 2023/24.

25. We identified that transfers in/out are being treated on an accruals basis as opposed to cash basis. This was not material in the accounts and management has taken to review this in 2023/24.

26. The information included in the actuarial present value of promised retirement benefits reflected the Council's IAS (International Accounting Standard) 19 report rather than the Fund liabilities and assets calculated as required by IAS 26. This has been updated and has increased the liabilities by £60 million. The fair value of fund assets has been revised upwards by £131 million to reflect the Fund investment position. This has no impact on the core financial statements but is reported because the Code allows for the actuarial information to be included in the statements.

27. We considered the size, nature and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that these were not material. Further details of the uncorrected misstatements are included in [Appendix 2](#).

The unaudited annual accounts were received in line with the agreed audit timetable but working papers could be improved.

28. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2023. There were delays in getting some of the working papers for the audit and there were areas where working papers could be improved. Whilst a reconciliation between the ledger and custodian records was completed, this could be improved by also reconciling to investment/fund manager records held by the Fund. There were differences between working papers and accounts in areas such as including profits and losses on disposal of investments, transfers in/out, and therefore these can be improved. Management recognised they have faced significant resourcing challenges in year which they are looking to address in 2023/24 to support next year's accounts process.

29. An annual due diligence review of investment managers is carried out, where the Fund issues governance questionnaires to fund managers requesting specific information such as internal controls reports. These should be reviewed to check for any concerns which may impact the fund. In 2022/23 whilst the questionnaires were issued in late 2022, there was one which was not returned by the end of the audit and there was no evidence these had been subject to review by management.

Recommendation 1

Management should review working papers to ensure they are reconciled with the accounts. In addition, a wider reconciliation between the ledger, the custodian and investment/fund managers records held by the Fund should be reconciled.

Recommendation 2

Due diligence questionnaires shared with investment managers should be subject to review to ensure that management are aware of any issues arising which could impact the investments held by the Fund.

Good progress was made on prior year recommendations.

30. The Fund has made good progress in year in implementing the audit recommendations identified by Audit Scotland in 2021/22, with four out of six brought forward recommendations completed with no issues have been identified in 2022/23 testing. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusions

The Fund's investments fell in value by £43 million in year to £866 million. This reflected market movements impacting fund performance with a return on investments of -4.8%, significantly below the benchmark of 2.3%. Fund performance has deteriorated in year reflecting challenging market conditions. However, it is expected that liabilities will have fallen further over this period due to higher interest rates.

There is comprehensive reporting of investment performance permitting oversight by Committee members. The Fund is looking to build capacity to support financial management arrangements.

There was a reduction in investment assets of £43 million in year reflecting uncertainty in financial markets.

31. The Fund has faced a challenging year in 2022/23. During 2022/23 gross investment assets reduced from £909 million by £43 million to £866 million. The fund has seen a return on investments of -4.8%, against a benchmark of 2.3%.

32. Investment assets fell during the year and were under £840 million at end of quarter 2 and 3 reflecting world events, including the war in Ukraine and the global impact of the pandemic, which impacted on financial markets and investments. The UK mini budget in autumn also impacted on investments, before the markets improved towards year end. The Fund's performance in 2022/23 is summarised in [Exhibit 3](#).

33. As noted in [paragraph 48.](#), the actuary advised that despite the fall in investment, the funding level is likely to be higher than reported at the 31 March 2020 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

Exhibit 3 Assets, funding level and investment performance

Decrease in net assets	Funding level	Investment performance
£866 million Closing net assets as at 31 March 2023 (-4.73%)	110% 2020 Funding valuation	6.6% Average annual return on investments over 3 years
£909 million Opening net assets at 1 April 2022	114% 2017 Funding valuation	-4.8% Return on investments 2022/23 against benchmark of 2.3%

Source: 2022/23 Scottish Borders Council Pension Fund audited annual report and accounts

34. Each year the Fund's actuary, Hymans Robertson, estimates pension liabilities at the accounting date as required by International Accounting Standards (IAS) 26 requirements and calculated in line with IAS 19 requirements. At year end there was a significant reduction in liabilities from £1,057 million at 31 March 2022 to £731 million at 31 March 2023. This figure is not directly comparable to the liability measures on a funding basis.

There is comprehensive reporting of investment performance. The Fund is looking to strengthen financial management arrangements.

35. The Director of Finance and Procurement for Scottish Borders Council is the Proper Officer responsible for the Fund. The financial regulations of the Council, as administering authority, apply to the Fund. We consider these to be current, comprehensive and support the financial management process.

36. Management identified that there are currently capacity issues in the pensions team with support being provided from across the Council's finance team. A new pensions manager is due to be filled and this will help strengthen financial management arrangements for the Fund.

37. The Pension Fund Committee receives administration and performance reports at its quarterly meetings. These reports are comprehensive and include fund performance trends, investment manager performance against benchmarks and commentaries about each fund manager. From attendance at the Committee, we observed and concluded that reports presented to members are subject to appropriate review and scrutiny.

Financial controls operated during the year. However, there are opportunities to enhance these arrangements.

38. From our review of the design and implementation of systems of internal control relevant to our audit approach, we did not identify any internal control weaknesses which could affect the Fund's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

39. Our work in 2022/23 involved a walkthrough of the key controls over the systems used for pension administration activity and the pension fund's investments. The Fund also uses the financial systems of the administering authority, Scottish Borders Council. The main council systems used by the Fund are the general ledger system, payroll system, Altair pension administration system and the Northern Trust custodian system.

40. Our review of the systems used by the Fund did not identify any significant control weaknesses which could affect the Fund's ability to report financial and other relevant data in the financial statements, and we concluded that systems of internal control for the Fund operated effectively during 2022/23.

41. We identified some weaknesses in financial management regarding the accounts preparation process which management noted related to capacity issues. We will discuss lessons learned from the audit year and to support management we will provide a detailed schedule of audit requirements to support audits over our appointment cycle.

Internal audit provided an annual opinion for the annual accounts.

42. The Fund's internal audit function is carried out by the Scottish Borders Council's internal audit function. Internal audit completed its planned work in year and issued its opinion for 2022/23 to the June 2023 Pension Fund Committee meeting. The Chief Officer Audit & Risk's opinion was that there were generally sound systems of governance, risk management and internal control operating within the Fund during 2022/23. Some areas for improvement were identified which include completing the recommendations and actions from the independent governance review and from the UK Stewardship Code.

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

43. Scottish Borders Council Pension Fund is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place. We note that the Fund uses services such as the Department of Work and Pensions Tell Us Once service which will help support identification of errors regarding pension overpayments. We also noted that two overpayments in year were identified through engagement with the NFI (National Fraud Initiative) process.

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

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusions

The Fund is currently undertaking its triennial valuation. The accounts show an investment asset position in the accounts of £866 million which is greater than the actuarial present value of liabilities of £731 million, which would mean a well-funded position.

Fund membership levels continue to increase but the ratio of active members to pensioners has reduced over the last five years.

Cash flows in relation to members continue to be negative with more paid in benefits than received in contributions. Surplus cash is generated through investment income to give overall positive cash flows.

45. [Exhibit 4](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan.

Exhibit 4

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability</p> <p>The Fund's investments have reduced from £911 million at 31 March 2022, to £835 million at 30 September 2022. This fall in value of investments relates to the</p>	<ul style="list-style-type: none"> Review the performance of the Fund through the year through ISIO quarterly performance reports. Review investment performance against the benchmark returns set for 	<p>Reviewed all ISIO quarterly performance reports in year to support understanding of fund manager performance.</p> <p>Over the last ten years eight out of 10 years has had a positive relative return with</p>

Audit risk	Assurance procedure	Results and conclusions
<p>economic climate during 2022. If this fall in value of investments continues throughout the financial year, it may place pressure on contribution rates. Given the current economic environment, there could be challenges around affordability for increased contributions (if required).</p>	<p>the year in the Statement of Investment Principles 2022.</p> <ul style="list-style-type: none"> Evaluating the arrangements in place at the Fund for monitoring performance against its financial plans, including funding strategy. We will consider how the Fund monitors its investment portfolio to ensure investment risk is managed while delivering financial returns. 	<p>actual performance being greater than the benchmark return.</p> <p>For 2022/23, there were negative relative returns for almost all investment managers in year reflecting market conditions.</p> <p>Performance reporting was of a good quality and allowed scrutiny.</p> <p>Conclusion: No specific issues identified in year, and the ongoing triennial valuation will provide future contribution rates in due course.</p>

Net assets of £866 million are greater than the IAS 19 liability of £731 million in 2022/23.

46. The results of the 2020 full triennial valuation of the Fund showed a funding level of 110%. This meant that overall, the Fund had a surplus of assets over liabilities and that the fund assets were higher than projected liabilities.

47. The next detailed triennial valuation will be carried out for the Fund as at 31 March 2023. The valuation is being carried out during the 2023/24 financial year and results expected to be released in quarter 3 2023/24. This will drive the level of contributions from employees and employers over the three years from 2024/25 and results in a new funding strategy.

48. In the Fund's actuarial statement for 2022/23, the actuary provided details about the experiences since the last triennial valuation. The actuary noted that markets were severely disrupted by COVID-19 at the 31 March 2020 funding valuation date, resulting in depressed asset values but recovered very strongly in 2020 and 2021. Markets have continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. The high levels of UK inflation (compared to recent years) have resulted in a higher than expected increase in pensioner benefits of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2020 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

49. The investment asset position in the accounts of £866 million is greater than the actuarial present value of liabilities of £731 million which has been

calculated in line with accounting standards, IAS 19. The triennial valuation is ongoing but this supports a well-funded position.

Medium term financial planning arrangements are appropriate.

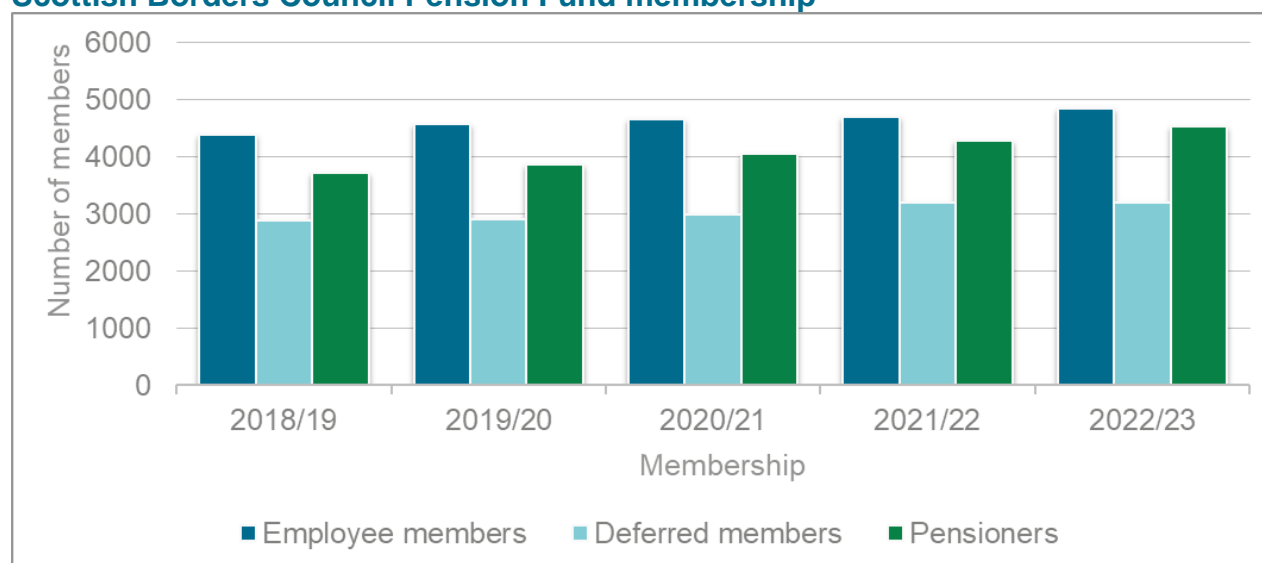
50. There is considerable volatility in pension funding and the results of the triennial valuation were in effect a snapshot of the Fund at 31 March 2020, with the next snapshot due at 31 March 2023. Following each triennial valuation, the Fund reviews and revises its funding strategy and allocation of assets as required. The funding strategy is a summary of the Fund's approach to funding liabilities. The investment principles outline the types of investment to be held and the balances between the different types of investment. We will review the work done for the 2023 triennial valuation in our 2023/24 audit.

Fund membership levels continue to increase but the ratio of active members to pensioners has reduced over the last five years.

51. The Fund is a multi-employer fund with Scottish Borders Council and seven other admitted and scheduled bodies making contributions at present. There are 17 employer organisations in total, with nine small organisations having only deferred pensioners or pensioners. Although overall membership increased by 383 in year, this was an increase of 139 contributors and an increase of 251 pensioners, with a reduction of 7 deferred members. The current membership profile is shown at [Exhibit 5](#).

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

Exhibit 5 Scottish Borders Council Pension Fund membership



Source: Scottish Borders Council Pension Fund 2022/23 unaudited financial statements

53. Active membership of the fund increased by 139 to 4,842 members at 31 March 2023; an increase in membership of 3.0%. The impact of auto-enrolment continues to contribute to the increase in employee members. Total membership increased by 383 to 12,561 members, an increase of 3.1%.

54. In 2022/23 the number of pensioners receiving a pension from the Fund increased by 251 to 4,532 and the number of pensioner members continues to increase steadily each year. The number of active members continues to slightly outweigh the number of pensioners but the ratio of active members to pensioners has reduced over the past five years. In 2018/19 pensioners were 84.7% of active members with this increasing so that pensioners are now 93.6% of active members in 2022/23. This change in membership profile is a red risk on the risk register.

Cash flows in relation to members continue to be negative with more paid in benefits that received in contributions. Surplus cash is generated through investment income to give overall positive cash flows.

55. Cash flows from dealings with members continue to be negative as has been the case over the last number of years, with more paid out in benefits than that received from contributions. Over the long term, the cash flow position will impact on the investment strategy as income from investments rather than contributions will be needed to pay pensions.

56. The Fund is a maturing fund, with the continued growth in pensioner numbers within the Fund's membership making future funding pension payments increasingly challenging. The Statement of Investment Principles 2022 (approved in March 2022) has reflected this in the investment strategy with a move towards a greater focus on income generating assets to address the negative cashflows. The main focus of the fund however is to continue to seek capital growth to meet future liabilities. Following the 2023 triennial actuarial valuation, it is expected that with support from consultants, a full review of the funding strategy and investment principles will be carried out.

57. Following the triennial valuation in 2020, the actuary agreed employer contribution rates with individual employers from 1 April 2021. These continue to be used during 2022/23. For the majority of employers, the current funding surplus is being used to subsidise and stabilise contribution rates. For one employer, their rate includes an element of deficit recovery contributions to support the employer's financial planning. The approximate split of all contributions received in year is set out at [Exhibit 6](#). This shows the difference in contributions and benefits paid in year.

Exhibit 6

Contributions and benefits in 2022/23

	Administering authority £m	Other scheduled bodies £m	Admitted bodies £m	Total £m
Employer contributions	15.100	0.759	2.325	18.184
Employee contributions	5.103	0.260	0.771	6.134
Total contributions	20.203	1.019	3.096	24.318
Total benefits paid				28.281

Source: Scottish Borders Council Pension Fund 2022/23 audited financial statements and working papers

The regular triennial pension valuation process will take place in 2023/24, this may impact the funding strategy and pension contribution rates.

58. There is a statutory requirement for local government pension funds to undertake a full actuarial valuation of assets and liabilities every three years. This is referred to as a triennial valuation, with the next valuation being carried out as at 31 March 2023 and results due in autumn 2023. The outcome of the triennial valuation will include setting the funding strategy for the following 3 years, including the contribution rates.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusions

Governance arrangements are appropriate and operate effectively, although members training was not in line with the training policy during 2022/23.

An independent review of governance was completed during 2022/23 with recommendations to be actioned going forward.

The Fund was accepted as a signatory to the UK Stewardship Code during 2022/23.

Governance arrangements are generally appropriate and operate effectively.

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

60. Following the local government elections in May 2022, a new Pension Fund Committee was appointed. This included 5 councillors who served on the Committee during 2021/22 and 2 councillors who were newly appointed to the committee in 2022/23. All councillor members met the requirements of attending at least two meetings during the financial year.

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

was noted that the training records did not show evidence that all members had completed this toolkit training and not all members attended any training during the financial year, with the training policy identifying the need to attend a minimum of two sessions a year.

Recommendation 3

All members of the Pension Fund Committee should ensure that the required pension toolkit training and other annual essential training requirements are completed to assist in discharging their fiduciary duties.

62. We noted that after audit outputs are provided to the Pension Fund Committee, they are also shared for noting with Audit Committee, and our annual report is also shared with the Council. The Committee agrees the annual report and accounts before they are submitted for officer signature and Council approval. This is in line with the Council's scheme of administration.

63. We consider that governance arrangements are generally appropriate and support effective scrutiny, challenge and decision making.

An independent review of governance arrangements was completed during 2022/23 with recommendations to be taken forward.

64. A review of the governance of the Fund was completed by an independent adviser, Clare Scott. It noted good practices including that duties of the Pension Fund Committee are solely focused on pension matters and there has been stability in membership, a significant amount of time is spent on dealing with pension matters and there is regular review of the risk register.

65. The report identified the complexity of investment arrangements for a relatively small fund, with current arrangements having 17 mandates listed in the quarterly performance reports by investment consultants, Isio, and a further 18 mandates in the Lothian infrastructure Fund. A recommendation made was to consolidate some of these mandates to a smaller number of asset classes for the purpose of setting strategy and reporting would simplify reports and aid understanding of the key issues.

66. Further areas of recommendations included participating in benchmarking of both administration and investment performance on a regular basis, and developing a policy and procedure for the reporting of breaches to include responsibilities, internal reporting and consideration of reporting to The Pensions Regulator.

The Fund was accepted as signatory to the Stewardship Code during 2022/23.

67. During 2023 the Fund was accepted as a signatory to the UK Stewardship Code. The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that

support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

68. The Code applies to asset owners (the Fund), asset managers and service providers. Organisations listed are required to report every year to the FRC (Financial Reporting Council) on their application of the Code. Reports are assessed by the FRC and organisations that meet the reporting expectations are accepted as signatories. The application to the Code identified a number of future actions which will be expected to be addressed as part of annual reporting to the FRC.

69. We note that actions from the Stewardship Code and the independent review are ongoing and papers addressing some of these points, including the risk register are being shared as Committee papers in autumn. Consolidating all recommendations from these reviews and other Fund business will help support oversight and scrutiny of activities.

Recommendation 4

Recommendations/actions from the independent review and from the Stewardship Code application and other Fund business should be consolidated in a tracker, and progress towards meeting them, including expected timescale and action owners, should be reported periodically to the Pension Fund Committee.

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

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

71. There were no breaches reported to the regulator in 2022/23. The annual benefits statements were published in time, contributions were received as expected, and no specific issues identified.

72. The Pension Regulator had consulted during 2021 on consolidating ten of its codes, including the Code of Practice 14 for public sector pensions, into one single code. This is due to be issued in the near future and it is expected that there will be increased requirements for pension funds to comply with.

Performance reporting and other information in the accounts provide details of the Fund over the year.

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

links to other areas of the accounts. It complied with the requirements in place and provided sufficient detail for understanding the Fund's performance.

74. There was some duplication in the reporting in other information, particularly investments. Going forward there is scope to look to enhance these disclosures and it is expected that the work for the next triennial valuation will allow this to be enhanced.

The Fund does not yet have to comply with the Taskforce for Climate Related Financial Disclosures (TCFD), but information has been shared with the Pension Fund Committee and Board.

75. The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021 introduced new requirements for certain trustees. From 1 October 2022, the rules will apply to trustees of pension schemes with net relevant assets of £1 billion or more. Climate reporting rules require relevant trustees to measure, as far as they are able, and report on their investment portfolios' Paris alignment. These disclosures are commonly referred to as the Taskforce for Climate Related Financial Disclosures (TCFD). The Fund has publicly signed up as a supporter of the TCFD.

76. The [Scottish Local Government Pension Scheme \(LGPS\) Advisory Board's Working Group](#) discussed TCFD in February 2022. The working group noted that all of the eleven Scottish LGPS funds had been contacted in late 2021 and asked to provide their views on TCFD and what they were doing to address TCFD. Ten funds provided feedback and demonstrated good awareness of climate-related reporting and climate-related risks and opportunities. Whilst the Fund does not yet meet the £1 billion threshold whereby TCFD reporting would be required, preparatory work has been undertaken with the expectation that the Fund will have to report this in the future.

77. Whilst the Fund has to work in the best interest of scheme beneficiaries (pensioners), the Fund has considered its approach to environmental, social and governance (ESG) issues, and reported in the annual accounts that it believes that a positive ESG issues can positively affects the financial performance of investments. The Responsible Investment Policy in March 2022 identified six responsible investment objectives, and these have remained the same in 2022/23. The Fund as a signatory supports the work undertaken by Climate Action 100+ which works with investors and fund managers to reduce carbon emissions and ensure the Paris Agreement targets are met. Investments are held with LGIM in its Global ESG Passive Equity Fund and with Baillie Gifford in its Global Paris Aligned Fund

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

2022/23 was a challenging year for Scottish Local Government Pension Schemes. Only two of the eleven funds reported positive movements in net assets during the year and only three funds, not including Scottish Borders Council Pension Fund Council, reported above benchmark returns. This was the poorest return in the last five years for the Fund.

Fund administration performance levels in 2022/23 were in line with agreed targets in most areas.

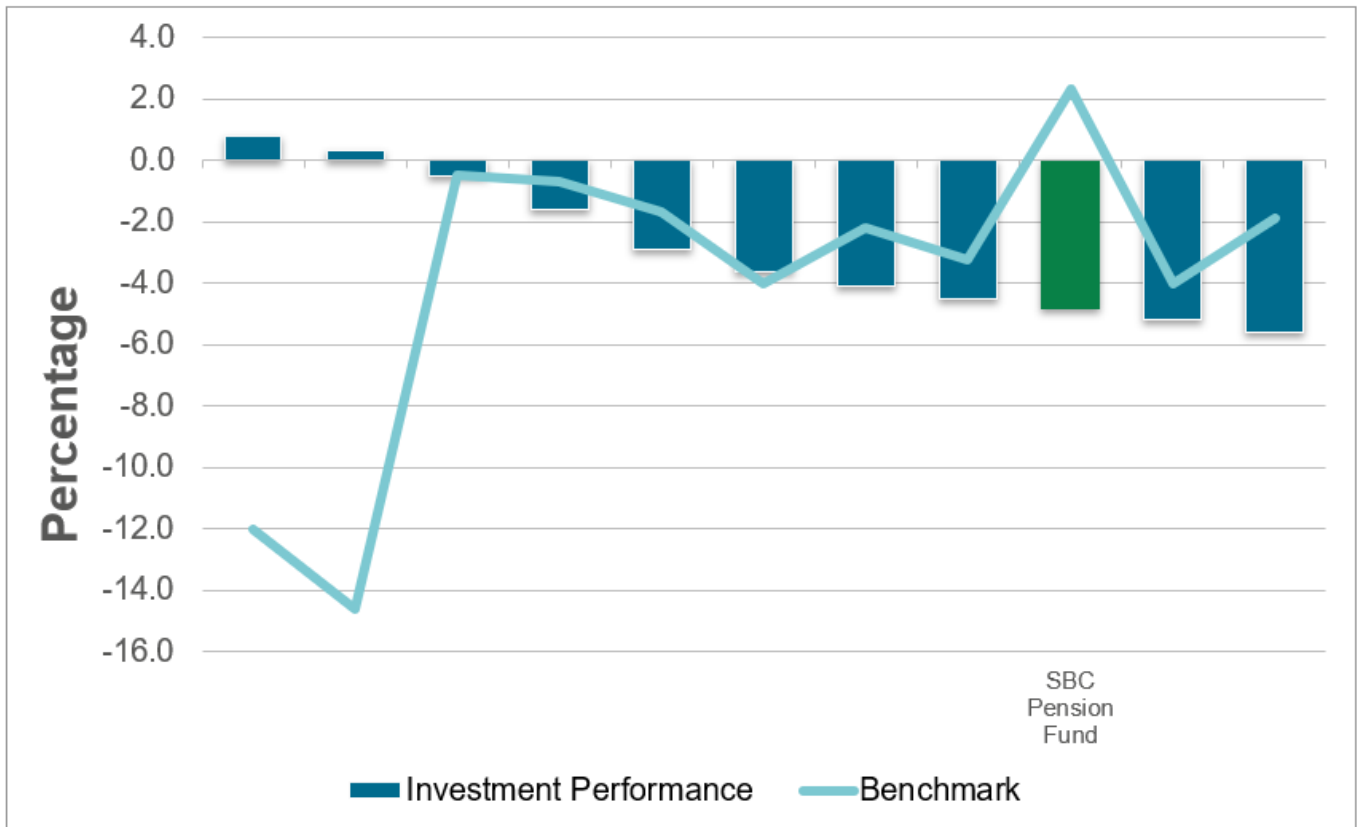
The Fund has an appropriate best value framework in place which includes effective arrangements for monitoring investment performance and scrutinising investment management.

2022/23 was a challenging year for Scottish Local Government Pension Schemes. Only two of the eleven funds reported positive movements in net assets during the year and only three funds reported above benchmark returns.

78. 2022/23 was a challenging year for Scottish Local Government Pension Schemes due to the impact of world events on financial markets and investments, as discussed in Section 2 of this report. As shown in [Exhibit 7](#), only two of the eleven funds reported positive movements in net assets during the year and only three funds reported above benchmark returns, with investment performance ranging from -6 per cent to 1 per cent (compared to returns ranging from -2 per cent to 13 per cent in 2021/22). The Fund's decrease of 4.8% (against a benchmark of +2.3%) placed it the bottom of this range and reflected the greater impact of the wider market conditions on the value of equity markets over the last 12 months.

Exhibit 7

LGPS pension funds 2022/23 – Net return on investment and benchmark return



Source: 2022/23 LGPS pension fund unaudited annual accounts

The continuing impact of Covid-19 and the conflict in Ukraine on global markets reduced annual returns significantly with the annualised return below benchmarks for the last two years.

79. The Fund has appointed eleven external investment managers with 17 associated funds, and in addition has a further portfolio of investments in collaboration with Lothian Pension Fund. Individual investment manager performance is reviewed regularly by the Pension Fund Committee via quarterly reports. In addition, the Investment and Performance Sub-Committee regularly meets with representatives from the various investments managers to support scrutiny of performance.

80. Financial markets have been exceptionally volatile in recent years due to the ongoing Covid-19 pandemic and more recently as result of the conflict in Ukraine. Returns against most asset classes, especially equities reduced significantly. Over the last 12 months, eight funds had a positive absolute return. The majority of funds underperformed in relative terms, which means that they have been below the benchmark set for that investment fund. Returns from property investments showed significant underperformance. This year's relative return has been the poorest over the last five years.

The focus of the fund is to seek income generating assets.

81. The Statement of Investment Principles for 2023, approved in March 2023, restates the funding objective to build up the required assets in a way that produces employer contributions, which are as stable as possible. The Fund

has reduced 'growth' assets in favour of moving towards income generating and indexed linked assets thereby reducing the volatility of asset returns and allowing a better match to the liabilities of the maturing Fund.

82. It is expected that the asset allocation will be reviewed in 2024 as part of the Fund's response to the triennial valuation results due in late 2023.

The pension administration function has performed well against targets.

83. The Pension Fund Committee receives annual reports on Fund administration performance. The focus of measuring the performance of pensions administration includes both member experience and statutory compliance.

84. The service standards across performance measures were generally met in year. All annual benefits statements were issued before the deadline of 31 August, and those for employer performance measures including new starts notification, change notification and retirement information were all within the target working days. Standards for estimates of transfers in and out were below the 20 working days targets. Reporting could be enhanced going forward to show year on year trends.

The Fund scrutinises investment management expenses appropriately.

85. There are three main categories of management expense, with the largest being investment management expenses. Other expenses are the cost of the administration services provided by the Council and oversight and governance costs. A budget is set at the start of the year and quarterly reporting is provided to the Committee.

86. Investment management expenses have fallen from £5.67 million in 2021/22 to £5.21 million in 2022/23. The main reason for the fall in expenses is due to the lower than estimated market valuations of investments which form the basis of the fee charges.

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

A pensions dashboard will be required in the future to support the public in accessing pension information in one place.

88. Following the introduction of automatic enrolment, and a significant increase in the number of people saving for retirement has meant it may be difficult for people to keep track of their pensions. As a result, the UK Government is introducing pensions dashboards to improve the way people can see and interact with their pensions, through the Pensions Dashboards Regulations 2022. Pensions dashboards are an electronic communications service intended to be used by individuals to access information about their pensions online, securely, and all in one place.

89. As a pension provider, the Fund is will be legally required to participate in pensions dashboards. It was originally expected to take place during 2023/24 but the Department for Work and Pensions (DWP) recently announced a delay to pensions dashboard implementation. The impact of the delay on the LGPS is as yet unknown and the advice from the DWP is to continue to be ready for onboarding when required.

90. To be prepared, the Fund's data quality is regularly tested and working methods updated to ensure data is consistently of high quality. Future development of systems will include the procurement of a member tracing service and a pensions dashboard compatible Internet Service Provider (ISP). The Fund has signed up for the data cleansing and enrichment service provided by Heywood Technologies to further improve the quality of the data ahead of the dashboard implementation date and to continue to improve data quality.

The administering authority has appropriate arrangements in place for securing Best Value at the Fund.

91. The administering authority (Scottish Borders Council) has responsibility for the ensuring that its business, including that of the Fund, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a statutory duty to make arrangements to secure Best Value, which are subject to audit.

92. The outcome of audit work on the administering authority's Best Value arrangements is reported in the Council annual audit report. There are no findings directly applicable to the Fund.

Appendix 1: Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Working papers/reconciliations</p> <p>Management should ensure that working papers accurately reflect the records held by the Fund.</p> <p>Risk – without accurate working papers there is an increased risk of errors in the accounts.</p>	<p>Management should review working papers to ensure they are reconciled with the accounts. In addition, a wider reconciliation between the ledger, the custodian and investment/fund managers records held by the Fund should be reconciled.</p> <p>Paragraph 28.</p>	<p>Officers are committed to working with Audit Scotland on lessons learned from this year's audit, to ensure that working papers meet audit requirements.</p> <p>Responsible officer Suzy Douglas & Ian Angus</p> <p>Agreed date 31st March 2024</p>
<p>2. Due diligence governance questionnaires</p> <p>Each year all investment managers are written to requesting they complete a due diligence questionnaire. This is to support oversight of investment managers. In year, two did not respond and there was no evidence on an overall review by the Fund.</p> <p>Risk – without this scrutiny and review, investments held by managers may be exposed to unnecessary risks</p>	<p>Due diligence questionnaires shared with investment managers should be subject to review to ensure that management are aware of any issues arising which could impact the investments held by the Fund.</p> <p>Paragraph 29.</p>	<p>Officers will undertake a review of due diligence reports from investment managers to ensure proper consideration of any issues arising.</p> <p>Responsible officer Suzy Douglas</p> <p>Agreed date 31st March 2024</p>
<p>3. Member training</p> <p>Given the Fund complexities, all members of the Board and Committee are expected to undergo regular training. Not all members attended training during 2022/23 nor completed the toolkit which is expected to be completed</p>	<p>All members of the Pension Fund Committee should ensure that the required pension toolkit training and other annual essential training requirements are completed to assist in discharging their fiduciary duties.</p>	<p>A comprehensive Committee and Board training session was delivered on 17th May 2023 which covered the structure and governance of the fund along with specific updates from the Council's actuary, investments and pensions administration.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>within 6 months of joining the committee.</p> <p>Risk – without training, members may not be able to fully discharge their fiduciary duties.</p>	<p>Paragraph 61.</p>	<p>There will be a focus during the remainder of 2023/24 to ensure all members have completed required training.</p> <p>Responsible officer</p> <p>Suzy Douglas</p> <p>Agreed date</p> <p>31st March 2024</p>
<p>4. Recommendations from independent reviews</p> <p>There have been independent reviews and normal Fund business which has resulted in a number of actions to be taken forward.</p> <p>Risk – without a consolidated tracker with action owners and timescales, there is a risk that matters may not be progressed effectively.</p>	<p>Recommendations/actions from the independent review and from the Stewardship Code application and other Fund business should be consolidated in a tracker, and progress towards meeting them, including expected timescale and action owners, should be reported periodically to the Pension Fund Committee.</p> <p>Paragraph 69.</p>	<p>An update has been provided to the Pension Fund Committee & Board meeting of the 22nd September 2023 confirming that an action plan will be developed ahead of the Committee meeting on the 12th December 2023. This action plan will pull together all improvement actions from the independent review and Stewardship code application.</p> <p>Responsible officer</p> <p>Suzy Douglas & Ian Angus</p> <p>Agreed date</p> <p>31st December 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Pension Overpayment 2021/22 AAR</p> <p>Through our audit work we identified one case where the council made an error in the calculation of a benefit. As it was an error made by the council, and not the individual, no recovery of overpayment was sought. The cost has been borne by</p>	<p>Whilst a scheme of delegation is in place for the council there is a need to consider an appropriate scheme of delegation for decisions that impact on the pension fund. This should include guidance on what circumstances would give rise to not seek recovery of overpayment, and what entity</p>	<p>A formal pension overpayment policy was approved by the Pension Fund Committee in December 2022.</p> <p>Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>the pension fund and not the council.</p> <p>Risk - That governance arrangements are not sufficient to support decision making for pension fund matters.</p>	<p>should bear the cost of that overpayment.</p>	
<p>b/f 2. Investment management expenses 2021/22 AAR</p> <p>Around £0.128m of investment management expenses were not notified by the investment manager in time for closedown of the accounts and were not therefore included within the accounts.</p> <p>Risk - The transparency of costs related to investment management expenses is not properly reflected in the accounts</p>	<p>As part of the accounts preparation process, management should ensure that investment managers provide information to the fund on a timely basis.</p>	<p>In progress – delays in information were also noted in 2022/23.</p> <p>Management response:</p> <p>Officers will work with investment managers ahead of the 31st March 2024 to put all reasonable measures in place to ensure information is provided in a timely way.</p> <p>Responsible officer</p> <p>Suzy Douglas</p> <p>Revised date</p> <p>31st March 2024</p>
<p>b/f 3. Member attendance 2021/22 AAR</p> <p>Pension Committee and Pension Board members are required to attend at least two meetings of the Pension Fund Committee and Board per year. For 2021/22 a member of the committee and a member of the pension board only attended one meeting.</p> <p>Risk - Members are not present to monitor and scrutinise Pension Fund performance effectively.</p>	<p>Management should work with the Pension Board and Pension Committee to ensure members are aware of their attendance requirements.</p>	<p>No issues were identified with member attendance at Pension Fund Committee and Pension Board meetings during 2022/23.</p> <p>Complete</p>
<p>b/f 4. Annual due diligence review of investment managers</p>	<p>Management should ensure that governance questionnaires and supporting information</p>	<p>Superseded by recommendation 2.</p> <p>Closed</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Annually, the fund issues governance questionnaires to fund managers requesting specific information such as internal controls reports. These should be reviewed to check for any concerns which may impact the fund. For 2021/22 whilst the questionnaires were issued, it was evident these had not been subject to review by management.</p> <p>Risk - That investments held by managers are exposed to unnecessary risks</p>	<p>received by each fund manager are reviewed to ensure they are aware of any issues arising which could impact the investments they hold.</p>	
<p>b/f 5. Pension Recalculation</p> <p>Audit testing identified one error included within a member's lump sum pension calculation. The options presented to the member were not based on accurate information. This is considered to be an isolated error. Management relied on a model used by other LGPS Funds to calculate the pension due; this model had not however been updated to reflect the specific circumstances of the member. This error was also missed on independent review of the pension calculation.</p> <p>Risk - There is a risk that calculations are not accurate, and members are not presented with the correct pension options</p>	<p>Recommendation 2020/21</p> <p>For unusual or exceptional pension benefits, management should ensure that there are additional quality assurance arrangements in place for the review of calculations.</p> <p>Update for 2021/22</p> <p>We reviewed the recalculated options presented to the member. We identified a further error within the calculation and alerted management. Additional audit testing was not required as we could readily conclude that this was an isolated case.</p>	<p>No issues identified from 2022/23 testing.</p> <p>Complete</p>
<p>b/f 6. Administrative Procedures</p>	<p>Recommendation 2020/21</p> <p>Management should review administrative procedures in</p>	<p>No issues identified from 2022/23 testing.</p> <p>Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Audit testing identified administrative procedures in paper format have not been updated nor completed with the move to home working. This includes the completion of checklists for specific tasks such as procedures following retiral of an employee and leavers checklists. We also identified there is no documented checks on pension calculation figures.</p>	<p>place and update these to reflect the move to home working. Management should also ensure that officers are familiar with their responsibilities for the completion of supporting paperwork to evidence processes have been completed and reviewed in a timely manner.</p> <p>Update for 2021/22</p> <p>Whilst we noted improvements in some areas, such as documented checks on calculation figures, we found not all areas had been actioned/replaced with the move to home working. For example, documented checklists of completion of specific tasks.</p>	

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250k.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [paragraph 24](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
		Dr	Cr	Dr	Cr
Accounting Misstatements		£0	£0	£0	£0
1. Investment assets – late information	Investment assets			1,647	
	Net fund assets				1,647
2. Investment income due	Investments				320
	Investment income	320			

Scottish Borders Council Pension Fund

2022/23 Annual Audit Report – DRAFT

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Leadership of the development of new local strategic priorities

Best Value thematic work in Scottish Borders Council 2022-23



Prepared by Audit Scotland
September 2023

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Key messages

- 1** Since the last BVAR in 2019, there has been a significant amount of change in the leadership of the Council at both officer and elected member level. However, the Council continues to demonstrate evidence of collaborative working between members of different political parties since the 2022 election. This is reflected in the development of the Council vision, following the election.
- 2** The Scottish Borders Council (the Council) plan outlines the Council's vision for 2033. Elected members have shaped that vision. The Council plan is refreshed annually and sets out actions to deliver that vision. The overall community plan for the area was last updated in 2018 and the Council acknowledges it needs to work with partners to update this plan. Further work is required to align the corporate plan to the budget setting process and to directorate delivery plans.
- 3** The Council has established a comprehensive induction programme to support elected members. It now needs to encourage the uptake of personal training and development plans for elected members. A period of stability in Council leadership will support moving forward with plans to deliver the vision for 2033. The Council needs to ensure its revised approach to people, and succession planning, is delivering the anticipated benefits and addressing the challenges of workforce planning.
- 4** The Council has elements of an effective performance framework but needs to ensure it can measure its performance against clearer outcome-based targets for the next ten years. The Council is coming to the end of its five-year transformation programme, Fit for 2024. While recognising the Council will continue to transform over the coming years, there is an opportunity for the Council to reflect on what improvements to service delivery and customer experience have been achieved through this programme.
- 5** The Council has made efforts to engage with citizens and communities over the new Council priorities but acknowledges it could do more to encourage participation in consultation. The revised corporate plan has a good focus on the building blocks of community engagement.
- 6** Inequalities and climate change are incorporated into the Council plan outcomes. The Council is establishing its monitoring arrangements to assess its risk and impact in both these areas.

Scope of the audit

1. The Accounts Commission has noted that councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”
2. This report concludes on the effectiveness of Scottish Borders Council’s (the Council’s) leadership of the development of the Council’s strategic priorities, following the recent local government elections.
3. [The Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The [Code of Audit Practice](#) sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2021 Best Value reporting requirements

Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each Council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.¹
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

4. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the Council’s strategic priorities.

¹ The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire and West Dunbartonshire.



5. In carrying out the work auditors have considered the following questions:

- How clear is the new Council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
- How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

6. A [Best Value Assurance Report](#) (BVAR) on Scottish Borders Council was published in October 2019, containing seven improvement recommendations. The Council responded by identifying 40 improvement action points. The Council has been reporting progress against those actions to the Audit Committee, with the most recent report in March 2023 showing progress made against all 40 actions. The Council is ready to close off monitoring against the BVAR recommendations and consider improvement actions through its performance management framework.

7. An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the Council's planned response including responsible officers and dates for implementation.

8. The coverage of the work is in line with the expectations for Council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

Council vision and priorities

The Council has established a vision for 2033 within its updated Council plan and members have shaped that vision. There is an annual refresh of the Council plan, which sets out actions to deliver that vision. The Council needs to establish how it will measure performance against clearer outcome-based targets.

9. A council focused on achieving Best Value in how it operates will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

10. The Local Government in Scotland Overview 2022 says that Scotland's councils have had a pivotal role in supporting and working with communities as they respond to the impact of Covid-19. Following the council elections in May 2022, councils will have reviewed their priorities.

11. The Council has an overall vision of what will be achieved by 2033. This vision is based on six outcomes ([Exhibit 1](#)). Five focus on improving the wellbeing of citizens in the area and making the region a more sustainable and better place to live, work and visit. The sixth outcome is about developing a Council that is as effective and efficient as it can be. The vision is rooted in the challenges of the area - the climate and nature emergencies, the cost-of-living crisis, demographic pressure and challenges around transport and digital connectivity.

12. Elected members have shaped the vision. It is based on the Administration Policy Plan, developed after the elections and approved in November 2022. The vision sits within the new Council plan, approved in February 2023. The Council plan sets out the actions to take place over 2023/24 to deliver that vision. The corporate plan includes clear actions against each of the six outcomes, with delivery dates from Q1 – Q4 of 2023/24. The Council has outlined an ambitious number of actions to deliver by April 2024. Annual updates of the Council plan will take place to review what has been achieved and refresh the actions.

13. The Council plan stresses the importance of local communities with a chapter devoted to actions for the five 'localities' of Berwickshire, Cheviot, Eildon, Teviot & Liddesdale and Tweeddale. These actions are aligned with the five outcome areas shown in [Exhibit 1](#). The Council acknowledges this is a work in progress and it will take time to embed locality planning within the Council's strategic planning framework.

Exhibit 1

The 2033 vision within the Council plan approved in February 2023

<p style="text-align: center;">Outcome 1 - Clean green future</p> <div style="background-color: #d9ead3; padding: 10px; margin-top: 10px;"> <p>Our 2033 Vision for the Scottish Borders</p> <p>We met the 75% target of reducing greenhouse gas emissions in 2030, and continue to transform the region and our organisation.</p> <p>Increasingly, we live and work in energy efficient homes and premises, powered by green energy sources.</p> <p>We walk, wheel and cycle to get around for the most part, use hydrogen buses and trains for longer journeys or, occasionally, electric vehicles.</p> <p>Nature is recovering in our settlements and across the region, while 'refuse, reuse, reduce, recycle' is the way we live now.</p> </div>	<p style="text-align: center;">Outcome 2 - Fulfilling our potential</p> <div style="background-color: #d9d2e9; padding: 10px; margin-top: 10px;"> <p>Our 2033 Vision for the Scottish Borders</p> <p>By 2033, everyone in the Scottish Borders will have the opportunities to acquire the knowledge and skills needed to realise their full potential, and the Borders will be a place where people grow and develop into high skilled, happy and healthy global citizens.</p> </div>
<p style="text-align: center;">Outcome 3 - Strong Inclusive Economy, Transport and Infrastructure</p> <div style="background-color: #f4cccc; padding: 10px; margin-top: 10px;"> <p>Our 2033 Vision for the Scottish Borders</p> <p>Built upon strong and effective physical and digital connections and infrastructure, the benefits of a productive and sustainable economy are widely shared, enabling us to fulfil our potential in the Scottish Borders and attract others to live, work, study and visit.</p> <p>With an increasingly higher skilled and higher paid workforce, the Scottish Borders is a place which has begun to fully harness the potential of its communities, attracting resources from beyond our region, using new technology, and growing the number of jobs found in renewable energy, healthcare, and our natural resources.</p> <p>Our region is well connected internally and with the world beyond, enabling employees to make positive choices to work in the Borders and enjoy the high quality of life here. The extension of the Borders Railway to Carlisle will create new opportunities, supported by an effective network of green powered buses, and a network of paths for walking, wheeling and cycling.</p> </div>	<p style="text-align: center;">Outcome 4 - Empowered vibrant communities</p> <div style="background-color: #cfe2f3; padding: 10px; margin-top: 10px;"> <p>Our 2033 Vision for the Scottish Borders</p> <p>Built on an established track-record of co-production, delivery, and strong partnerships, the Scottish Borders is a region of sustainable, well-designed healthy and happy places that reflect the experience and aspirations of our citizens and communities and meet their needs.</p> </div>

<p>Outcome 5 - Good health and wellbeing</p> <p>Our 2033 Vision for the Scottish Borders</p> <p>The people of the Scottish Borders have the opportunities and are supported to take control of their health and wellbeing, enjoying a high quality of life.</p> <p>This is enabled by seamless community-based services which are based on local need, with a focus on improving access, early intervention and prevention, reducing inequalities, supporting unpaid carers and the embrace of new technologies.</p> <p>Services are delivered by a highly valued and motivated workforce.</p>	<p>Outcome 6 - Working Together, Improving Lives</p> <p>Our 2033 Vision for the Scottish Borders</p> <p>A fully effective council which is an exemplar of excellent organisational and budgetary performance, and of how to harness the combined power of local communities, institutions and stakeholders in delivering a sustainable future and an economy that works for everyone.</p>
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[Source: Scottish Borders Council](#)

The Council acknowledges it needs to work with partners to update the community plan.

14. Community planning partners should have an up-to-date community plan to coordinate the strategic vision of partner organisations within an area. The overall community plan for the Scottish Borders was last updated in 2018. There are links between the priorities in the community plan and the Council's corporate plan, through the following high-level themes: Our Economy, Skills and Learning, Our Health, Care & Wellbeing, Our Quality of Life, Our Place. However, the Council acknowledges it needs to work with partners to update this plan. There is an action within the Council plan to develop a new community plan with partners, by September 2023.

15. The Council consulted with partners as part of the refresh of the Council plan. It received a limited but positive response from two partners. South of Scotland Enterprise and Borders College provided responses, showing support for the corporate outcomes, whilst expressing the need for greater partnership working amongst organisations, especially relating to transport provision.

The Council has elements of an effective performance framework but needs to ensure it needs clearer outcome-based targets for the next ten years.

16. The 2019 BVAR made recommendations in relation to performance management and continuous improvement. Those were:

- Embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.
- Ensure performance reports to members and the public are more comprehensive and balanced, and that they cover service performance and delivery of the Fit for 2024 programme.

17. The Council responded with four actions, including implementing a revised performance management framework. The Council now measures Performance in three ways - actions in the Council plan (milestones), performance indicators and comparison with others, example shown at [Exhibit 3](#). The Council was unable to meet its deadline for updating performance indicators for the revised corporate plan in March, as the plan was only agreed in February. The Council should identify clearer outcome-based targets for the next ten years, that will enable it to demonstrate how it is achieving outcomes such as 'the Borders will be a place where people grow and develop into high skilled, happy and healthy global citizens'.

Citizen and community engagement

The Council has made efforts to engage with citizens and communities over the new Council priorities but acknowledges it could do more to encourage participation in consultation. The revised corporate plan has a good focus on the building blocks of community engagement.

18. Recovery from the pandemic will require councils to work alongside their local communities. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

19. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

20. The 2019 BVAR found there were some aspects citizen and community engagement that required improvement. The BVAR contained the recommendation that the Council should improve how the Scottish Borders Community Planning Partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment (Scotland) Act 2015.

21. The Council has made efforts to engage with its citizens and communities when developing the new corporate plan priorities. These began in summer 2022 and ran to January 2023.

Summer 2022

- Summer tour undertaken by the Council Leader and supported by senior officers.
- Place-making workshops scheduled across the region.
- Community conversations events and budget consultation process, which resulted in 866 responses.

January 2023

- Further public consultation using Citizen space, the Council's online survey and consultation hub, from 16-30 January. This was to determine whether residents were content with the draft vision. Although the Council

acknowledges a relatively low response rate, feedback indicated that people found the draft plan clear and understandable and agreed with the vision put forward.

22. The Council acknowledges it could do more to encourage participation in consultations about the vision and strategic priorities. It has put forward ideas on how it could achieve this, including extending consultation periods, raising the profile of feedback opportunities, and bringing forward the drafting of the 2024/25 Council plan update. The Council hopes this will support further engagement with communities, strengthen the resulting plan and ensure greater alignment with the Council's financial plans. As mentioned at paragraph [13.](#) the Council plan has a strong focus on its five localities and includes actions to take forward in 2023/24 aimed at empowering communities.

The Council has made progress against the previous recommendation to accelerate implementation of the community empowerment act and has clear actions in the 2023/24 corporate plan.

23. The 2019 BVAR report included the recommendation that the Council should accelerate implementation of the Community Empowerment Act. The Council took forward 11 actions in response. This includes the restart of the community conversations, paragraph [21.](#) as Covid-19 restrictions lifted. The Council also appointed nine engagement officers to develop community capacity building and place-making.

24. In addition to the actions taken, the Council plan includes a clear commitment to community empowerment. The vision statement includes the following, 'the most vital partnership of all is that partnership we have with you as a citizen of the Scottish Borders.' As shown in [Exhibit 1](#), Outcome 4 of the Council plan is to deliver 'Empowered, Vibrant Communities' and there are 12 actions to support this in 2023/24. These include:

- Support communities in the Borderland target towns of Eyemouth, Galashiels, Hawick and Jedburgh to form inclusive Town Teams and develop community-led plans and associated investment plans.
- Implement our Community Engagement Strategy.
- Support Area Partnerships to oversee Place Making in their localities and facilitate the development and delivery of community-led place plans.
- Community Choices: Offer communities a greater say in local spend of Council resources.

25. The actions above show the Council has strong intentions to involve local people in decision making processes and in co-producing services. This commitment to improving community empowerment is welcome. The Council needs to ensure its performance management arrangements captures the progress it makes against the actions within the corporate plan.

Reducing inequalities and tackling climate change

Inequalities and climate change are incorporated into revised Council plan outcomes. The Council is aware of the challenge around climate change, including the risk of flooding in certain localities. The Council is establishing its baseline and developing monitoring arrangements to assess impact.

26. Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

27. The Local Government in Scotland Overview 2022 report says that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal support those most affected and addresses inequalities.

28. Over two-thirds of councils, including Scottish Borders, have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than Covid'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

29. Scottish Borders Council Plan 2023/24 and strategic vision for 2033 ([Exhibit 1](#)) have outcomes relevant to reducing inequalities and tackling climate change:

- Outcome 1 Clean Green Future: including, meeting the 70% target for reducing greenhouse gas emissions, increasing green transport and green energy use and nature recovering in settlements, paragraphs [38.](#) - [41.](#)
- Outcome 5 Good Health and Wellbeing. Including a focus on wellbeing and a high quality of life. Services are focused on improving access, early intervention and reducing inequalities.

Scottish Borders Council is implementing actions across its equalities mainstreaming report and anti-poverty plans. It has tailored its measurement framework to suit local needs.

30. Scottish Borders Council has published a progress report against its Equality Mainstreaming report 2022 – 2025. This includes Equality Outcomes Performance Data, Employment Data and Equality Impact Assessments. Relevant reports are available on the Council's [Equality and diversity/Fairer Scotland Duty webpages](#).

31. Integrated Impact Assessments (IIA) provide a framework to enable councils to comply with their statutory obligations around fairness and equality. The Council publishes IIAs on its website, in line with good practice on transparency and public awareness. By September, the Council had already published 18 separate IIAs for 2023, although some cover the same initiative at different stages e.g., Children and Young People Services Plan. Other examples include IIAs for changes to high schools and council specific guidance for staff.

32. The Fairer Scotland Duty requires councils to consider how they can reduce inequalities of outcome caused by socio-economic disadvantage. In June 2023, Scottish Borders Council took two relevant progress reports. These were a report against the Council's '2021 anti-poverty strategy' and a 'Local child poverty progress report and action plan'.

33. The Anti-Poverty Strategy is structured around the 'pockets, prospects, places' measurement framework adopted by the Scottish Government Child Poverty Strategy. The Council has added 'people', 'partnerships', and 'pathways' to this framework and set out 11 outcomes. The strategy is overseen by an Anti-Poverty Members Reference Group, formed of seven elected members on a non-political basis and, where possible, ensuring a gender and geographic balance.

34. The June 2023 progress report is well structured and includes a mix of quantitative data and updates against actions. Highlights include:

- Pockets – increase in the use of the money worries app that signposts the public to areas of support. Use of the community foodhub.
- Prospects – an awareness of the baseline, that Scottish Borders has significantly lower attainment in comparison to Scotland, with figures exacerbated within areas of deprivation. The regional pay gap between Scottish Borders and Scotland has improved since 2020.
- Places - In the Scottish Borders, the number of homeless applications has remained steady since 2011/12 as a result of a proactive approach to prevention through the delivery of the Housing Options approach. Fifty percent of young people and children aged 5-21 years have applied for the Young Persons' (Under 22s) Free Bus Travel Scheme.

- People – Outlining progress with the four Borderlands Inclusive Growth Deal towns (Eyemouth, Galashiels, Jedburgh, Hawick) where work is underway to develop a place plan.
- Partnerships – listing the collaborative networks focused on reducing inequality - Cost of Living Strategic and Operational Group, Financial Inclusion Practitioners Group and the Food Conversations Group.
- Pathways – outlining how the pathways to support people to move from dependence to independence are developing.

35. Also in June 2023, Scottish Borders Council took a progress report against the ‘Local child poverty progress report and action plan’. [Exhibit 2](#) shows highlights of the progress for 2022/23.

Exhibit 2

Progress against actions and measures in the local child poverty action plan

Employability	<ul style="list-style-type: none"> A total of 215 young people volunteered through Live Borders' Active Schools programme. Tweeddale Youth Action employed 1 young person and supported 5 young people to gain recruitment within local employers. SBHA recruited 4 Modern Apprentices.
Education	<ul style="list-style-type: none"> Equity and Excellence Leads were placed in large SBC Early Learning Childcare (ELC) with progress made in narrowing developmental gaps, assisting to make positive attainment by the end of P1. ASN youths have been supported with ILF transition funding applications, accessing qualifications both national and local and launching Youth Enterprise Scotland YES teams programme in August 2022 to provide qualification SVQ 3 and access to social innovation and enterprise.
Information and advice	<ul style="list-style-type: none"> SOSE has financially supported 5 organisations whose activities indirectly or directly addressed child poverty. Across the organisations, funding support has also enabled the creation of 267 jobs and safeguarded 323 jobs across the Scottish Borders. CAB utilised 'Our Money Talk Team' Project, funded by Scottish Government. This provided customers with advice on rights and responsibilities, what is available locally and how to access services.
Housing and energy	<ul style="list-style-type: none"> SBHA provided 115 tenants with a payment from the Fuel Debt Fund to clear their fuel debt (£150,000 in total payments made), an average of £1,300 per household. 17 Warm and Well Hubs were established across the Scottish Borders, funded by SBC's Cost of Living support package of £1.2million.
Health and wellbeing	<ul style="list-style-type: none"> Over 4170 visits were made by children and young people to Live Borders activities. This provided coordinated access to food, childcare, sports, leisure, and cultural activities during the holidays.
Digital exclusion	<ul style="list-style-type: none"> SBHA's Digital Champions network continues to support the 224 households who received a device via Connecting Scotland. Live Borders received 225 referrals for digital devices. Of the 225 referrals, 77 households included children. A total of 100 chromebooks and 106 ipads were distributed through the Connecting the Borders programme.
Food	<ul style="list-style-type: none"> £60,000 was allocated to support the setting up, continuation or provision of a free breakfast club across the Scottish Borders. 19 Schools were successful in their application for funding along with 1 community-based group. BHA has provided £25,000 to local foodbank and larders from the National

	<p>Lottery Community Anchor fund, accessed through the Scottish Federation of Housing Associations.</p> <ul style="list-style-type: none"> Over £5,000 worth of supermarket gift cards have been distributed by SBC to local foodbanks and fareshare providers as well as to prominent groups within communities that are supporting individuals with the cost-of-living crisis.
Financial inclusion	<ul style="list-style-type: none"> A £1.2m cost of living support package was made available in August 2022 and has been used to help families in a variety of ways, including, funding a warm clothing payment of £100 to children in receipt of free school meals/clothing grant/home schooling, which benefitted 2,695 children. Midwives and Health Visitors continued to be proactive in referring expectant and new mothers for benefits checks. In 2022-23 there were 500 referrals resulting in an uplift in benefits of £1.2million.
Money worries	<ul style="list-style-type: none"> BHA supported £5,200 gains from Scottish Child payments and £674,825 total benefit gains for 2022/23.

Source: [Scottish Borders Council](#)

The Council is aware of the challenge around climate change and is working with external experts on its baseline and approach. The Council reports performance according to Scottish Government requirements and against its corporate plan vision.

36. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

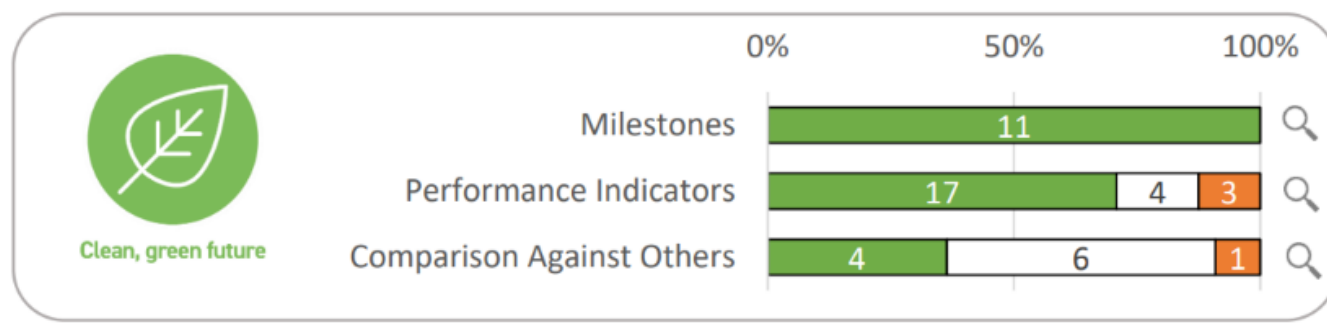
37. The Climate Change Act 2019 committed Scotland to Net Zero by 2045. The Public Bodies Climate Change Reporting Duties place a legal requirement on public bodies to set target dates for zero direct emissions and indirect emission reductions. They must also report on how spending and resources will contribute to these targets, and report on the body's contribution to Scotland's Climate Change Adaptation Programme.

38. Scottish Borders Council declared a climate emergency in September 2020, which was followed up with the development of a Climate Change Route Map in June 2021. The Council identified priority actions to deliver on the Route Map and the Council approved those in March 2022. The path to net zero was underlined in the Council plan for 2023/24. Outcome 1 in the Council plan is a 'Clean, green future,' see paragraph [29](#).

39. The Council takes forward its vision for 'Clean, green future' in the actions for its six localities. Flooding and coastal erosion is a risk for Scottish Borders Council and there are actions on flood management in Berwickshire, Eildon, Teviot and Liddesdale and Tweeddale. The action being taken within Scottish Borders on flooding was mentioned in the Account Commission's recent report '[Scotland's Councils' approach to addressing climate change](#)'. Nature-based flood-management solutions, including natural flood defences have been put in place to manage the impact of extreme weather on the River Tweed.

40. The Council is working with external bodies to clarify its approach to the challenges of climate change. It is working with South of Scotland Enterprise to establish carbon baselines for the Council as an organisation, but also for the wider Scottish Borders area. The Council has also been working with the Edinburgh Climate Change Institute on their action plan.

41. In line with other authorities, the Council submitted its [annual climate change report](#) to the Scottish Government in November 2022. It also has a [web-site page](#) laying out progress to date, however this is not measured against a baseline or targets. The Council does report quarterly and annually against Outcome 1 of its corporate plan - the performance report for 2022/2023 was presented to Council committee in June 2023. [Exhibit 3](#) shows some highlights of performance against Outcome 1.

Exhibit 3**Highlights of annual performance for outcome 1, 'Clean, green future' for 2022/23**

Please see page 3 of the annual performance report for descriptions of colours against performance. In general, green is positive performance, amber denotes where further focus is required.

- Milestones: All Milestones set out for being achieved this year have been met. This has included positive progress on:
 - Increasing numbers of allotments.
 - Extreme weather assessments of critical infrastructure.
 - Creation of plans to improve sustainability of local energy systems.
- Performance Indicators:
 - The recycling rate of household waste continues to be high and increasing, and less than half a percent of waste is going to landfill. This positive position is due to the closure of the Council's landfill in 2019, and a new contract that extracts as much recyclates as possible from the waste before it is treated in an energy from waste plant.
 - Electricity and Gas consumption has not decreased and has seen some increases from last year. This is due to colder weather conditions, and increased ventilation requirements due to Covid.
- Comparison with others:
 - Our household recycling rate is higher than authorities similar to us and Scotland's average.
 - We are similar to the Scottish average for our carbon emissions and although we are lower than authorities similar to us, we have a long way to go to achieve Net Zero by 2045.

Source: Scottish Borders Council

Alignment of delivery plans

42. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

43. In our [Local Government Overview Report 2023](#), we acknowledged that budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it makes it challenging for councils to make decisions about how funds can be used at a local level, to meet local need. Increasingly difficult choices about spending priorities and service provision are having to be made. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable.

The Council acknowledges further work is required to align the corporate plan to the budget setting process and to directorate delivery plans.

44. The Council acknowledges linking the overall vision expressed in the corporate plan to the budget and five-year financial plan, is a work in progress. The Council is also aware that departmental delivery plans need to be aligned to the overall vision for the Scottish Borders. The recent changes at senior officer level and Council directorate structure provides an opportunity to update directorate delivery plans. Work is underway to align the overarching corporate plans to directorate and financial plans.

Recruitment and retention are acknowledged as risk areas. The Council is implementing a departmental approach to workforce and succession planning. Updating its strategic people plan will be an important step to help address workforce challenges.

45. Staffing capacity was noted as an issue within the 2019 BVAR. The BVAR stated workforce management has developed slowly and planning the future workforce remains a key issue. Staffing capacity and filling vacancies is still noted as a significant risk for the Council within its risk reporting mechanisms.

46. The Council responded to the BVAR with four actions. This includes ensuring each department has a five-year people plan which aligns with the corporate plan and Fit for 2024 principles. A pilot of the new format of people plans took place within the E&I service. By March 2023, all services had started the new cycle with digital format people and succession plans.

47. The Council is currently updating its Strategic People Plan, 2016-21, due for completion in October/November 2023, after work is completed on the Council's future operating model. Updating the Strategic People Plan is an important step. This will help support workforce planning to reflect the Council's new directorates, following the changes in senior leadership structure, paragraph [57](#).

48. The Council has adopted a training matrix system for staff. This is a tool that evaluates current skills, training requirements and tracks the delivery of training. It can also support corporate workforce planning by giving a Council wide view of the skills and qualifications necessary to meet current and future business needs.

49. The Council has had some success in growing its own workforce. Scottish Borders has had difficulty in recruiting to social work posts and introduced an approach to growing its own social workers. This has resulted in 11 posts been filled through that scheme. The Council reviewed its position to recruiting teachers in 2022/23 and changed its approach to offer permanent positions, rather than temporary posts, where it was able to do so.

The Council is coming to the end of its five-year transformation programme Fit for 2024. The Council needs to demonstrate what improvements to service delivery have been achieved through this programme.

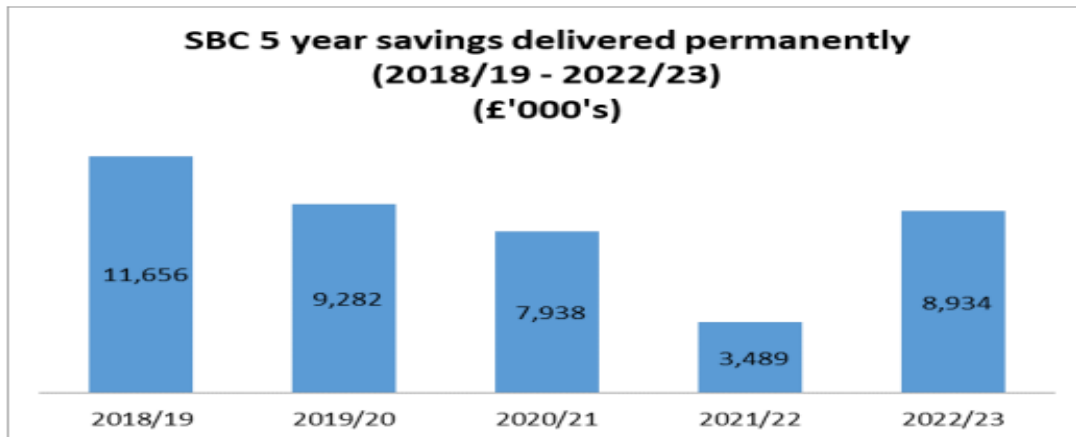
50. The Council is coming to the end of its five-year transformation programme 'Fit for 2024'. In reality, the five-year plan has been impacted by the need to respond to the Covid-19 pandemic and the cost-of-living crises. The Council has managed to deliver financial stability over the course of this time.

51. Fit for 2024 has included a partnership with digital partner CGI to deliver on the approved Digital Strategy to make the Borders a 'smart rural region', an aim of Fit for 2024. The Council committed £34m of investment into digital infrastructure, including servers and WiFi access. A strand of this programme has involved enabling front line staff. Mobile devices have been provided to social workers, to support them in the recording of their work with clients, with the aim of freeing staff time from administration so more hours can be given to supporting clients.

52. The Council has reported the savings it has delivered in the financial outturn report for 2022/23 as seen in [Exhibit 4](#). The Council has achieved £8.9m of savings in 2022/23. As the Council nears the end of its five-year transformation programme it needs to set out the improvements to customer experience and service delivery that have also been achieved through this programme.

Exhibit 4: Delivery of savings

£8.9m of savings were delivered in 2022/23.



Source: Scottish Borders Council

Leadership

There has been a significant amount of change in the leadership of Scottish Borders Council since the last BVAR. There are examples of effective cross-party working and elected members have shaped the Council priorities. A period of stability in Council leadership will support moving forward with plans to deliver the vision for 2033.

53. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

54. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

55. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

56. The 2019 BVAR identified the following key messages:

- members and officers demonstrate a strong commitment to working together for the fulfilment of the vision, while effective governance arrangements ensure opportunity for challenge and scrutiny.
- In 2017, the Council saw many new elected members and offered a coordinated approach to induction. It now needs to support elected members through individual training plans.

57. There have been several changes in the Council since the 2019 BVAR report. Three Chief Executives have been in post since 2019. In January 2023 the current Chief Executive was appointed to the post, having been acting Chief Executive since June 2022. The Council has been steadily reorganising its senior leadership, moving from a model of two Executive Directors with supporting senior officers to the current model of Chief Executive and eight Directors. The post of Executive Director, Leading Stakeholder & External Relationships was removed in 2021, with functions reorganised within the Council and the post of Director of Corporate Governance was established in

2023. A period of stability in Council leadership will support moving forward with plans to deliver the vision for 2033.

The Council continues to demonstrate evidence of collaborative working between members of different political parties since the 2022 election.

58. The 2019 BVAR commented on the impact of many new members following the local council elections. There has also been a number of newly elected members joining the Council, following the elections in 2022. Twenty elected members were re-elected, and 14 newly elected members joined the Council. The Council administration continues to be led by the largest elected party, the Scottish Conservative and Unionists, as it has been since the 2017 election.

59. The Council has an Executive Committee with 17 members, half of all Council elected members. This operates as the overall strategic committee for the Council and has cross-party membership. Since October 2022, the Executive committee comprises of 10 Scottish Conservative and Unionist, 3 SNP, 3 Independent and 1 Scottish Liberal Democrat. The Executive Committee takes the following regular reports:

- revenue and capital spend
- quarterly and annual performance reports and
- updates on the Strategic Housing Investment Plan.

60. Council members worked collaboratively to set the Council budget for 2023/24. A cross party budget working group was established as a mechanism to support this. This was a good experience for the Council as it facilitated robust and frank early discussions that enabled scenarios and options to be worked through.

The Council has established a comprehensive induction programme to support elected members. It now needs to progress plans to put personal training and development plans in place for elected members.

61. The Council has put in place a comprehensive induction programme for all elected members, following the 2022 elections. The programme involved three phases, from May to Sep 2022. It covered both broad outcome areas - 'Clean, green, future' and 'Working together, improving lives' - and specific Council functions, such as licencing. The Council keeps a log of attendance at its training and induction events. The Council also understands the importance of ongoing training and awareness raising and will schedule a briefing session when the need arises.

62. The 2019 BVAR included the recommendation that the Council needs to support members' continuing professional development by tailoring training to meet their individual needs. The Council responded to this by deciding to use the Improvement Service elected member CPD to enable them to evaluate their continuing professional development needs. As at March 2023, five elected

members had taken up that offer. The Council should encourage uptake of personal development plans for elected members. Having personal development plans tailored to elected members' individual needs would allow the impact of all induction and training events to be evaluated.

Appendix 1

Improvement Action plan

Issue/risk	Recommendation	Agreed management action/timing
1. Refresh of the community plan.	Scottish Borders Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council plan.	The Community Plan will be fully refreshed during 2023. Director, Resilient Communities, Jenni Craig September 2023
2. Ensure its performance management framework includes clearer outcome based targets for the next ten years, so it can demonstrate progress against outcomes.	Scottish Borders Council should ensure its performance management framework captures progress against the Council plan. This should include actions being met according to target milestone and progress against the six Council outcomes.	A revised performance management framework will be developed to report performance against Council Plan strategic outcome to the Executive Committee on a quarterly Basis. Director People, Performance and Change, Clair Hepburn September 2023
3. Transformation, innovation and service improvement.	Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.	Reporting of Transformation Outcomes and improvements will be developed during 2023. The Council will develop a new target Operating model to deliver improvements in service delivery, performance and ensure the Council is resourced to deliver its strategic priorities. Chief Executive March 2024
4. Elected member leadership.	Scottish Borders Council should encourage uptake of personal development plans	A new policy on elected member training and development, tailored to the

	<p>for elected members. These should be flexible to individual needs and be able to show that training is meeting needs.</p> <p>Scottish Borders Council should continue to support opportunities for cross-party working and promote the benefits that brings.</p>	<p>needs of individuals by through a training survey will be agreed and implemented for all members.</p> <p>Chief Executive, David Robertson</p> <p>October 2023</p>
5. Senior officer leadership.	<p>Scottish Borders Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council vision.</p>	<p>Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council</p> <p>Chief Executive, David Robertson</p> <p>December 2023</p>
6. Planning for the workforce.	<p>Scottish Borders Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>People planning will be fully aligned with service and financial planning as part of the budget process for financial year 204/25.</p> <p>Director People Performance and Change, Clair Hepburn</p> <p>February 2024</p>

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SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2022/23

Report by Director of Finance & Procurement

SCOTTISH BORDERS COUNCIL

28 September 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2022/23.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council (SBC) accounts includes the requirement to provide an auditor's report for the Council.
- 1.3 2022/23 represents the first year of new Audit Scotland team undertaking the External Audit of the Council's Annual Accounts with the process now completed. Audit Scotland has prepared both the Annual Audit Report and a Best Value thematic report, as attached on this agenda, and has provided an unqualified independent audit opinion.
- 1.4 The Annual Audit Report summarises Audit Scotland's conclusions, including:
- An unqualified audit opinion
 - Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.
- 1.5 Audit Scotland identified the following recommendations across 3 reports:
- **Scottish Borders Council annual report** - four recommendations for improvement requiring action were identified along with two follow-up to prior year recommendations.
 - **Scottish Borders Council Best Value thematic review** - six recommendations for improvement requiring action were identified.
 - **Scottish Borders Council Pension Fund** - four recommendations for improvement requiring action were identified along with one follow-up to prior year recommendation.
- All recommendations have been accepted by management and will be enacted within the agreed timescales.
- 1.6 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, SBC Pension Fund, Bridge Homes LLP, Lowood Tweedbank Ltd and SB Inspires LLP were presented to the Audit Committee on the 25th September prior to Council consideration and signature.
- 1.7 It should be noted that:

- As approved by Council on the 30th March 2023, SBC Common Good Funds were removed from the Scottish Charity Register on 31st March 2023. Following this deregistration, annual accounts have not been prepared, audited or submitted to OSCR. The Common Good funds have instead been consolidated within the Council's statutory accounts.
- Trusts do not have the same annual accounts statutory deadline as the Council and Pension Fund. In addition, the trusts are presented to Council members in their role as Trustees rather than as full Council. This will be done for 2022/23 via correspondence. Audit Scotland will provide a letter to Councillors as trustees at the completion of the audit, in advance of the reporting deadline of 31 December 2023.
- Bridge Homes LLP, Lowood Tweedbank Ltd and SB Inspires accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. For financial year 2022/23 the companies were entitled to exemption under section 477 of the Companies Act 2006 which means their accounts do not require to be audited.

2 RECOMMENDATIONS

2.1 It is recommended that Scottish Borders Council approves the following accounts:

- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2023;**
- (b) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2023;**
- (c) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2023;**
- (d) Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2023; and**
- (e) SB Inspires LLP Annual Accounts for the year to 31 March 2023.**

3 BACKGROUND

3.1 The various sets of unaudited accounts for 2022/23 were submitted to Audit Scotland, the External Auditors, before the statutory deadline of 30 June 2023, following presentation of the draft accounts to the Audit Committee at the 27th June 2023 meeting. The Pension Fund draft accounts were presented to the Pension Fund Committee and Board on the 22nd June 2023. The detailed audit work began thereafter.

3.2 As part of the statutory requirements the Council is required to advise the public of their right to inspect and object to the various sets of accounts and their supporting papers and make the documents available for inspection. This process was undertaken following the timetable contained in the 2014 Regulations and the inspection period commenced on 1 July 2023. There were no objections to either the Council or Pension Fund accounts.

3.3 Following approval, the 2014 Regulations have the following requirements as set out in Part 3 Section 10 (3):

*Immediately **following the approval of the Annual Accounts** for signature, the statements which form part of those accounts are to be signed and dated as follows—*

- (a) the management commentary by the Section 95 Officer, the Chief Executive and the Leader of the Council;*
- (b) the statement of responsibilities by the Leader of the Council and the Section 95 Officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
- (c) the annual governance statement by the Chief Executive and the Leader of the Council;*
- (d) the remuneration report by the Chief Executive and the Leader of the Council; and*
- (e) the balance sheets by the Section 95 Officer, to authorise publication of the financial statements.*

3.4 These requirements apply to the Annual Accounts of the Local Authority and not to limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Director of Finance & Procurement.

3.5 This report presents audited copies of:

- **Scottish Borders Council** Annual Accounts for year ending 31 March 2023;
- **Scottish Borders Council Pension Fund** Annual Accounts for year ending 31 March 2023;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2023;
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2023; and
- **SB Inspires LLP** Annual Accounts for the year to 31 March 2023.

3.6 It should be noted that:

- As approved by Council on the 30th March 2023, SBC Common Good Funds were removed from the Scottish Charity Register on 31st March 2023. Following this deregistration, annual accounts have not been prepared, audited or submitted to OSCR. The Common Good funds have instead been consolidated within the Council's statutory accounts.

- Trusts do not have the same annual accounts statutory deadline as the Council and Pension Fund. In addition, the trusts are presented to Council members in their role as Trustees rather than as full Council. This will be done for 2022/23 via correspondence. Audit Scotland will provide a letter to Councillors as trustees at the completion of the audit, in advance of the reporting deadline of 31 December 2023.
- Bridge Homes LLP, Lowood Tweedbank Ltd and SB Inspires accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. For financial year 2022/23 the companies were entitled to exemption under section 477 of the Companies Act 2006 which means their accounts do not require to be audited.

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2022/23

- 4.1 Audit Scotland has completed their audit and have provided an unqualified independent audit opinion.
- 4.2 Audit Scotland's associated Annual Audit Reports of Scottish Borders Council and subsidiary charities are presented on this agenda. As well as being unqualified, the report expresses the following headlines:
- Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.
- 4.3 The Scottish Borders Council Annual Audit Report highlighted four specific recommendations for improvement. The recommendations are shown in Appendix 1 "Action Plan 2022/23" of the External Auditor's Annual Audit Report. The areas identified are:
- The Council should ensure there is a more robust process in place to review valuation assumptions, data used and ensure conclusion are robust. An overarching review to ensure that all valuations make sense should be completed at the end of the process.
 - The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.
 - As part of the review recommended in point 2 above, the Council should also review the accounting treatment of asset additions from work done by SBc Contracts to ensure it complies with accounting standards.
 - The current accounting treatment reflects the substance of the transaction but that the Council should look to establish a formal agreement between the Council and common good funds for the use of the assets.

Previous audit Recommendations followed up:

- The Council needs to continue to monitor progress with regards to outstanding actions to ensure that all recommendations from the inquiry actions plan report are fully implemented.
- The Council should investigate a sample of recommended and further National Fraud Initiative (NFI) matches to be assured that they are not indicative of fraud or error.

4.4 The Scottish Borders Council Best Value thematic report highlighted six specific recommendations for improvement. The recommendations are shown in Appendix 1 "Action Plan 2022/23" of the External Auditor's Annual Audit Report. The areas identified are:

- The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.
- The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.
- Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.
- The Council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs. The Council should continue to support opportunities for cross-party working and promote the benefits that brings.
- The Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council Vision.
- The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.

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

4.5 The Scottish Borders Council's Pension Fund Annual Audit Report has been scrutinised by the Pension Fund Committee and Board prior to presentation to the Audit Committee and Council. The report highlighted four new recommendations and followed up one recommendation from previous audits. The recommendations are shown in Appendix 1 "Action Plan 2022/23" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

- Management should review working papers to ensure they are reconciled with the accounts. In addition, a wider reconciliation between the ledger, the custodian and investment/fund managers records held by the Fund should be reconciled.
- Due diligence questionnaires shared with investment managers should be subject to review to ensure that management are aware of any issues arising which could impact the investments held by the Fund.
- All members of the Pension Fund Committee should ensure that the required pension toolkit training and other annual essential training requirements are completed to assist in discharging their fiduciary duties.
- Recommendations/actions from the independent review and from the Stewardship Code application and other Fund business should be consolidated in a tracker, and progress towards meeting them, including expected timescale and action owners, should be reported periodically to the Pension Fund Committee.

Previous audit Recommendations followed up:

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

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

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

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

5.3 Integrated Impact Assessment

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

5.4 Sustainable Development Goals

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

5.5 Climate Change

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

5.6 Rural Proofing

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

5.7 Data Protection Impact Statement

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

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

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

Approved by

Suzy Douglas
Director of Finance & Procurement

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Director of Finance & Procurement 01835 824000 X5881

Background Papers:

Previous Minute Reference: 27 June 2023, Audit Committee

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

Contact us at: Suzy Douglas, Director of Finance & Procurement, Scottish Borders Council, Council HQ, Newtown St Boswells, Melrose TD1 0SA, 01835 824000 X5881, sdouglas@scotborders.gov.uk

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Scottish Borders Council **annual accounts**

for the year to 31 March 2023



Scottish Borders Council

Annual Accounts 2022/23

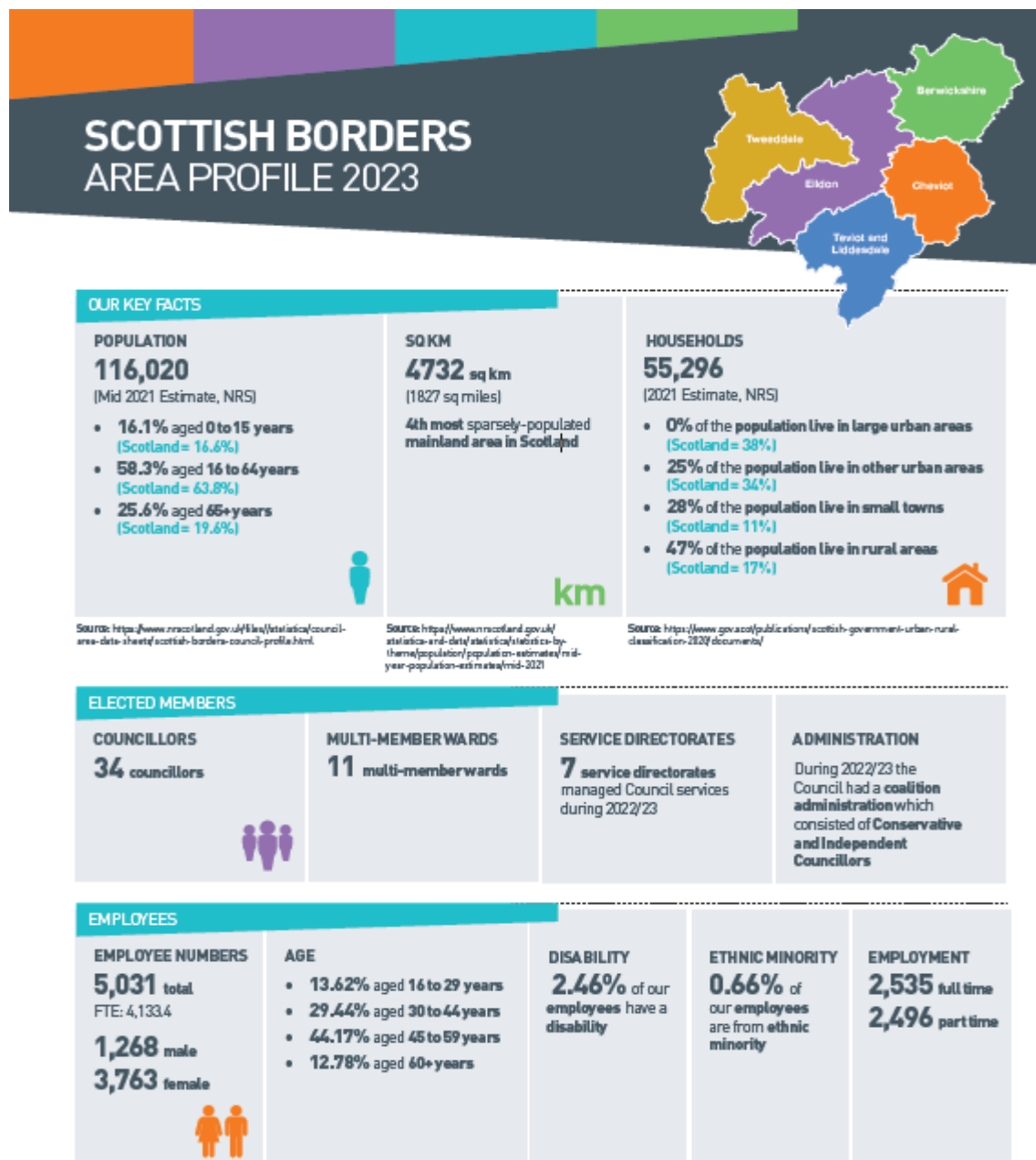
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Management Commentary

Introduction

This management commentary provides a summary of Scottish Borders Council’s financial performance for the year and how this has supported delivery of the 2022/23 Council Plan. It also outlines the financial strategy and the challenges the Council faces in future years in delivering its priorities for the Scottish Borders. A new Council Plan was approved on 23 February 2023 which sets out the Council’s priorities for the Scottish Borders.

About Scottish Borders Council



Strategic Direction

Council Plan

On 22 February 2022, Council approved the Scottish Borders Council Plan 2022/23 which provides the strategic direction for the Council with specific annual actions planned for delivery. At the time, it was agreed that the 2022/23 Plan would serve as template for future years, and that the plan would be reviewed yearly to ensure that it remains responsive to events and provides the basis for the Council's Performance Management. The updated 2023/24 Council Plan was approved on 23rd February 2023.





The Council Plan 2022/23 was agreed with the objectives of creating a Plan that:

- a) is short, simple and relatable for the public, but SMART, meaning composed of actions which are specific, measurable, achievable, relevant and time-bound.
- b) sets the strategic framework for the Council and for the Council's Financial Plans.
- c) operates in sync with the Council's Budget Setting Process.
- d) is informed by strong engagement with Elected Members.
- e) is effectively linked with a Performance Management Framework and an embedded culture of continuous improvement.

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



Scottish Borders Council key highlights 2022/23

	<p>•We tackle climate change and we value, protect and enhance our local environment and nature, so that the Scottish Borders can be enjoyed now and by future generations</p>	<ul style="list-style-type: none"> • The recycling rate of household waste continues to be high and increasing • Further progression in Hawick Flood Protection scheme and active travel network • Completion of Eddleston Water Path • Established organisational carbon baseline for the next 5 years to support the Council's net zero target
	<p>•From child to adult, everyone in the Scottish Borders has access to high quality education and the opportunities they need to fulfil their potential</p>	<ul style="list-style-type: none"> • Roll out of Free School Meals – P4-P5 • New Devolved Schools Management scheme launched in August 2022 • Additional 45 teachers continue to be employed to support pupils • Inspire Learning Tweedbank opened as a Centre of Excellence providing access to technology for all and professional development to staff and young people across Scottish Borders and beyond
	<p>•Built upon strong and effective physical and digital connections and infrastructure, the benefits of a productive and sustainable economy are widely shared, enabling us to fulfil our potential in the Scottish Borders and attract others to live, work and visit</p>	<ul style="list-style-type: none"> • New play park opened in Duns, as part of a wider programme of investment across our play areas and outdoor community spaces • Opening of Reston Railway Station which is proving to be a vital transport link helping to improve connectivity across rural Berwickshire • Investment of £15.1m on Roads infrastructure in 2022/23 • "Pingo" on -demand bus transport service pilot launched in Berwickshire and extended to 2023/24 due to popularity
	<p>•The Scottish Borders has thriving, inclusive communities where people support each other and take responsibility for their local area</p>	<ul style="list-style-type: none"> • Continuing to provide funding to families in Financial Hardship • Delivering the Anti-Poverty Strategy Action Plan • Continue to work with Area Partnerships and progress Place Making across communities • Continuing to embed Community Choices



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



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

- Development of Poynder Park Extra Care Housing facility in Kelso
- Commencement of Social Prescribing services in the Scottish Borders (£0.8m investment planned for 2023/24)
- Progression of plans for Social Care Villages in Tweedbank and Hawick
- 4,535 places for free activities were accessed by children across 55 different venues during the 2022 summer holidays.
- Netherdale stand refurbishment and pitch replacement completed in 2022/23
- The Council is making positive progress on delivering its Digital Strategy
- We are exploring opportunities to support local suppliers
- The Council employed 41 Modern Apprentices at 31st March 2023 providing training and work experience across the Council.

Transformation

A key pillar of the Council’s longer term planning is a transformation programme which aims to deliver a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible. The programme is designed to deliver savings in a more cross cutting, permanent and sustainable way in the future, through a planned series of service reviews. In future greater reliance will be placed on technology to modernise the Council through the implementation of the digital strategy.

Financial Strategy

The Financial Strategy objectives have been met during 2022/23 in supporting the delivery of the Council’s Priorities and Council Plan. In order to support the delivery of the Council’s priorities, including the Fit for 2024 Programme, the Financial Strategy has:-

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

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

- provides the most effective possible **stimulus to the wider economy**;
- **protects the environment** of the Borders;

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

A new longer term Revenue Financial Strategy was approved by Council on 22 February 2022 covering a 10 year timeframe from 2022/23. Adopting a consistent 10 year revenue planning horizon will further assist the Council to plan service and strategic change appropriately and ensure the financial implications of the Council Plan are properly considered, affordable and reflected in future budgets and ensure the Council’s revenue plans are aligned with the Capital Investment Programme over a 10 year period.





Risk

The management of risks is embedded throughout the Council and is recognised as an essential part of management practice, which is the key objective of the approved Corporate Risk Management Policy and Strategy 2021-2024. Effective Risk Management is a key enabler of informed decision-making and should help to ensure that decisions are taken with a comprehensive understanding of the associated risks. This is summarised in the Annual Governance Statement 2022/23 within Principle F ‘Managing risks and performance through robust internal control and strong public financial management’.

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 2022/23 (available on the Audit Committee 10 May 2023, Item 8 link). It details all of the strategic risks facing the Council in the delivery of its Services and Priorities as set out in the Council Plan, categorising them from High to Low Risk. Corporate Risks have consistently received quarterly risk reviews, facilitated by the Corporate Risk Officer, and a summary of these were presented to Council Management Team (CMT) on a quarterly basis, in accordance with the Risk Management Strategy 2021-24.

The Director Risk Management Presentations to the Audit Committee during 2022/23 included a focus on the strategic risks facing their respective areas of responsibility and the internal controls and governance in place to manage and mitigate those risks, demonstrating how risk management is embedded at both corporate and service levels. During 2022/23 the Corporate Risk Officer has facilitated risk reviews for all Service Risk Registers broadly in line with the Risk Management Strategy 2021-24 (Red risks quarterly, Amber risks bi-annually and Green risks at least annually), balancing this with Risk Owner availability and other competing priorities.

The following risk table summarises the corporate risks of the Council which are underpinned by control measures to manage/mitigate the risks relevant to the Council’s approved Risk Appetite.

Risk Title	Description	Risk Score	Status	Trend
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.	9 Moderate - Possible		
IT Data and System Security	Lack of appropriate IT data and system security could lead to service delivery failure and reputational damage.	9 Moderate - Possible		

Risk Title	Description	Risk Score	Status	Trend
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.	16 Major - Likely		
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		
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.	12 Major - Possible		
Insufficient resources for the delivery of the Commissioning Plan	If we do not have sufficient resource for delivery of the joint strategic plan (incl. commissioning) for IJB then there may be insufficient care and support for vulnerable people in the Scottish Borders leading to poor outcomes and reputational damage.	6 Moderate - Unlikely		
C&YP and adults at risk of harm	Failure to protect C&YP and adults at risk of harm may result in harm to them and reputational damage for the Council and Integration Joint Board.	12 Major - Possible		
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.	25 Catastrophic - Almost Certain		
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		
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		
Property	If we do not identify opportunities for rationalisation, savings and investment in the Operational property portfolio then there may be negative financial implications.	16 Major - Likely		
Capital Projects	If Capital projects are not evaluated to take into account Return On Investment and whole life costs then the benefits may not be realised or give value for money.	12 Major - Possible		
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		
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		
Climate Change	If the Council and its partners do not act to assess and address climate change threats, the consequences of climate change may be more adverse and the Council could fail to meet its legislative obligations and the targets it has set.	20 Catastrophic - Likely		
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		

The Council's Financial Strategy Risk Register was used as the basis for setting reserve levels in 2022/23 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension costs, the failure by managers to enact effective budgetary control, severe weather events, an economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances. This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the scale and complexity of the organisation and the core reason for holding reserves. The accumulated financial risk in the 2022/23 Risk Register was assessed to be £13.785m at the start of the financial year and the projected usable General Fund balance, at £8.421m, was sufficient to cover 61% of risks identified. The key financial risks identified in the Council's Financial Strategy Risk Register are as follows:

- Budgetary Control – Failure of budgetary control processes may increase the likelihood of unplanned overspends, under recovery of budgeted income, budgets being stretched and the savings required by the 5 year Financial Plan delayed.
- Government Funding – If there is an unforeseen or unplanned reduction in government funding beyond financial planning assumptions, then our ability to provide services may be compromised (Local Government Funding Settlement updated annually in December).

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: [Budget | Scottish Borders Council](https://www.scotborders.gov.uk/budget) ([scotborders.gov.uk](https://www.scotborders.gov.uk))

2022/23 represented the final year of the current 5 year Revenue Financial Plan. The plans have been amended and updated each year since the first plan was published in 2013/14 and, to date, permanent savings of £79m have been delivered in a planned manner. Despite the resource challenges facing the Council and wider public services, the approach to financial planning has so far delivered balanced budgets and small underspends in each year.

The Capital Investment Strategy (CIS), which highlights the capital investment priorities and explains how these priorities will assist with the delivery of the Council's Corporate Plan, was approved with the budget papers in February 2022. The document brings together the Council's 10 year Capital Investment Plan 2022 – 2032 and also the 10 year Treasury Strategy which sets out how the investment plans can be funded.

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

Equalities Mainstreaming

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

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

Key elements of the action plan are:

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

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

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

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

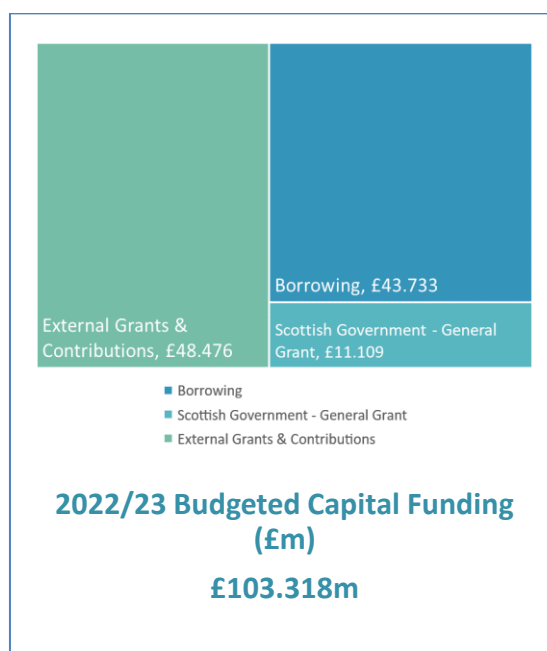
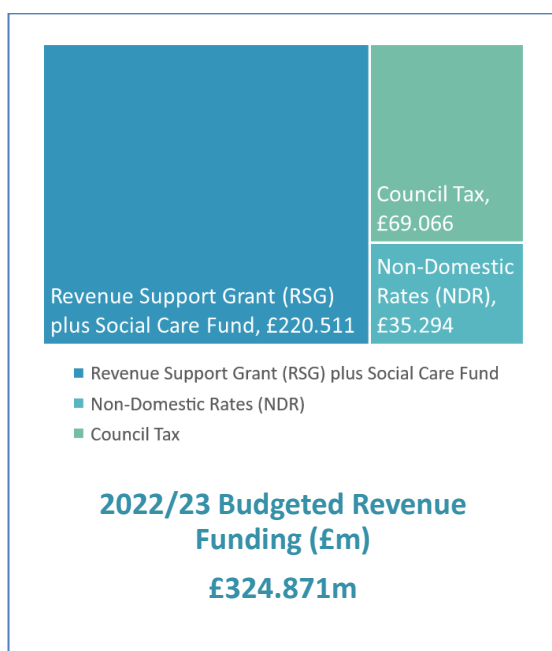
More information can be found on the Council’s website:

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

How are we are doing? - Financial Performance

2022/23 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. The Comprehensive Income and Expenditure Statement on page 53 has further analysis.



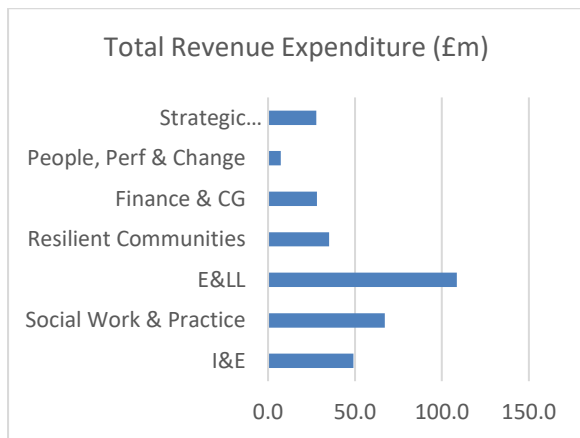
Financial Position at 31 March 2023

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

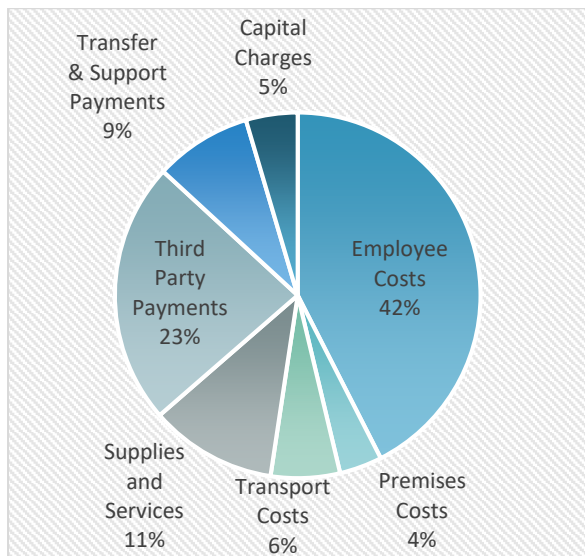
Revenue

The actual outturn for the financial year 2022/23 was a revenue expenditure of £323.4m representing a net underspend of £1.532m (0.5%) against the final approved budget.

The following chart analyses the revenue spend by Council department:

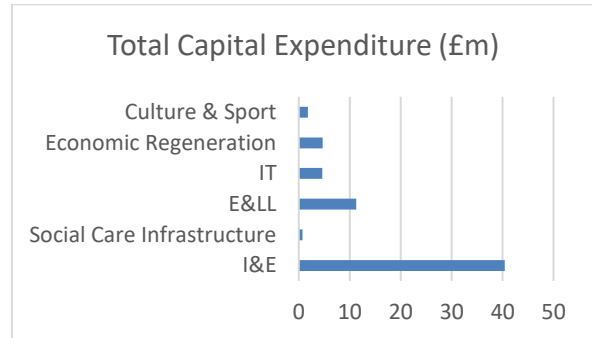


Revenue net expenditure of £322.7m for the year includes income of £151.0m, and gross expenditure of £473.7m as analysed in the chart below:



Capital

The actual outturn for the financial year 2022/23 was capital expenditure of £63.5m with a year end timing movement of £11.6m against revised budget.



The capital programme delivered significant investment in the Scottish Borders during 2022/23 and the following table highlights some of the major projects undertaken:

Infrastructure & Environment

• Flood Protection Works	£18.4m
• Roads & Bridge Maintenance	£9m
• Land & Property Infrastructure	£5.9m
• Plant & Vehicle	£2.4m

Learning Estate & Social Care Infrastructure

• School Estate Block	£0.4m
• Galashiels Academy	£3.3m
• Peebles High School	£4.5m
• Social Care Infrastructure	£0.7m

IT/Economic Development/Culture & Sport

• ICT Transformation	£4.6m
• Economic Regeneration	£4.3m
• Eddleston Water Path	£1.9m
• Culture & Sport	£1.8m

Reconciliation of Outturn to Financial Statement Comprehensive Income & Expenditure Statement

The table below shows the effect on the Council's reported outturn position of the statutory accounting adjustments and provides a reconciliation to the Comprehensive Income and Expenditure Statement on page 53. It should be noted that the net impact of these Statutory Adjustments have no impact on the Council Taxpayer.

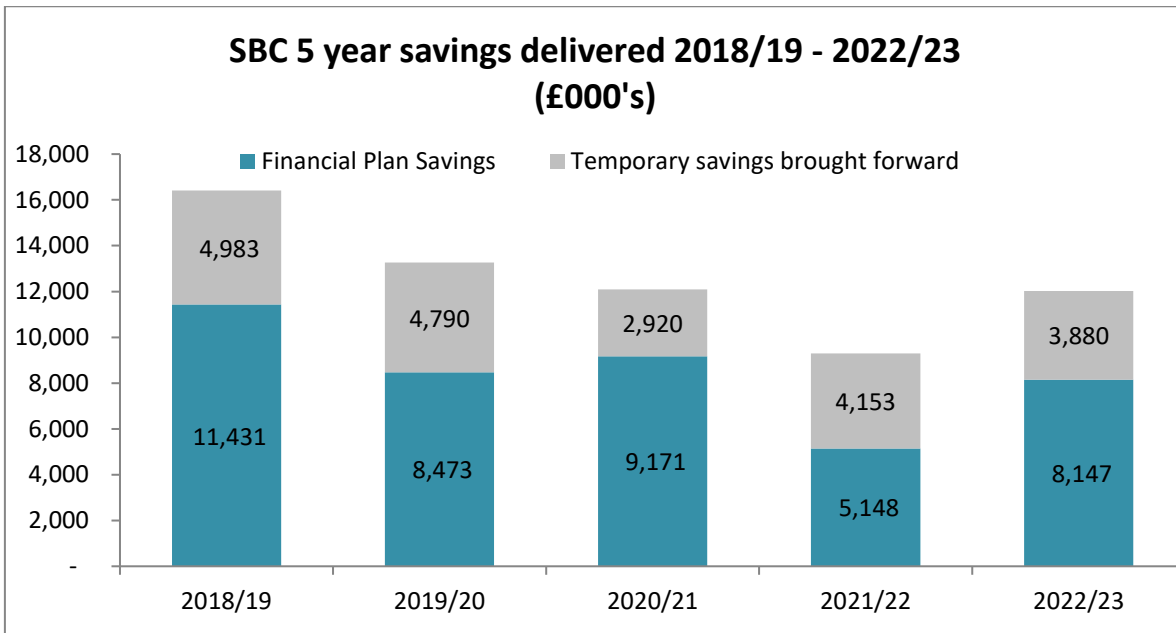
Net Surplus on Revenue Out-turn	(1.532)
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	32.715
Other Asset (Gains)/Losses	(3.603)
Net Interest Costs	15.029
Net Changes on Pension Assets/Liabilities (IAS19 at 31 st March 2023)	(220.824)
Capital Grants & Contributions Applied (exc.Reserves used)	(44.532)
SBc Contracts External Operating Deficit	0.075
Net Surplus - Total Comprehensive Income & Expenditure	(222.672)

Delivery of Targeted Savings

Overall, Financial Plan savings of £12.027m were delivered during 2022/23 in order to balance the costs of delivering services and the available resources. The regular budget monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals.

The total savings of £12.027m shown below are made up of £8.147m savings included in the 2022/23 financial plan plus £3.880m brought forward from previous years. Of the savings delivered during 2022/23 £8.934m (74%) were delivered permanently leaving a balance of £3.093m (26%) to be carried forward from 2022/23 for permanent delivery in 2023/24.

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



To date the Council's approach to longer term financial planning has delivered **permanent** savings of £79m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2023/24 and beyond and the challenges now posed through COVID-19 recovery and current economic challenges.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 53 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2022/23 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2023. This results in statutory accounting adjustments of £19m being required to revise the net cost of services of £341.7m compared with the reported departmental net cost of services of £322.7m.

(Surplus)/Deficit on the Provision of Services

Further statutory adjustments are then made as summarised below and shown on page 48. These include net gains/losses on disposal and revaluation of assets and interest payable. These accounting adjustments result in an overall Deficit on the Provision of Council Services for the year of £1.812m.

This position and its impact on the General Fund is reflected in the following table showing the cumulative surplus on the General Fund of £49.647m as at 31st March 2023.

			2022/23
	Net Expenditure Chargeable to the General Fund as per outturn £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Net Cost of Services	322,671	19,069	341,740
Other Income and Expenditure	(320,328)	(19,600)	(339,928)
(Surplus) or Deficit on Provision of Services	2,344	(532)	1,812

Opening Balance on General Fund	(51,991)
(Surplus) or Deficit on Income & Expenditure Account for the Year	1,812
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	532
Closing Balance on General Fund	(49,647)

Note 5 – Expenditure and Funding Analysis on pages 72 – 75 explains the movement in further detail.

Other Comprehensive Income and Expenditure

This position needs to be finally adjusted to reflect Actuarial (Gains)/losses on the Pension Fund Net Assets/Liabilities (£220.8m) calculated on an IAS19 basis and Revaluations of Non-Current Assets at the balance sheet date of 31st March 2023. This revises the £1.812m deficit position on the Provision of Council Services to a Net Comprehensive Income surplus of £222.672m (surplus of £147.403m in 21/22).

Balance Sheet

During 2022/23 the Net Asset position increased by £222.7m to £453.6 (£230.9m 2021/22). The table below details the movement during the year.

	Balance Sheet as at		Movement
	31-Mar-22	31-Mar-23	
	£m	£m	£m
Long Term Assets	681.6	752.9	71.3
Current Assets	96.1	68.6	(27.5)
Current Liabilities	(64.9)	(56.4)	8.5
Long Term Liabilities	(481.9)	(311.5)	170.4
Net Assets	230.9	453.6	222.7

More details in relation to the Net Assets can be found within the Balance Sheet on page 55.

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

Treasury and Debt Management

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

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

Cash Management

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

Debt Management

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

External Debt

The Council's outstanding external debt as at 31 March 2023 was £213m. No additional long term borrowing was undertaken during the year and there was no requirement for short term borrowing during the 2022/23 year. The average rate of interest paid on outstanding external debt was 4.39%.

Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 52).

Unusable Reserves – result from accounting adjustments and cannot be spent

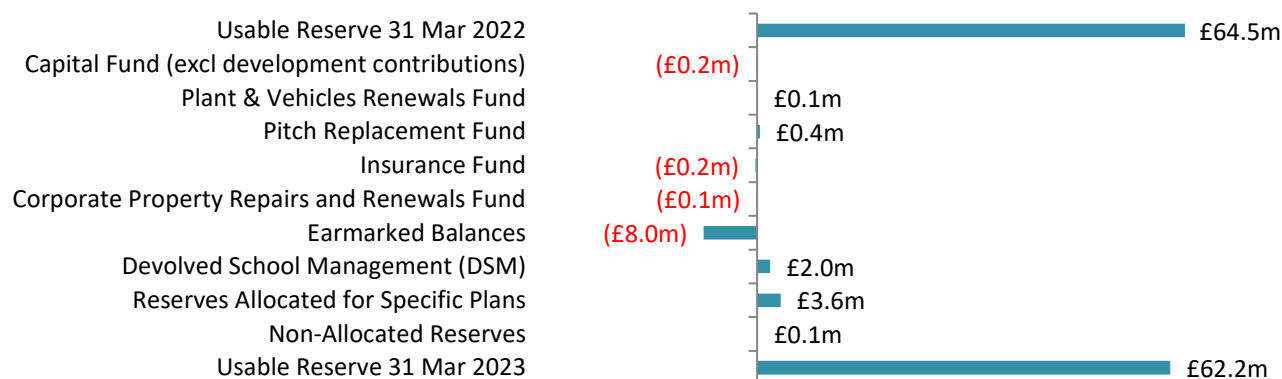
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 108 provides additional information on the movement of the usable and unusable reserves held by the Council.

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

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

As at 31 March 2023 the total Usable Reserves Balance is £62.2m (£64.5m at 31 March 2022) a net decrease of £2.3m during the year. The net decrease, as can be seen from the chart below, can mainly be attributed to a decrease in Earmarked balances, which have decreased by £8m, Reserves for specific plans which have increased by £3.6m and £2.0m increase in Devolved School Management. There have been increases of £0.1m in non-allocated reserves, £0.1m in the Plant & Vehicles Renewals Fund and £0.4m in Pitch Replacement Fund.



Movements within the Allocated and Non-Allocated Reserves during 2022/23 comprised:

Reserves Allocated for Specific Plans - net effect of:

Increase in Treasury reserve	£2.831m
Decrease in Workforce Management reserve	(£0.169m)
Increase in strategic contract movement reserve	£0.909m

Non-Allocated Reserves

2022/23 in year draw downs	(£1.400m)
2022/23 year end underspend	£1.532m

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2023 with a comparator year ending 31 March 2022. The Group Accounts for 2022/23 can be found from page 121 and includes information on changes to the Group in 2022/23. The Group comprises of the following:

Subsidiaries

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

Joint Ventures

- Scottish Borders Health and Social Care Partnership

Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets 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 finance lease assets and remain on the Council's balance sheet at a carrying value of £11.264m at 31 March 2023. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made following agreement.

How are we doing?

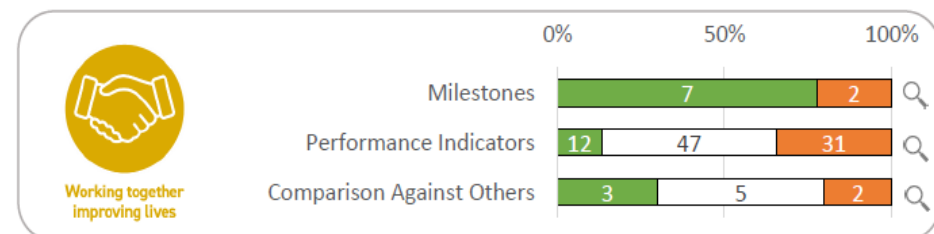
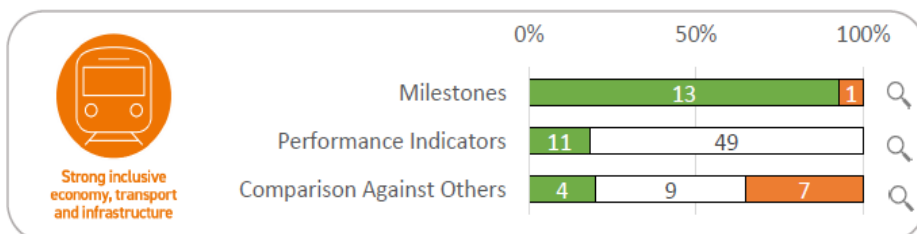
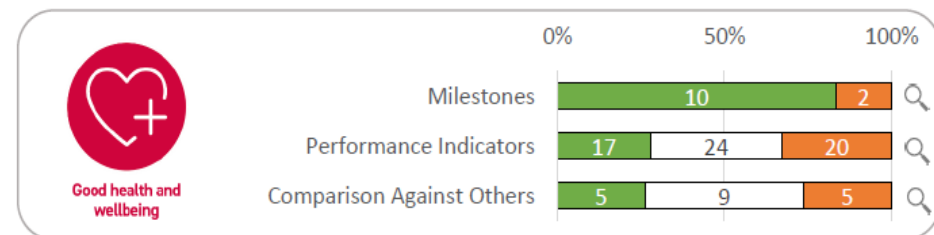
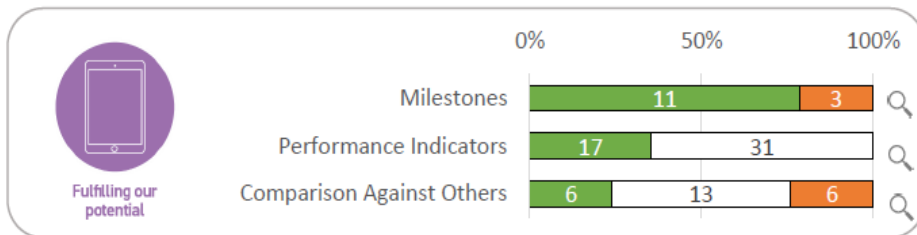
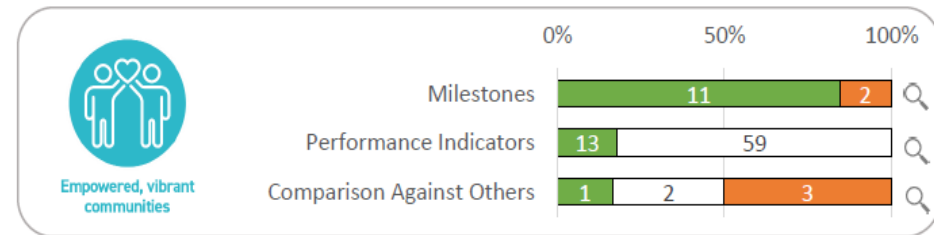
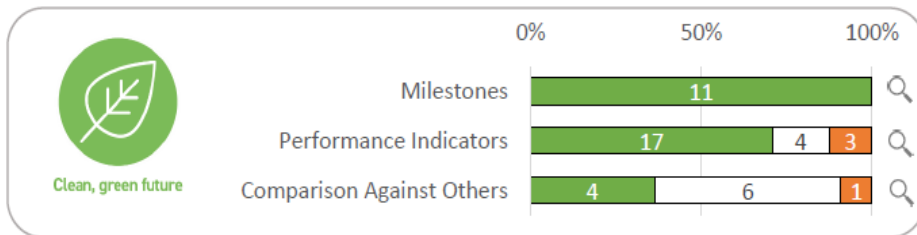
Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a quarterly basis to the Strategic Leadership Team and the Executive Committee of the Council. Below is a summary of the key performance information for 2022/23 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 \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/our-performance-as-a-council-2018-19-onwards)

Summary



A summary of performance against each outcome is shown by milestones achieved, performance Indicators and comparison against other Local Authorities in Scotland. Green indicates completion of a milestone, or a particularly positive position. White indicates that performance is on-track and/or 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

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



Summary of 2022-23 Performance, and how we compare against other Local Authorities



Milestones

All Milestones set out for being achieved this year have been met. This has included positive progress on:

- Increasing numbers of allotments
- Extreme weather assessments of critical infrastructure
- Closer examination and increased understanding of our carbon emissions
- Creation of plans to improve sustainability of local energy systems
- Piloting a schools resource pack to promote sustainability



Performance Indicators

The recycling rate of household waste continues to be high and increasing, and less than half a percent of waste is going to landfill. This positive position is due to the closure of the Council's landfill in 2019, and a new contract that extracts as much recyclates as possible from the waste before it is treated in an energy from waste plant.

Electricity and Gas consumption has not decreased and has seen some increases from last year. This is due to colder weather conditions, and increased ventilation requirements due to Covid.



Comparison with Others

We have cleaner streets than authorities similar to us, and Scotland's average.

Our household recycling rate is higher than authorities similar to us and Scotland's average.

The current recording of costs indicates that the cost of maintaining our Parks & Open Spaces appears higher than authorities similar to us, and Scotland's average – we need to do further work to understand the reasons for this. It could be due to different allocation of costs between authorities.

We are similar to the Scottish average for our carbon emissions and although we are lower than authorities similar to us, we have a long way to go to achieve Net Zero by 2045.



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



Summary of 2022-23 Performance



Milestones

- The majority of milestones set out to be achieved this year were met, including:
 - Identifying Nurture Bases to support primary school children
 - Supporting the development of digital skills and learning in schools and communities
 - Delivering 'Get into Summer 2022' to provide access to food, childcare and activities to children from low income families over the holidays
- An Equity Strategy was developed to target action and resource to address inequalities in attainment and achievement.
- The [Education Improvement Plan](#) 2022-23 also sets out priorities for raising attainment levels.



Milestones

- Two activities were delayed but will be carried out in 23/24:
 - Embarking on a programme of curriculum reform incorporating recommendations from the Organisation for Economic Co-Operation and Development
 - Completing an engagement strategy which enables young people to experience their rights set out in the United Nations Convention on the Rights of the Child
- One activity is no longer being progressed as planned – the delivery of a Parent Portal to improve digital access. This is because upon review it was decided that it would not realise the desired benefits for SBC.



Performance Indicators

- Attendance at both primary and secondary schools has been predominantly positive for the year. With the exception of quarter 3 which showed a slight reduction attendance levels remained above 93% for primary and 89% for secondary over the year.
- We are pleased with the numbers of modern apprentices that we are employing.
- The number of exclusions across primary and secondary schools are within usual boundaries.



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



How we compare against other Local Authorities



Early Years & Primary School

- The percentage of funded early years provision that is graded good/better is higher than the average of authorities similar to us, and the Scottish average.
- It costs us less to deliver each pre-school education place than the average of authorities similar to us, and the Scottish average.
- Our literacy attainment gap is larger than authorities similar to us, and all authorities in Scotland.
- Our numeracy attainment gap larger than the authorities similar to us, and all authorities in Scotland.



Secondary School

- The cost per secondary school pupil lower than the average of authorities similar to us, but similar to the Scottish average.
- Our average attainment and school attendance is similar to the average of authorities similar to us, and Scotland.
- The attendance rate for looked after children is a lower than the average for Scotland and authorities similar to us.
- We have significantly lower exclusion rates than both the average of authorities similar to us, and Scotland.
- We have good participation rates.



Achievement & Satisfaction

- The achievement of our pupils from deprived areas gaining 5+ awards at level 5 is significantly lower than the average for authorities similar to us and Scotland.
- The achievement of our pupils from deprived areas gaining 5+ awards at Level 6 is a little higher than the average for authorities similar to us, and a little lower than the Scottish average.
- Compared to our family group average we have a lower average total tariff for SIMD quintile 1, but higher average total tariffs for SIMD quintiles 2 and 5.
- We have a lower percentage of adults satisfied with local schools than the average of authorities similar to us and Scotland.



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



Summary of 2022-23 Performance



Milestones - Infrastructure

All but one of the infrastructure-related Milestones set out for being achieved this year have been met. These have included:

- Opening Reston Railway Station
- Progressing the feasibility study for the Borders Railway Extension
- Commencing a refresh of the Scottish Borders Local Access & Transport Strategy
- Supporting the rollout of superfast broadband within the region

The one Milestone that wasn't met was the action to work with the UK Government to support the roll out of the Rural Exchange Network of 4G in the Scottish Borders. This project has now moved into the Borderlands Digital Programme.

Milestones - Economy

All economy Milestones were achieved, including:

- Supporting international, national and regional events including:
 - Borders Book Festival
 - Enduro World Series
 - Jim Clark Rally
 - Melrose Rugby 7s
- Progressing Borderland Inclusive Growth Deals including the Mountain Biking Innovation Centre in Innerleithen and new business space in Coldstream
- Working with communities and businesses to drive and target investment in town centres and healthy local economies
- Progressing the Destination Tweed project

Performance Indicators

The majority of indicators have been progressing at a satisfactory level.

In quarter 4 there was a significant reduction in the time to process housing benefit change events following automation of housing benefit change event recording.

In quarter 4 there was a 2.8% increase in the working age population employment rate. This resulted in an employment rate of 79.4% - the highest it's been all year.

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



How we compare against other Local Authorities






Service Delivery

-  It costs us significantly less to deliver our Trading Standards and Environmental Health service than the average for authorities similar to us, and the Scottish average.
-  We have a significantly higher number of Class A and Unclassified roads that should be considered for maintenance compared to other local authorities similar to us, and the Scottish average.
-  Our cost of planning & building standards per planning application is higher than authorities similar to us and the Scottish average, but we have a significantly lower average time to complete a planning application.






Economic Development

-  We are investing less in our Economic Development & Tourism than most authorities in our family group, and the Scottish average.
-  We have a significantly higher percentage of land immediately available for employment purposes.
-  We have a much lower procurement spend on local enterprises than both authorities similar to us and the Scottish average.



Economy Indicators

-  We have a lower Gross Value Added per capita, and a higher proportion of people earning less than the living wage than the average for authorities similar to us and Scotland. This is in large part due to the nature of our high concentration of agriculture and tourism industry.
-  The claimant count is similar to the Scottish average and the average of our authorities similar to us.
-  The percentage of unemployed people assisted into working is lower than our family group and Scotland, but the gap has narrowed compared to previous years.



EMPOWERED VIBRANT COMMUNITIES


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



Summary of 2022-23 Performance, and how we compare against other Local Authorities







Milestones

-  The majority of milestones have been achieved. Activity has included:
 - Progressing investment in play areas and outdoor community spaces
 - Delivering the Anti-Poverty Strategy Action Plan
 - Continuing to work with the Area Partnerships and progress Place Making across communities
-  The review of Area Partnerships has been moved into 2023/24
-  A different approach to community-led place plans has meant that we didn't complete 15 plans in 2022/23, but have started engagement with a much larger number of communities






Performance Indicators

-  Community funding, participation requests and asset transfers have proceeded at a satisfactory rate.
-  We have awarded over £400k of funds from the Neighbourhood Small Schemes Fund.
-  We have over 7000 people registered for SB Alert.
-  We have 57 active community resilience plans, and are progressing a further three.



Comparison with Others

-  Our cost per library visit is similar to most of the authorities similar to us, but higher than the Scottish average. We have the second lowest library satisfaction of all Councils in Scotland.
-  The cost per visit to Museums and Galleries is at the high end of authorities similar to us and all Councils in Scotland. We have the second lowest satisfaction of all Councils in Scotland.
-  The cost per attendance at Sports facilities is significantly lower than authorities similar to us and the majority of Scottish Councils, and we have similar satisfaction rates to others.



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



Summary of 2022-23 Performance



Milestones

- The majority of milestones were completed as planned, with some examples being:
 - Reviewing the governance and accountability for the Public Protection Services
 - Working to improve recruitment and retention into Social Care and Social Work
 - Continuing to develop capital plans for the provision of facilities that enable people to be supported in a homely setting
- Two actions were not completed and have been moved into 2023-24:
 - Developing a Council Commissioning Framework which includes Social Care, CGI and Live Borders
 - Reviewing the Sports and Cultural Strategies for the Scottish Borders

Performance Indicators

- There have been a positive number of referrals to the Mediation Services that concluded with an agreement being reached.
- There are a lower number of reported Anti Social Behaviour incidents than last year.
- There are a lower number of Group 1-5 recorded crimes and offences than last year
- We have discussed 133 High Risk domestic abuse cases at Multi Agency Risk Assessment Conferences.

Performance Indicators

- We have a higher number of Looked After Children, and Looked After Children in residential placements than we would like.
- There continues to be a high number of bed days associated with delayed discharges in residents aged 75+
- There have been a high number of referrals to the Domestic Abuse Services.

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



How we compare against other Local Authorities






Funding & Environmental Health

-  We have a higher percentage of Crisis Grant decisions concluded within one day than the average of authorities similar to us and the Scottish average.
-  We have spent significantly less of our Scottish Welfare Fund And Discretionary Housing Payments funding than authorities similar to us and the Scottish average. However, the actual spend has increased year on year.
-  The cost of running our Environmental Health Service is significantly lower than the average for authorities similar to us, and a little lower than the Scottish average.




Adult Social Care

-  We have a lower rate of readmission to hospital within 28 days than most of the authorities similar to us, and the Scottish average.
-  People over 75 spend significantly longer waiting to be discharged from hospital than the most authorities similar to us most Scottish authorities.
-  We have a higher percentage of people aged 65 and over with long-term care needs who are receiving personal care at home than most authorities similar to us, and the Scottish average.



Adult Social Care

-  We have a lower satisfaction rate than authorities similar to us and the Scottish average for:
 - Adults supported at home who agree their support had an impact in improving or maintaining their quality of life
 - Adults supported at home who agree they are supported to live as independently as possible
 - Adults supported at home who agree that they had a say in how their support was provided



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 focussed on the needs of customers and communities, and we will have a positive open culture



Summary of 2022-23 Performance, and how we compare against other Local Authorities









Milestones

-  The majority of the milestones set out to be achieved this year have been met. This has included positive progress on:
 - Review and change implementation following Covid-19
 - Council Plan Delivery
 - Digital Strategy and Digital Skills
 - Career Pathway development
 - Exploring opportunities to support local suppliers
-  A review of all of SBC's Partnership working did not take place, but is still planned to take place in the future.
-  Progress was made on linking competencies and frameworks into the appraisal progress. Work on all staff knowing and understanding SBC's vision and values has started and will continue into future years.







Performance Indicators

-  The time taken to respond to complaints is still much higher than we would like it to be.
-  We are continuing not to complete all our FOI requests on time.
-  We taking longer than we would like to add new properties to our Council Tax Valuation List.
-  Low absence rates in the first half of the year have started to increase in the second half of the year.
-  Our time taken to process planning applications during the first half of the year is positive – figures for the second half of the year will be published in 23/24.
-  We have a Council Tax in-year collection level of over 96%.



Comparison with Others

-  Our proportional expenditure on support services is the higher than the average for authorities similar to us, and Scotland.
-  We have a smaller gender pay gap than the average of authorities similar to us, and are in-line with the Scottish average.
-  We have a higher percentage of invoices sampled paid within 90 days than the average of authorities similar to us and the Scottish average.
-  A significantly lower percentage of our buildings are in satisfactory condition than the average of authorities similar to us and Scotland.



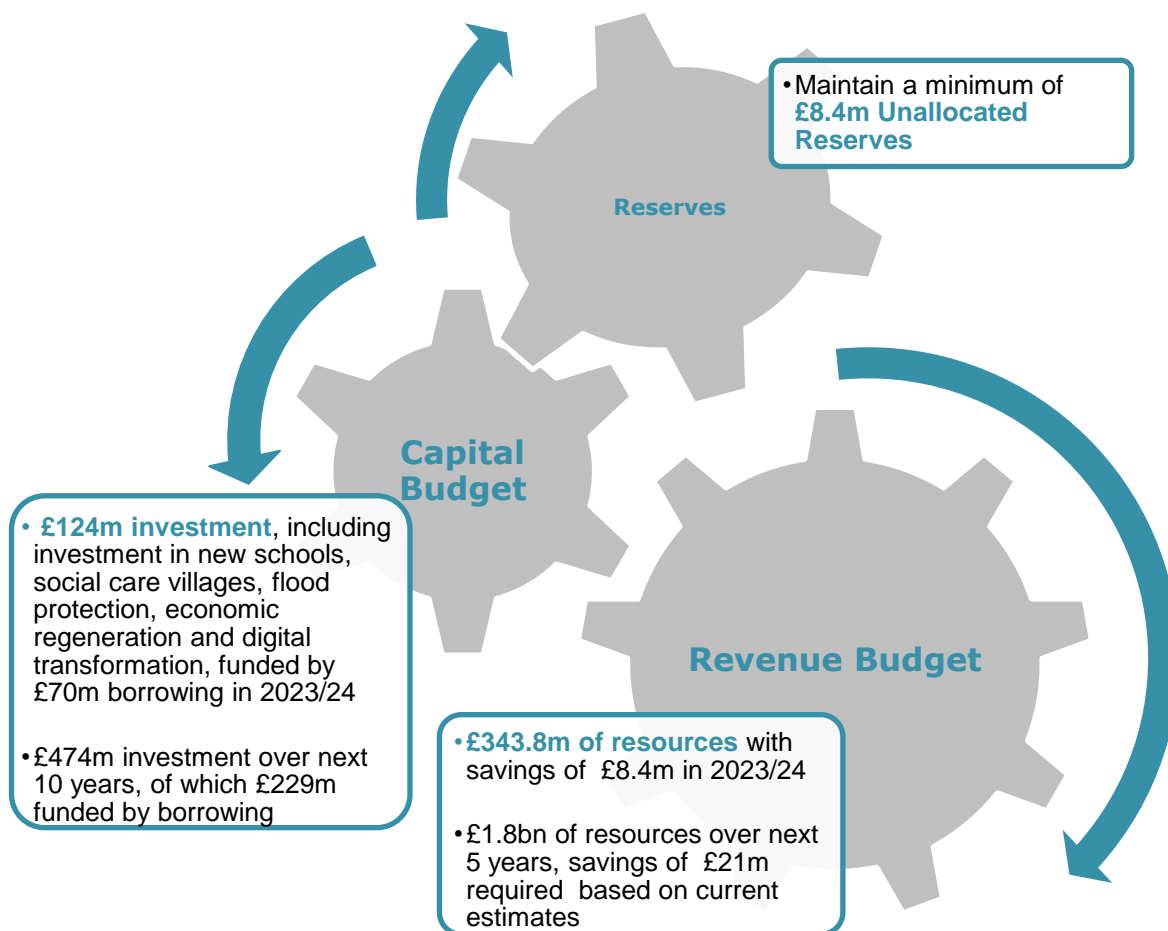
Our Plans for the Future

The Council has successfully delivered £79m of savings over the past 10 years through a Corporate Transformation Programme. The current Fit for 2024 programme was launched at the start of 2019/20 to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 2019/20 to 2023/24. This plan along with the Capital Investment Programme and Departmental Business Plans will be delivered within an environment of ever reducing financial resources and increasing public and government expectations.



For more information on the programme visit: www.scotborders.gov.uk/fitfor2024

Future Financial Plans - 2023/24



The Revenue and Capital Financial Plans from 2023/24 onwards can be found on the Council's webpages at www.scotborders.gov.uk

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

- the Council's progress towards 'post Covid' service delivery;
- commence delivery of two new social care 'villages' in Tweedbank and Hawick;
- the continued delivery of the Council's transformation programme, including IT transformation through the digital strategy;
- delivery of the final construction elements of the Hawick Flood Protection Scheme;
- progress delivery of Galashiels, Peebles and Hawick High Schools and Earlston and Eyemouth Primary Schools;
- collaborate with South Of Scotland Enterprise (SOSE) on the delivery of the wider Regional Economic Partnership including Borderlands Inclusive Growth Deal.

From 2013/14 to 2022/23 the Council has delivered permanent savings of £79m alongside improvements in performance measures set out on pages 18 - 27.

Conclusion

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

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

The current operating environment also presents many opportunities for the Scottish Borders, including continued ever closer working with the NHS, South of Scotland Enterprise (SOSE), the Edinburgh and South East Scotland Regional City Deal and the Borderlands Inclusive Growth Deal. There will also be opportunities arising from the New UK Community Renewal Fund. These initiatives combined with the Council's planned investment in infrastructure of the Borders and our annual procurement spend provide huge opportunities for economic growth and the creation of high quality employment in the South of Scotland. The Council will continue to work with our all community planning partners and National Government to ensure we maximise this potential for our communities.

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

David Robertson CPFA
Chief Executive

Euan Jardine
Council Leader

Suzanne Douglas CPFA
Director of Finance & Procurement

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Director of Finance & Procurement.
- 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 Council at its meeting on 28 September 2023.

The Director of Finance and Procurement responsibilities:-

The Director of Finance and Procurement 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 and Procurement 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 and Procurement 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 2023.

Euan Jardine
Council Leader

Suzanne Douglas CPFA
Director of Finance and Procurement

Annual Governance Statement 2022/23

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 2023, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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

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

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

Framework for Good Governance

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

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

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

The officer Governance Self-Assessment Working Group, on behalf of the Council Management Team (CMT), engaged in the review and update of the Council's Local Code of Corporate Governance during the latter half of 2022, and considered one Local Code principle at a time.

The updated 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. 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:

Annual Governance Statement

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 and Public Protection Officer (CSWO). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc.

B. Ensuring openness and comprehensive stakeholder engagement

Council Committee meetings are held in public, unless there are good reasons for not doing so on the grounds of confidentiality, are live-streamed and recordings are stored for 180 days to ensure public access.

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

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

The Council 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 as the Local Outcomes Improvement Plan (LOIP), underpinned by 5 Locality Plans. The Council's vision, strategic objectives, priorities and outcomes are reflected in the approved Council Plan, to outline the direction it wished 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 (which continues to be developed) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.

Integrated Impact Assessments as well as the Climate Change, Sustainable Development and Rural Proofing implications of proposals are considered during the decision making process to promote fair access to services and the Council's commitment to sustainability.

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

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, 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 Strategy and the Corporate Transformation Programme, set out far-reaching programmes

Annual Governance Statement

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 at reduced cost 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 consists of the Chief Executive (interim from July 2022 due to departure of previous postholder; permanent appointment made in January 2023 following external recruitment process) and eight Directors (two of which are Acting/Interim roles with permanent appointments made in June 2023 following an internal recruitment process). The roles of officers are defined in agreed job profiles. The Appraisal and Competency Framework in place for all employees is to set individual goals and development plans, and assess performance on an annual basis, as part of the People Plan 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 Chief Executive as a statutory post is responsible and accountable to the Council for all aspects of management, including implementing strategy and leading the delivery of services and other outputs set by members, promoting sound governance, supporting other statutory officers, and building relationships with all Councillors.

The Elected Members Induction Programme is supplemented by an ongoing programme of learning and development (including 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, pensions, employment.

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 volunteering as a key factor in building stronger, safer, and supportive 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 and the Scrutiny and Petitions Committee (Scrutiny function) 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 approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.

The Acting Chief Financial Officer (the Section 95 officer), permanent appointment from June 2023 of Director of Finance & Procurement, is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

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

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'.

A Long Term Financial Strategy, and associated Risk Register, and 10-year revenue and capital plans aligned to the priorities and outcomes in the Council Plan are developed and presented for approval by Council in February each year.

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

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

Quarterly Performance Reports (Annual Performance Report within 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.

Annual Governance Statement

The independent and objective audit opinion of the Chief Officer Audit & Risk (Chief Audit Executive) on the effectiveness of the Council's internal control, risk and governance arrangements is stated within the Internal Audit Annual Assurance Report. This is based on work carried out by an in-house team in conformance with the Public Sector Internal Audit Standards (PSIAS) to fulfil statutory Internal Audit provision with regular reports presented to Audit Committee during the year.

The Accounts Commission appoints the External Auditors of the Council on a 5-year appointment: Audit Scotland have been appointed as the External Auditors for 2022/23 – 2026/27.

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 undertakes its functions in compliance with the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition, including the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

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 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 Self-Assessment Working 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 Annual Assurance Report 2022/23 and recommendations made during the year; and
- 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 2022/23 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of actions associated with the 10 improvement areas of governance within the previous year's annual governance statement.

A progress update on the implementation of the Best Value Audit Implementation Plan that underpins the seven recommendations (nos. 1-7 Improvement Areas of Governance stated in 2021/22) has been reviewed by the Council Management Team and has been presented to the Audit Committee on 13 March 2023. The 40-point Action Plan had been developed by the Council to address the 7 improvement recommendations made in the Best Value audit. The update stated that 39 of 40 actions had been completed and the one remaining action (Elected Members' survey) is scheduled to take place in June 2023. This evidenced that the work on Best Value audit recommendations was complete, while next steps will be embedding performance management across the Council.

In respect of the other three Improvement Areas of Governance identified by the Council in 2021/22 (nos. 8-10), there have been developments during the year. Specifically: the refocussed digital transformation programme to maximise investment in digital advancements; Management agreement to reintroduce Departmental Delivery Plans for 2023/24 to demonstrate alignment with the Council Plan consistently for all Service areas and enhance performance information within the refreshed Performance Management Framework; and review and updates of some service and corporate policies, procedures and guidelines.

Annual Governance Statement

These improvement areas of governance are not fully implemented and therefore continue to be noted in the section below (nos. 1-3), with enhancements added.

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) Implement the refocussed digital transformation programme to meet priorities and achieve the expected benefits to respond to unprecedented challenges (ranging from customer expectations to demography to digital and, above all, to a financial sustainability imperative).
- (2) Continue to refresh the Performance Management Framework by developing dashboards for performance reporting, effectively utilising the Departmental Delivery Plans to complete the links from the Council Plan to individuals' appraisals consistently across the Council, and implementing a corporate approach to self-assessment across the Council.
- (3) Establish a framework for the review and update of the Policy Register to enable oversight of the ongoing review of policies, procedures and guidelines to ensure they are fit for purpose and meet current legislation.

These actions to enhance the governance arrangements in 2023/24 will be driven and monitored by the Council Management Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2023/24 is designed to test compliance and improvements.

Conclusion and Opinion on Assurance

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

David Robertson
Chief Executive

Councillor Euan Jardine
Council Leader

Remuneration Report

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

- Pay Bandings Information Page 39
- Senior Councillor Remuneration Page 40
- Senior Officer Remuneration Page 42
- Exit Packages Page 43
- Pension Benefits Information for Senior Councillors Page 46
- Pension Benefits Information for Senior Officers Page 47

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 2022/23 the salary for the Leader of Scottish Borders Council is £39,148. 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 £342,524. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £323,862. 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 27 August 2020 and 26 May 2022.

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£50,000 - £54,999	-	-	88	63	35	44	123	107
£55,000 - £59,999	-	-	67	77	24	15	91	92
£60,000 - £64,999	-	2	24	64	3	16	27	82
£65,000 - £69,999	1	1	11	25	8	1	20	27
£70,000 - £74,999	4	5	1	16	-	7	5	28
£75,000 - £79,999	-	-	4	3	1	1	5	4
£80,000 - £84,999	4	-	1	4	-	-	5	4
£85,000 - £89,999	4	2	3	2	-	1	7	5
£90,000 - £94,999	1	4	-	1	-	-	1	5
£95,000 - £99,999	1	4	-	1	-	-	1	5
£100,000 - £104,999	-	1	-	-	-	-	-	1
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	1	-	-	-	-	-	1	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	1	-	-	-	-	-	1
£125,000 - £129,999	-	-	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	1	-	-	-	-	-	1	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
Total	17	20	199	256	71	85	287	361

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2021/22 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2022/23 £
24,292	S Haslam	Leader of the Council to 25 November 2021	-	-	-
13,115	M Rowley	Leader of the Council from 25 November 2021 to 5 May 2022	3,789 (FYE 39,148)	25	3,814
-	E Jardine	Leader of the Council from 26 May 2022	33,255 (FYE 39,148)	-	33,255
27,910	D Parker	Convener to 5 May 2022	2,841 (FYE 29,361)	-	2,841
-	W McAtteer	Convener from 26 May	24,941 (FYE 29,361)	232	25,173
65,317		Leader and Convener Remuneration	64,826	257	65,083
7,162	S Haslam	Executive Member for Economic Regeneration & Finance from 16 December 2021 to 21 February 2022; Executive Member for Finance & Budget Oversight from 22 February 2022 to 5 May 2022	2,489 (FYE 25,715)	-	2,489
16,057	M Rowley	Executive Member for Economic Regeneration & Finance to 24 November 2021; Portfolio Holder for Service Delivery & Transformation from 26 May 2022	23,785 (FYE 28,000)	219	24,004
24,444	A Aitchison	Executive Member for Sustainable Development to 5 May 2022	2,489 (FYE 25,715)	-	2,489
20,279	S Bell	Chair of Audit & Scrutiny to 5 May 2022	2,064 (FYE 21,333)	-	2,064
24,753	G Edgar	Executive Member for Infrastructure, Travel & Transport & Area Partnership Chair to 5 May 2022	2,489 (FYE 25,715)	30	2,519
24,444	T Weatherston	Executive Member for Adult Wellbeing; Depute Convener to 5 May 2022; Portfolio Holder for Social Work & Community Enhancement from 26 May 2022	24,176 (FYE 25,715) (FYE 25,531)	119	24,295
24,444	C Hamilton	Executive Member for Children & Young People to 5 May 2022; Portfolio Holder for Developing Our Children & Young People from 26 May 2022	24,176 (FYE 25,715) (FYE 25,531)	-	24,176
24,720	G Turnbull	Executive Member for Public Protection to 5 May 2022	2,489 (FYE 25,715)	27	2,516
24,599	S Mountford	Executive Member for Enhancing the Built Environment & Natural Heritage to 5 May 2022; Portfolio Holder for Estate Management & Planning from 26 May 2022	24,176 (FYE 25,715) (FYE 25,531)	280	24,456
24,444	E Jardine	Executive Member for Wellbeing, Sport & Culture to 5 May 2022	2,489 (FYE 25,715)	-	2,489
20,279	J Fullarton	Area Partnership Chair to 5 May 2022	2,064 (FYE 21,333)	-	2,064
24,606	R Tatler	Executive Member for Community Development & Localities and Area Partnership Chair to 5 May 2022; Portfolio Holder for Communities & Equalities from 26 May 2022	26,273 (FYE 25,715) (FYE 28,000)	153	26,426
20,279	N Richards	Area Partnership Chair to 5 May 2022	2,064 (FYE 21,333)	-	2,064
24,727	S Hamilton	Executive Member for Transformation & Service Improvement to 21 February 2022; Executive Member for Economic Regeneration from 22 February 2022 to 5 May 2022 (also continuing as Area Partnership Chair throughout periods as Executive Member to 5 May 2022); Portfolio Holder for Community & Business Development from 26 May 2022	26,273 (FYE 25,715) (FYE 28,000)	145	26,418
-	J Pirone	Portfolio Holder for Community & Culture from 26 May 2022	21,688 (FYE 25,531)	223	21,911
-	D Parker	Portfolio Holder for Health & Wellbeing from 26 May 2022	23,785 (FYE 28,000)	-	23,785
-	J Greenwell	Portfolio Holder for Roads Development & Maintenance from 26 May 2022	21,688 (FYE 25,531)	263	21,951
-	L Douglas	Portfolio Holder for Education & Lifelong Learning from 26 May 2022	23,785 (FYE 28,000)	-	23,785
-	J Linehan	Portfolio Holder for Environment & transport from 26 May 2022	21,688 (FYE 25,531)	151	21,839
-	C Cochrane	Portfolio Holder for Community Engagement from 26 May 2022	23,785 (FYE 28,000)	195	23,980
-	E Thomson-Nicol	Chair of Scrutiny from 26 May 2022	18,126 (FYE 21,338)	-	18,126
305,237		Total Other Senior Councillor Remuneration	322,041	1,805	323,846
370,554		Total Senior Councillor Remuneration	386,867	2,062	388,929

The total remuneration figures relate to the salary, fees and allowances for 2022-23 as included in the Comprehensive Income and Expenditure Statement. They are only in respect of monies paid to Councillors whilst actually holding a Senior Councillor position during that year.

Remuneration Report

Total Remuneration paid to Councillors

The Council paid the following salaries, allowances and expenses to all Councillors (including Senior Councillors above) during the year.

2021/22 £'000		2022/23 £'000
724	Salaries	775
13	Expenses	33
737	Total	808

The draft annual return of Councillors' salaries and expenses for 2022/23 is available on the Council's website at [Members Expenses 2022-2023 | Scottish Borders Council \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/members-expenses-2022-2023).

Remuneration Report

Remuneration of Senior Employees

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

2021/22			2022/23				
Total Remuneration £	Name	Post Title	Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
Senior Employees in post as at 31/03/23							
113,258	KD Robertson	Director - Finance & Corporate Governance (to 11 July 2022); Acting Chief Executive (from 12 July 2022 to 17 January 2023); Chief Executive (from 18 January 2023) (1)	123,117 (FYE 119,700) (FYE 135,665)	47	-	-	123,164
91,109	J Craig	Director - Resilient Communities	96,267	-	-	-	96,267
89,651	C Hepburn	Director - People, Performance & Change	97,840	-	-	-	97,840
86,738	SC Easingwood	Director - Social Work & Practice	99,125	-	-	-	99,125
89,178	LH Munro	Director - Education & Lifelong Learning	97,359	-	-	-	97,359
96,724	JM Holland	Director - Strategic Commissioning & Partnerships	103,523	36	-	-	103,559
44,483	JR Curry	Director - Infrastructure & Environment	93,413	29	-	-	93,442
-	SL Douglas	Acting Chief Financial Officer (from 1 August 2022)	62,275 (FYE 93,413)	-	-	-	62,275
-	NB McKinlay	Chief Legal Officer (from 1 August 2022) (2)	61,995 (FYE 86,457) (FYE 93,413)	-	-	-	61,995
Senior Employees departed post before 31/03/23							
136,081	N Meadows	Chief Executive (to 11 September 2022) (3)	64,883 (FYE 135,665)	-	-	-	64,883
747,222	Total		899,797	112	0	0	899,909

Notes

- (1) KD Robertson figure of £123,117 includes £155 fees for the Local Elections on 5 May 2022; No additional payment was made for period as Acting Chief Executive, the higher FYE salary of £135,665 took effect from 18 January 2023.
- (2) NB McKinlay held post of Chief Legal Officer prior to 1 August 2022 but did not become a member of Corporate Management Team until that date. No change of FYE salary of £86,457 was applied until 3 November 2022 when FYE salary became £93,413.
- (3) N Meadows figure of £64,883 includes Returning Officer fees of £2,285 for the Scottish Parliamentary Election on 6 May 2021 and £1,925.42 for Local Elections on 5 May 2022.

Remuneration Report

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2021/22 and 2022/23:

2022/23

Exit Package Cost band (including special payments) 2022/23	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	-	-	-	-
£20,001- £40,000	1	-	1	31,335
£40,001- £60,000	-	-	-	-
£60,001- £80,000	-	-	-	-
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	1	-	1	160,295
Total	2	-	2	191,630

The total costs of £0.192m 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.

2021/22

Exit Package Cost band (including special payments) 2021/22	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	2	-	2	15,865
£20,001- £40,000	1	-	1	24,853
£40,001- £60,000	-	-	-	-
£60,001- £80,000	1	-	1	63,585
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	-	-	-	-
Total	4	-	4	104,303

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, Acting Chief Financial Officer - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

SB Inspires LLP – Suzanne Douglas, Acting Chief Financial Officer - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

Lowood Tweedbank Ltd – Suzanne Douglas, Acting Chief Financial Officer - details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables.

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

Remuneration Report

2021/22			2022/23					In-year pension contributions		Accrued Pension Benefits		
			Salaries, fees and allowances	Taxable Expenses	Benefits other than in cash	Total Remuneration	For year to 31 March 2022	For year to 31 March 2023	Type	As at 31 March 2023	Difference from 31 March 2022	
Total Remuneration	Name	Post Title	£	£	£	£	£	£	£	£	£	
83,687	Ewan Jackson	Chief Executive Officer	87,917	-	-	87,917	15,044	15,825	Pension	29,348	3,870	
									Lump Sum	17,261	852	

Pension Benefits

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

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

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

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

From 1 April 2009, a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2022/23 were as follows:

Whole Time Pay	2022/23
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.

Remuneration Report

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 2023 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of total local government service, including any service with a Council subsidiary body.

Remuneration Report

Councillor Name	Responsibility	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2022 £	For year to 31 March 2023 £	Type	As at 31 March 2023 £	Difference from 31 March 2022 £
E Jardine	Executive Member for Wellbeing, Sport & Culture to 5th May 2022. Leader of the Council from 26th May 2022.	4,400	6,623	Pension Lump Sum	3,523 -	1,074 -
W McAteer	Convener from 26th May 2022	3,349	5,020	Pension Lump Sum	4,038 -	914 -
S Haslam	Executive Member for Finance & Budget Oversight from 22 February 2022	5,843	448	Pension Lump Sum	3,671 -	51 -
D Parker	Convener to 5th May 2022. Portfolio Holder for Health & Wellbeing from 26 May 2022.	5,024	4,982	Pension Lump Sum	10,803 3,085	1,589 302
A Aitchison	Executive Member for Sustainable Development to 5th May 2022	4,400	448	Pension Lump Sum	6,879 1,903	183 77
S Bell	Chair of Audit & Scrutiny to 5th May 2022.	3,650	372	Pension Lump Sum	4,407 -	90 -
G Edgar	Executive Member for Infrastructure, Travel & Transport (also Area Partnership Chair) to 5th May 2022	4,400	448	Pension Lump Sum	4,938 -	104 -
T Weatherston	Executive Member for Adult Wellbeing (also Depute Convener) to 5th May 2022. Portfolio Holder for Social Work & Community Enhancement from 26th May 2022	4,400	4,541	Pension Lump Sum	13,358 19,800	1,985 2,353
C Hamilton	Executive Member for Children & Young People to 5th May 2022. Portfolio Holder for Developing Our Children & Young People from 26 May 2022.	4,400	4,541	Pension Lump Sum	3,263 -	814 -
G Turnbull	Executive Member for Public Protection to 5th May 2022	4,400	448	Pension Lump Sum	6,453 1,822	178 74
M Rowley	Leader of the Council from 25th November 2021 to 5th May 2022. Portfolio Holder for Service Delivery & Transformation from 26 May 2022	5,204	5,153	Pension Lump Sum	3,443 -	900 -
S Mountford	Executive Member for Enhancing the Built Environment & Natural Heritage to 5th May 2022. Portfolio Holder for Estate Management & Planning from 26 May 2022.	4,400	2,179	Pension Lump Sum	4,590 -	338 -
J Pirone	Portfolio Holder for Community & Culture from 26th May 2022.	-	4,103	Pension Lump Sum	512 -	512 -
J Fullarton	Area Partnership Chair to 5th May 2022.	3,650	372	Pension Lump Sum	5,962 1,783	164 70
R Tatler	Executive Member for Community Development and Localities (also Area Partnership Chair) to 5th May 2022. Portfolio Holder for Communities & Equalities from 26 May 2022.	4,400	4,919	Pension Lump Sum	3,189 -	850 -
N Richards	Area Partnership Chair to 5th May 2022.	3,650	3,554	Pension Lump Sum	2,634 -	645 -
S Hamilton	Executive Member for Economic Regeneration from 22 February 2022 to 5 May 2022 (also continuing as Area Partnership Chair throughout periods as Executive Member to 5 May 2022);	4,400	4,919	Pension Lump Sum	2,951 -	828 -
J Greenwell	Portfolio Holder for Roads Development & Maintenance from 26 May 2022	-	-	Pension Lump Sum	- -	- -
L Douglas	Portfolio Holder for Education & Lifelong Learning from 26 May 2022	-	4,480	Pension Lump Sum	559 -	559 -
J Linehan	Portfolio Holder for Environment & transport from 26 May 2022	-	4,434	Pension Lump Sum	1,007 -	595 -
C Cochrane	Portfolio Holder for Community Engagement from 26 May 2022	-	4,812	Pension Lump Sum	2,317 -	758 -
E Thornton-Nicol	Chair of Scrutiny from 26 May 2022	-	3,793	Pension Lump Sum	2,865 -	693 -
Total		69,970	70,589			

Notes

- (1) Some Senior Councillors have transferred in previous rights to the Local Government Pension Scheme which has purchased pension in addition to their statutory benefits.

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the full year to 31 March 2023.

Name		In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2022	For year to 31 March 2023	Type	As at 31 March 2023	Difference from 31 March 2022
Senior Employees in post as at 31/03/23		£	£		£	£
KD Robertson	Director - Finance & Corporate Governance (to 11 July 2022); Acting Chief Executive (from 12 July 2022 to 17 January 2023); Chief Executive (from 18 January 2023) (1)	20,295	22,133	Pension Lump Sum	56,604 76,342	7,247 6,083
J Craig	Director - Resilient Communities	16,400	17,182	Pension Lump Sum	49,141 68,786	4,955 3,131
C Hepburn	Director - People, Performance & Change	16,137	17,182	Pension Lump Sum	25,963 3,177	4,002 193
SC Easingwood	Director - Social Work & Practice	15,523	17,182	Pension Lump Sum	34,933 34,824	5,255 3,362
LH Munro	Director - Education & Lifelong Learning	16,050	16,930	Pension Lump Sum	48,266 -	5,034 -
JM Holland	Director - Strategic Commissioning & Partnerships	17,320	18,634	Pension Lump Sum	7,416 -	2,793 -
JR Curry	Director - Infrastructure & Environment	8,007	16,814	Pension Lump Sum	3,129 -	2,193 -
SL Douglas	Acting Chief Financial Officer (from 1 August 2022)	-	16,397	Pension Lump Sum	34,607 34,778	5,079 3,266
NB McKinlay	Chief Legal Officer (from 1 August 2022) (2)	-	16,077	Pension Lump Sum	25,949 10,544	4,285 1,037
Senior Employees departed post before 31/03/23						
N Meadows	Chief Executive (to 11 September 2022) (3)	23,261	10,921	Pension Lump Sum	49,429 -	-
Total		132,993	169,452			

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.

Figure for accrued pension benefits for N Meadows includes transfer in of pension rights.

Remuneration Report

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 9 employees who are TU representatives.

The percentage of working time spent on TU activities by the 9 TU representatives can be broken down as follows:-

Percentage of Time	Number of TU Representatives
1% - 50%	5
51% - 99%	2
100%	2
Total	9

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

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

David Robertson
Chief Executive

Euan Jardine
Council Leader

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and Council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the Council-only Council Tax Income Account, and the Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

give a true and fair view of the state of affairs of the Council and its group as at 31 March 2023 and of the income and expenditure of the Council and its group for the year then ended;

have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and

have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the Council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

Independent Auditors Report

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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

Responsibilities of the Director of Finance and Procurement and Audit Committee for the financial statements

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

In preparing the financial statements, the Director of Finance and Procurement is responsible for assessing the ability of the Council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the Council and its group.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its group;
- inquiring of the Director of Finance and Procurement as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Council and its group;

Independent Auditors Report

- inquiring of the Director of Finance and Procurement concerning the policies and procedures of the Council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

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

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

Other information

The Director of Finance and Procurement is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

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

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

Independent Auditors Report

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

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

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

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.

2021/22			2022/23				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
91,231	(15,845)	75,386	Infrastructure & Environment	92,601	(13,192)	79,409	
44,475	(2,303)	42,172	Strategic Commissioning & Partnerships	39,420	(1,744)	37,676	
141,806	(79,852)	61,954	Social Work & Practice	156,671	(86,202)	70,468	
120,890	(21,208)	99,682	Education & Lifelong Learning	112,338	(21,000)	91,338	
40,906	(24,405)	16,501	Resilient Communities	63,756	(25,623)	38,133	
25,757	(5,846)	19,911	Finance & Corporate Governance	19,604	(3,526)	16,079	
9,164	(652)	8,511	People Performance & Change	8,798	(163)	8,636	
474,228	(150,112)	324,116	Net Cost of Services	493,188	(151,450)	341,739	
5,427	(5,170)	257	Roads Trading Operation (Surplus)/Deficit (External)	2,747	(2,672)	75	8
			Other Operating Expenditure				
1,465	(730)	735	(Gain)/Loss on Disposal of Assets	860	(803)	57	
			Financing & Investment Income and Expenditure				
10,144	-	10,144	Interest Payable & Similar Charges	16,454	-	16,454	29
-	(227)	(227)	Interest Receivable & Similar Income	-	(1,425)	(1,425)	
19,426	(14,853)	4,573	Net Interest Expense on the Net Defined Benefit Liability	25,525	(20,899)	4,626	20
			Taxation and Non-Specific Grant Income				
-	(211,149)	(211,149)	Revenue Support Grant	-	(216,297)	(216,297)	
-	(26,668)	(26,668)	Non-Domestic Rates Pool for Scotland	-	(35,294)	(35,294)	
-	(61,023)	(61,023)	Council Tax	-	(63,591)	(63,591)	
-	(42,522)	(42,522)	Capital Grants and Contributions	-	(44,532)	(44,532)	28
-	-	-		-	-	-	
510,691	(512,454)	(1,763)	(Surplus)/Deficit on Provision of Services	538,775	(536,963)	1,812	

Comprehensive Income & Expenditure Statement

2021/22				2022/23			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
510,691	(512,454)	(1,763)	(Surplus)/Deficit on Provision of Services	538,775	(536,963)	1,812	
		(58,457)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,660)	
		-	Any Other (Gains) Or Losses			-	
		(87,183)	Actuarial (gains)/losses on pension assets/liabilities			(220,824)	
		(145,640)	Other Comprehensive Income and Expenditure			(224,484)	
		(147,403)	Total Comprehensive (Income)/Expenditure			(222,672)	

Balance Sheet

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

2021/22 £'000		2022/23 £'000	Notes
451,529	Property Plant and Equipment	459,607	} 12
30,814	Other Land and Buildings	30,932	
136,316	Vehicle, Plant, Furniture & Equipment	141,027	
6,725	Infrastructure	6,738	
53,247	Surplus Assets	79,064	
1,014	Assets Under Construction	1,014	13
882	Heritage Assets	715	14
1,106	Intangible Assets	1,114	29
0	Long Term Debtors	32,666	20
0	Pension Asset		
681,633	Long Term Assets	752,877	
1,445	Inventories	1,597	24
61,222	Short Term Debtors	52,024	30
(12,530)	less Impairment of Receivables	(13,182)	
45,918	Cash and Cash Equivalents	28,142	34
96,055	Current Assets	68,582	
(4,836)	Short Term Borrowing	(3,573)	29
(59,887)	Short Term Creditors	(52,663)	16/30
(148)	Provisions	(203)	25
(64,871)	Current Liabilities	(56,438)	
(210,490)	Long Term Borrowing	(209,912)	29
(82,161)	Other Long Term Liabilities	(79,757)	16
(1,026)	Due to Trust Funds and Common Good	(1,042)	
(3,389)	Provisions	(3,367)	25
(25,393)	Capital Grants Receipts in Advance	(17,392)	28
(159,481)	Pension Liability	0	
(481,939)	Long Term Liabilities	(311,470)	
230,878	Net Assets	453,550	

Balance Sheet

2021/22 £'000	Financed By:	2022/23 £'000	Notes
	Useable Reserves		
(10,816)	Capital Fund	(11,210)	} 31
(51,991)	General Fund Balance	(49,647)	
(51)	Property Maintenance Fund	-	
(1,623)	Insurance Fund	(1,386)	
	Unusable Reserves		
(174,125)	Capital Adjustment Account	(214,626)	} 31
5,814	Financial Instruments Adjustment Account	5,511	
(164,118)	Revaluation Reserve	(156,796)	
159,481	Pension Reserve	(32,666)	
6,552	Employee Statutory Adjustment Account	7,269	
(230,877)	Total Reserves	(453,550)	

The unaudited accounts were issued on 29 June 2023 and the audited accounts were authorised for issue on 28 September 2023.

Suzanne Douglas CPFA
Director of Finance and Procurement

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Balances of the General Fund line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked Balances of the General Fund undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 108.

The Movement in reserves statement for 2021/22 has been restated to show the split of the depreciation charge between the Comprehensive Income & Expenditure Account and Revaluation Reserve

Movement in reserves during 2021/22 - Restated

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2021	(36,441)	(9,929)	(362)	(1,532)	(48,265)	(35,209)	(83,474)	

Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	(1,763)	-	-	-	(1,763)	(145,640)	(147,403)	C I & E
Depreciation charges to Revaluation Reserve	(4,308)	-	-	-	(4,308)	4,308	-	
Adjustments between accounting basis & Funding basis under regulations	(9,479)	(887)	311	(91)	(10,146)	10,146	-	31
(Increase) or Decrease In 2021/22	(15,550)	(887)	311	(91)	(16,217)	(131,185)	(147,403)	
Balance at 31/03/2022 carried forward	(51,991)	(10,816)	(51)	(1,623)	(64,482)	(166,395)	(230,877)	

Movement in reserves during 2022/23

	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 01/04/2022	(51,991)	(10,816)	(51)	(1,623)	(64,482)	(166,395)	(230,877)	

Movement in reserves during 2022/23

Total Comprehensive Income & Expenditure	1,812	-	-	-	1,812	(224,484)	(222,672)	C I & E
Depreciation charges to Revaluation Reserve	(9,579)	-	-	-	(9,579)	9,579	-	
Adjustments between accounting basis & Funding basis under regulations	10,111	(394)	51	237	10,006	(10,006)	-	31
(Increase) or Decrease In 2022/23	2,345	(394)	51	237	2,239	(224,912)	(222,672)	
Balance at 31/03/2023 carried forward	(49,647)	(11,210)	0	(1,386)	(62,243)	(391,306)	(453,550)	

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.

2021/22 £'000		2022/23		Notes
		£'000	£'000	
(1,763)	Net (surplus) or deficit on the provision of services		1,812	
(77,454)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(55,148)		32
43,309	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	44,532		32
(35,908)	Net Cash Flows From Operating Activities		(8,804)	
	Investing Activities			
58,436	Purchase of PP&E, investment property and intangible assets	57,504		
(730)	Proceeds from PP&E, investment property and intangible assets	(803)		
-	Purchase/(Disposal) of short & long term investments	-		
(51,993)	Other Items which are Investing Activities	(34,405)		
5,713	Net Cash Flows from Investing Activities		22,296	
	Financing Activities			
(9,717)	Cash received from loans & other borrowing	-		
7,198	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,506		
15,000	Repayments of short and long term borrowing	1,778		
(787)	Other items which are financing activities	-		
11,694	Net Cash Flows from Financing Activities		4,284	
(18,501)	Net (Increase) or Decrease in Cash and Cash Equivalents		17,776	
27,417	Cash and Cash Equivalents at the beginning of the reporting period		45,918	
45,918	Cash and Cash Equivalents at the end of the reporting period		28,142	34
(18,501)	Movement		17,776	

Notes to the Core Financial Statements

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts have been prepared on a going concern basis.

Accruals of Income and Expenditure

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

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant service.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

Works of a capital nature are charged as capital expenditure when they are completed, before which they are carried as Assets under Construction on the Balance Sheet.

Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Notes to the Core Financial Statements

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirements or loans fund principal charges. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following accounting year being the period in which the employee takes the benefit. The accrual is charged to the Surplus / Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate employment before the normal retirement date or a decision by an employee to accept voluntary severance. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Scottish Teachers Superannuation Scheme which is managed by the Scottish Public Pensions Agency, an executive agency of the Scottish Government.
- The Local Government Pension Scheme, administered by Scottish Borders Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

Notes to the Core Financial Statements

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of Scottish Borders Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of earnings for current employees.

The assets of the Scottish Borders Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price and
- Property – market value

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this

Notes to the Core Financial Statements

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.

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

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

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

Financial Instruments

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

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

Financial Liabilities

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

Notes to the Core Financial Statements

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

However, the 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.

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

Notes to the Core Financial Statements

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

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

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

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

Government Grants

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

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

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

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

Intangible Assets

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

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

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

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

Inventories

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

Notes to the Core Financial Statements

Leases

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

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

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

The Council as Lessee

Finance Leases

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

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

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

Operating Leases

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

The Council as Lessor

Operating Leases

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

Private Finance Initiative (PFI)

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

Notes to the Core Financial Statements

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

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

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

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

Property, Plant and Equipment

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

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

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

Measurement: assets are initially measured at cost, comprising:

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

The Council currently capitalises borrowing costs incurred whilst assets are under construction. Assets are then carried 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).

Notes to the Core Financial Statements

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.

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.

Notes to the Core Financial Statements

- 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.

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.

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

Notes to the Core Financial Statements

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.

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

There has been no first time adoption of Accounting Standards during 2022/23.

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

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

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 Funds as a prior period adjustment in 2021/22. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached.

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

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

The items in the Authority's Balance Sheet at 31 March 2023 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.

Notes to the Core Financial Statements

Fair Value Measurements

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

Estimation of the net liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £11.717m. However, the assumptions interact in complex ways. During 2022/23, the authority's actuaries advised that the net pension liability had decreased by £192.147m as a result of estimates being revised and updating assumptions.

The pension asset derived under IAS 19 has been capped in accordance with IFRIC 14. This cap is what the Council anticipates to receive as a benefit in the form of reductions in future contributions.

Arrears

At 31 March 2023, the Council had Accounts Receivable debtors due of £4.349m, Council Tax debtors of £27.391m and Non Domestic Rate debtors of £3.657m. Provision for bad debts amounted to £0.917m, £12.265m and £3.545m 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 £0.092m for Accounts Receivable debtors, £1.227m for Council Tax debtors and £0.355m for Non Domestic Rate debtors.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

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

			2021/22			2022/23		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement						
£'000	£'000	£'000				£'000	£'000	£'000
45,575	29,811	75,386	Infrastructure & Environment			49,173	30,235	79,409
29,683	12,488	42,172	Strategic Commissioning & Partnerships			27,798	9,879	37,676
58,127	3,827	61,954	Social Work & Practice			67,195	3,273	70,468
99,371	311	99,682	Education & Lifelong Learning			108,474	(17,136)	91,338
21,437	(4,936)	16,501	Resilient Communities			35,212	2,921	38,133
27,994	(8,083)	19,911	Finance & Corporate Governance			27,405	(11,326)	16,079
7,418	1,093	8,511	People, Performance & Strategy			7,413	1,222	8,636
289,605	34,512	324,118	Net Cost of Services			322,671	19,068	341,739
(305,155)	(20,725)	(325,880)	Other Income and Expenditure			(320,328)	(19,600)	(339,928)
(15,550)	13,787	(1,763)	(Surplus) or Deficit on Provision of Services			2,344	(532)	1,812
(36,441)			Opening General Fund Balance			(51,991)		
(15,550)			(Surplus) or Deficit on General Fund			2,344		
			Transfer (to)/from reserves					
(51,991)			Closing General Fund as 31 March			(49,647)		

Notes to the Core Financial Statements

Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Infrastructure & Environment	14,746	6,619	(365)	21,000	9,235	30,235
Strategic Commissioning & Partnerships	6,822	3,476	(92)	10,206	(328)	9,879
Social Work & Practice	(148)	3,513	66	3,431	(158)	3,273
Education & Lifelong Learning	(14,392)	5,070	429	(8,894)	(8,242)	(17,136)
Resilient Communities	6,727	2,482	37	9,246	(6,325)	2,921
Finance & Corporate Governance	(17,779)	1,950	247	(15,581)	4,255	(11,326)
People, Performance & Change	-	942	14	957	266	1,222
	(4,023)	24,051	338	20,366	(1,298)	19,068
Other income and expenditure from the Expenditure and Funding Analysis	(28,451)	4,626	(1,349)	(25,175)	5,574	(19,600)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(32,474)	28,677	(1,012)	(4,809)	4,277	(532)

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Infrastructure & Environment	14,301	7,347	(458)	21,190	8,621	29,811
Strategic Commissioning & Partnerships	9,005	3,980	(132)	12,853	(364)	12,489
Social Work & Practice	312	3,751	(27)	4,036	(209)	3,827
Education & Lifelong Learning	3,320	5,230	43	8,593	(8,282)	311
Resilient Communities	459	2,661	(12)	3,109	(8,044)	(4,935)
Finance & Corporate Governance	(10,257)	2,346	(123)	(8,034)	(50)	(8,084)
People, Performance & Change	-	1,110	(15)	1,094	(2)	1,092
	17,141	26,425	(724)	42,842	(8,330)	34,511
Other income and expenditure from the Expenditure and Funding Analysis	(33,350)	4,573	2,589	(26,188)	5,463	(20,726)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(16,209)	30,998	1,865	16,654	(2,867)	13,787

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

It should be noted that the tables on page 73 are analysed as per the Council's management reporting structure.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

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

Expenditure/Income	Restated	
	2021/22	2022/23
	£'000	£'000
Expenditure		
Employee Benefits Expenses	182,857	195,337
Other Service Expenses	276,499	304,113
Support Services Recharges	344	352
Depreciation, Amortisation, Impairment	39,382	21,659
Interest Payments	10,144	16,454
Loss on Disposal of Assets	1,465	860
Total Expenditure	510,691	538,775
Income		
Fees, Charges and Other Service Income	(150,112)	(151,450)
Interest and Investment Income	(20,250)	(24,996)
Gain on Disposal of Assets	(730)	(803)
Income from Council Tax and Non Domestic Rates	(87,691)	(98,885)
Government Grants and Contributions	(253,671)	(260,829)
Total Income	(512,454)	(536,963)
(Surplus) or Deficit on the Provision of Services	(1,763)	1,812

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations during the year.

Note 7 Prior Year Adjustments

There were no prior year adjustments completed during 2022/23.

Note 8 Significant Trading Operation

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

2021/22		2022/23	3 Year Cumulative
£'000		£'000	£'000
(5,170)	External Turnover for the Year	(2,672)	(9,942)
(51)	(Surplus) / Deficit Excluding IAS 19	(60)	(176)
	IAS 19 Adjustments		
308	Service Cost	135	507
257	(Surplus) / Deficit Including IAS 19	75	331

Notes to the Core Financial Statements

The financial objective set by the Local Government in Scotland Act (2003) determines that each Significant Trading Operation must break even over a rolling three year period. This objective is measured after adjusting for IAS 19 pension costs. However, due to the notional nature of IAS 19 adjustments, the significant impact they have on the trading surplus and the fact that they are wholly outwith the control of SBc Contracts, trading surpluses/(deficits) have been disclosed above both inclusive of and excluding IAS 19 adjustments. Over the three year period 2020/21 to 2022/23 the financial objective has not been achieved, with a deficit of £331k after applying IAS 19 adjustments. However, the measure of the operational trading performance is the three year surplus of £176k excluding IAS 19 adjustments as shown above.

SBc Contracts undertakes a wide range of activities including:

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

SBc Contracts employs 141 manual workers and 23 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

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

In 2022/23, SBc Contracts recorded an annual operating surplus of £1.299m against a revised budget target of a £0.711m surplus. After technical adjustments for pension (IAS 19) and Employee benefits accrual the net final position for the external trading operation was £0.075m deficit.

In 2022/23 the turnover achieved was £26.3m. Of the total, £2.7m (10%) was generated by external work.

2022/23 was a successful and extremely busy year for SBc Contracts following the previously challenging years due to Covid-19 related pressures and unprecedented increases in fuel and material costs. Although issues with inflationary pressure on material prices are still a challenge, we continue to manage these through closer engagement with suppliers and seeking to explore further market opportunities

Works were carried out on a number of projects, notably the Peebles to Eddleston Multi-use path, Active Travel Networks as part of the Hawick Flood Prevention Scheme, Advance works for the Earlston and Gala Campuses and ongoing improvement works across the Council Estate. In the last quarter of the year we commenced works on a number of sections of the Tweed Trails within the Destination Tweed Project.

Looking ahead to 2023/24 the order book remains strong with works programmed to completion on the Peebles to Eddleston Multi Use Path with an additional extension. Works will continue on the Tweed Trails project as well as continuation of the Active Travel Network in Hawick including the new Weensland Footbridge. Other contracts within the Public and Private sector are being pursued.

We have been successful in being awarded a 5 year framework with South Lanarkshire Council to deliver surface dressing which complements and supports our own internal surface dressing and road maintenance operation.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £7.4 million during 2022/23.

Notes to the Core Financial Statements

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2022/23, Scottish Borders Council received £0.354m 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 2023.

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 ie the Scottish Government has effective control over the general operations of the Council by providing the statutory framework in which the Council operates, the majority of the Council's funding by providing grants and prescribes the nature of many of the transactions the Council has with third parties. Income from Scottish Government amounted to £265.111m in 2022/23. Amounts due from Scottish Government at 31 March 2023 relating to 2022/23 are £1.596m.

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:

	2022/23			
	Income	Expenditure	Net Expenditure	Debtor/(Creditor)
	£'000	£'000	£'000	£'000
Public Bodies				
Other Local Authorities	1,466	1,474	8	(373)
NHS Bodies	15,723	2,021	(13,702)	2,784
Scottish Qualifications Authority	32	550	518	-
Scottish Water	357	18,916	18,559	15
Scottish Water Horizons	-	238	238	(57)
South of Scotland Enterprise Agency	1,273	10	(1,263)	(520)
Disclosure Scotland	-	39	39	0
Care Inspectorate	-	47	47	-
Scottish Fire & Rescue Service	2	1	(1)	0
SUSTRANS	-	-	-	2,463
Business Stream	-	694	694	145
	18,853	23,990	5,137	4,457

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

Resource Transfer – a total of £2.646m (2021/22: £2,594m) was transferred from NHS Borders and utilised as follows:

	2021/22	2022/23
Children's Services	£0.108m	£0.110m
Older People	£1.239m	£1.263m
Adults with Learning Difficulties	£0.993m	£1.013m
People with Mental Health Needs	£0.129m	£0.131m

Notes to the Core Financial Statements

Support Services	£0.125m	£0.128m
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Other funding from NHS Borders in 2022/23 to support services are:

	2021/22	2022/23
Older People	£8.116m	£8.255m
Adults with Learning Difficulties	£1.635m	£1.705m
People with Mental Health Needs	£0.585m	£0.629m
People with Physical Difficulties	£0.330m	£0.256m
Other Support Services	£1.042m	£0.231m

Community Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure including COVID-19 pressures (funded by Scottish Government) totalled £1.237m in 2022/23, with a contribution from NHS Borders of £0.659m.

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 2022/23 the Council commissioned works and services totalling £0.168m 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 2022/23 was £0.486m (2021/22: £0m). The Remuneration Report shows the total allowances paid to Senior Members in 2022/23. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest. The total value of transactions between the Council and companies in which Officers have an interest is £0.054m (2021/22: £0.134m).

Joint Ventures:

The Scottish Borders Health and Social Care Integration Board was established on 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered and is shown within Scottish Borders Council Group Accounts as a Joint Venture. In 2022/23 the Council made a payment of £60.767m to the Board (2021/22 £55.945m) with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31 March 2023 a debtor of £2.120m and creditor figure of £2.104m between the board and Scottish Borders Council was outstanding (2021/22 £2.570m & £3.606m).

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 2022/23 and received no interest during the year. Bridge Homes LLP has been consolidated into the Council's Group Accounts as a Subsidiary.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. Payments of £5.580m (including management fee of £5.265m) were made to the trust in 2022/23. Live Borders is consolidated into Scottish Borders Council as a Subsidiary.

Lowood Tweedbank Limited was established on 30 November 2018 to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements. Rental income for 2022/23 due to Lowood Tweedbank Limited amounted to £47k. Lowood Tweedbank is a Subsidiary of

Notes to the Core Financial Statements

Scottish Borders Council which has been excluded from the Council's Group Accounts on the basis of materiality.

SB Inspires LLP was established on 3rd 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 £56k in 2022/23. 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 £12k for 2022/23. Common Good and Trusts are consolidated into Scottish Borders Council Group Accounts as subsidiaries (see pages 117-120 for further information and detail of transactions administered by Scottish Borders Council on behalf of Common Good and Trusts).

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 2022/23, the Scottish Borders Council Pension Fund had an average balance of £0.7m (2021/22: £1.40m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.416m (2021/22: £0.001m). In addition the Council charged the Pension Fund £0.320m (2021/22: £0.320m) 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:

	2021/22	2022/23
Due to/ (from) the Scottish Borders Council Pension Fund	(£0.050m)	(0.253m)

Associates:

The Council provided routine material financial assistance (management fee) to other bodies in 2022/23 as follows:

	2021/22	2022/23
• Jedburgh Leisure Facilities Trust	£0.115m	£0.126m

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

Note 11 Audit Remuneration

In 2022/23, the agreed audit fee for the year was £0.328m in respect of services provided by Audit Scotland (2021/22 £0.293m). Within this fee, £5k is in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Trust Funds Annual Accounts (£6k in 2021/22 also included the audit of Common Good Funds, which following deregistration as a charity with OSCR, do not require separate Annual Accounts in 2022/23). During 2022/23 a rebate of £15k relating to prior year fees was also received from Audit Scotland.

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2022/23

	Property Plant & Equipment				Heritage Assets	Total Assets
	Other Land & Buildings	VPFE *	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2022	454,863	93,324	54,174	6,741	1,014	610,116
Acquisitions & Recognition in the year	7,205	11,429	26,570	21	-	45,225
Revaluation Increase/(Decrease) To Revaluation Reserve	3,075	-	-	493	-	3,568
Revaluation Increase/(Decrease) To CIES	(877)	-	-	29	-	(848)
Transfers	45	-	(550)	(54)	-	(189)
Disposals	(472)	(3,309)	-	(492)	-	(4,273)
Gross book value (GBV) at 31 March 2023	464,209	101,444	80,194	6,738	1,014	653,599
Cumulative depreciation at 31 March 2022	(3,334)	(62,510)	(927)	(16)	-	(66,787)
Depreciation for the year	(19,034)	(10,881)	-	(89)	-	(30,004)
Revaluation Written Out To Revaluation Reserve	-	-	-	93	-	93
Revaluation Written Out To CIES	18,717	-	-	-	-	18,717
Impairment Losses Recognised In Revaluation Reserve	-	-	-	-	-	-
Impairment Losses Recognised In CIES	(1,043)	(430)	(203)	-	-	(1,676)
Transfers	-	-	-	-	-	-
Disposals	92	3,309	-	12	-	3,413
Cumulative depreciation at 31 March 2023	(4,602)	(70,512)	(1,130)	0	0	(76,244)
Net book value at 31 March 2023	459,607	30,932	79,064	6,738	1,014	577,355
Net book value at 31 March 2022	451,529	30,814	53,247	6,725	1,014	543,329

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Comparative Movements in 2021/22

	Property Plant & Equipment				Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2021	458,203	84,709	43,374	5,485	1,014	592,785
Acquisitions & Recognition in the year	6,438	13,051	25,492	12	-	44,993
Revaluation Increase/(Decrease) To Revaluation Reserve	(8,508)	-	-	(1,450)	-	(9,958)
Revaluation Increase/(Decrease) To CIES	(614)	-	-	(3,644)	-	(4,258)
Transfers	5,564	861	(14,661)	7,268	-	(968)
Disposals	(6,220)	(5,297)	(31)	(930)	-	(12,478)
Gross book value (GBV) at 31 March 2022	454,863	93,324	54,174	6,741	1,014	610,116
Cumulative depreciation at 31 March 2021	(61,366)	(57,192)	(774)	(60)	-	(119,392)
Depreciation for the year	(14,617)	(10,419)	-	(116)	-	(25,152)
Revaluation Written Out To Revaluation Reserve	67,474	-	-	941	-	68,415
Revaluation Written Out To CIES	(903)	-	-	14	-	(889)
Impairment Losses Recognised In Revaluation Reserve	-	-	-	-	-	0
Impairment Losses Recognised In CIES	(590)	(170)	(184)	(12)	-	(956)
Transfers	962	-	-	(789)	-	173
Disposals	5,706	5,271	31	6	-	11,014
Cumulative depreciation at 31 March 2022	(3,334)	(62,510)	(927)	(16)	-	(66,787)
Net book value at 31 March 2022	451,529	30,814	53,247	6,725	1,014	543,329
Net book value at 31 March 2021	396,837	27,517	42,600	5,425	1,014	473,393

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.

Notes to the Core Financial Statements

The movements in relation to Infrastructure Assets for 2022/23 and 2021/22 are as follows.

	Infrastructure Assets (000's)	
	2021/22	2022/23
Opening Net Book Value	133,554	136,316
Acquisitions & Recognition in the year	11,712	13,775
Transfers	795	189
Disposals	-	-
Depreciation for the year	(8,706)	(8,818)
Impairment Losses Recognised In CIES	(1,039)	(435)
Closing Net Book Value	136,316	141,027

Total Property, Plant and Equipment

	2021/22 £'000	2022/23 £'000
Infrastructure Assets Net Book Value at 31 March	136,316	141,027
Other Property, Plant & Equipment Net Book Value at 31 March	543,329	577,355
Total PPE Net Book Value at 31 March	679,645	718,382

The Council had no investment properties in 2022/23

Community assets are valued on a historical cost basis at nil value as per the Code and include assets such as parks, playing fields, cemeteries, etc. Such assets are all included in Other Land & Buildings.

In accordance with IFRS13 Fair Value Measurement, all Surplus Assets are now valued at highest and best use from market participants perspective. All revaluations fall under Level 1 of the fair value hierarchy.

Notes to the Core Financial Statements

Capital Commitments

As at 31 March 2023 the Council has entered into a number of commitments for the construction or enhancement of Property, Plant and Equipment in future years, this is budgeted to cost £41.656m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2023 £'000
Infrastructure & Environment	18,461
Education & Lifelong Learning	3,835
Strategic Commissioning & Partnerships	17,650
Resilient Communities	992
Social Work & Practice	718
Total	41,656

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 2022/23 the fixed assets relating to Education & Lifelong Learning and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by both the Council's Estates Surveyor, J.Stewart MRICS, and D.M Hall, Chartered Surveyors during 2022/23

Vehicles, Plant, Furniture and Equipment

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

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

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

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

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

Revaluation Cycle

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

- 31 March 2023 – Education & Lifelong Learning and Surplus Properties
- 1 April 2021 – Social Work, Resources and Surplus Properties
- 1 April 2020 – Technical Services and Surplus Properties
- 1 April 2019 – Common Good, Trust and Surplus Properties
- 1 April 2018 – Planning, Economic Development, and Surplus Properties

Due to the potential effect of unprecedented economic pressures on valuations of buildings, the Council undertook an exercise to revalue its assets as at 31 March 2022. As a result of this future valuations will take place at 31 March of the relevant financial year. Planning, Economic Development and Surplus Properties will be revalued as at 31 March 2024 with the resulting adjustments incorporated into the 2023/24 accounts of the Council.

	Property Plant & Equipment					Heritage Assets £'000	Total Assets £'000
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000		
Carried at Historical Cost	402,824	10,144	284,682	80,194	10,881	1,036	881,061
New Certified Valuation							
31st March 2023	2,198	-	-	-	522	-	2,720
31st March 2022	57,449	-	-	-	(4,140)	-	53,309
1st April 2021	(137)	-	(106)	-	412	(22)	147
1st April 2020	681	-	-	-	(1,155)	-	(474)
1st April 2019	1,194	-	-	-	218	-	1,412
Gross book value (GBV) at 31 March 2023	464,209	101,444	284,576	80,194	6,738	1,014	938,175

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 Funds as a prior period adjustment in 2021/22. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet at a carrying value of £11.264m as at 31 March 2023. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached.

Notes to the Core Financial Statements

Note 13 Heritage Assets

	Museum Collection £'000	Fine Arts Collection £'000	Monuments, Memorials & Statues £'000	Totals Tangible Fixed Assets £'000	Total Heritage Assets £'000
Cost or Valuation at 31 March 2021	161	771	82	1,014	1,014
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2022	161	771	82	1,014	1,014
Additions	-	-	-	-	-
Revaluation Increase/(Decrease) To Revaluation Reserve	-	-	-	-	-
Cost or Valuation at 31 March 2023	161	771	82	1,014	1,014

No Heritage assets were revalued during 2022/23.

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

Museum Collection

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

Fine Arts Collection

This collection is on display at a number of Council owned locations in the Scottish Borders and through loan at other locations containing National Collections. It comprises pictures by leading 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.

Notes to the Core Financial Statements

Note 14 Intangible Assets

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

2021/22 £'000		2022/23 £'000
2,591	Gross book value (GBV) at 31 March	2,689
98	Expenditure in the year	257
-	Disposals	(902)
2,689	Gross book value (GBV) at 31 March	2,044
(1,409)	Cumulative amortisation at 31 March	(1,807)
(398)	Amortisation for the year	(425)
-	Disposals	902
(1,807)	Cumulative amortisation at 31 March	(1,330)
882	Net book value at 31 March	715

There were no revaluations of intangible assets in 2021/22 or 2022/23.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2021/22 or 2022/23.

Note 16 Private Finance Initiatives and Similar Contracts

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

The Council makes an agreed payment each year, which is increased each year by inflation, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2023 are as follows:

	Payments for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2023/24	8,085	4,674	3,417	16,176
Payable within two to five years	36,175	17,791	13,948	67,914
Payable within six to ten years	54,124	22,597	16,013	92,734
Payable within eleven to fifteen years	66,076	24,692	11,746	102,514
Payable within sixteen to twenty years	16,474	11,898	8,817	37,189
Payable within twenty one to twenty five years	1,200	2,779	2,266	6,245
Total	182,134	84,431	56,207	322,772
Short Term Creditor	8,085	4,674	3,417	16,176
Other Long Term Liabilities	174,049	79,757	52,790	306,596

Notes to the Core Financial Statements

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

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

Note 17 Leases

Council as Lessee

Finance Leases

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

2021/22 £'000		2022/23 £'000
	Net Asset Value	
124,750	Land and buildings	128,947
124,750		128,947

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The balances shown under Land and Buildings relate to the Council's PPP arrangement for the provision of five secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2021/22 £'000		Land & Buildings 2022/23 £'000
	Finance Lease Liabilities	
4,776	Not later than 1 year	4,674
17,695	Later than 1 year and not later than 5 years	17,791
64,466	Later than 5 years	61,966
	Finance Costs Payable in Future Years	
3,431	Not later than 1 year	3,417
14,323	Later than 1 year and not later than 5 years	13,948
44,153	Later than 5 years	38,842
148,844	Minimum Lease Payments	140,637

The contingent rental figure, recognised as an expense in 2022/23 in respect of the Council's PPP arrangements, was £3.101m (2021/22 £2.457m).

Notes to the Core Financial Statements

Operating Leases

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

2021/22 £'000		2022/23 £'000
308	Not later than 1 year	308
1,407	Later than 1 year and not later than 5 years	1,592
796	Later than 5 Years	488
2,511	Total	2,388

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:

2021/22 £'000		2022/23 £'000
1,622	Not later than one year	1,792
1,138	Later than one year and not later than five years	1,348
2,525	Later than five years	3,446
5,285	Total	6,586

Notes to the Core Financial Statements

Note 18 Capital Expenditure and Capital Financing

The total amount of Capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2021/22		2022/23	
£'000		£'000	
350,556	Opening capital financing requirement		342,781
	Capital Investment		
-	- Consent to Borrow	-	
-	- Subordinated Debt	-	
59,388	Property, plant and equipment	49,502	
98	Intangible assets	257	49,759
	Sources of Finance		
(524)	Capital Receipts	(688)	
(46,431)	Government grants and other contributions	(47,322)	
(5,612)	NHT Repayment of Principal	-	
(1)	Subordinated Debt Repayment	(1)	
(14,693)	Loans fund repayments	(10,131)	(58,142)
342,781	Closing Capital Financing Requirement		334,398

2021/22		2022/23	
£'000		£'000	
	Explanation of Movements in Year		
-	Increase in underlying need to borrow (supported by government financial assistance)	-	
(7,775)	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)		(8,383)
(7,775)	Increase/(Decrease) in capital financing requirement		(8,383)

Note 19 Termination Benefits

During 2022/23 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 2 employees, incurring expenditure of £0.192m - see the Remuneration Report for further detail on the exit packages granted and total cost per band. These packages are attributable to various areas throughout the Council.

Note 20 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Notes to the Core Financial Statements

The Council participates in two formal pension schemes:

The Local Government Pension Scheme is a funded defined benefit career average salary pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018, as amended. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

The Teachers' Pension Scheme is a defined benefit scheme. However it is accounted for as a defined contribution scheme. Further details can be found at Note 21.

Transactions relating to retirement benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2021/22 £'000	Comprehensive Income and Expenditure Statement	2022/23 £'000
	<i>Cost of Services</i>	
41,744	Current Service Costs	40,515
38	Past Service Costs, including curtailments	98
	<i>Financing and Investment Income and Expenditure</i>	
4,573	Net Interest Expense	4,626
46,355	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	45,239
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
(21,985)	Return on plan assets (excluding the amount included in the net interest expense)	57,693
(62,099)	Actuarial (gains) and losses arising on changes in financial assumptions	(349,425)
(5,233)	Actuarial (gains) and losses arising on changes in demographic assumptions	(6,475)
2,134	Other	45,752
(87,183)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(252,455)
	<i>Movement in Reserves Statement</i>	
30,998	Reversal of net charges made for retirement benefits in accordance with the Code	28,677
	Actual amount charged against the General Fund Balance for pensions in the year	
13,983	Employers' contributions payable to the scheme	15,237
1,374	Retirement benefits payable to pensioners	1,325
-	Effect Of Business Combinations & Disposals	-

Notes to the Core Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is normally the net liability represented by the present value of the defined benefit obligation and the fair value of the plan assets. For 2022/23, 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 adjusted to take into account the asset ceiling.

2021/22 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2022/23 £'000
936,561	Present value of the defined benefit obligation	670,973
(777,080)	Fair value of plan assets	(735,270)
159,481	Sub total	(64,297)
0	Asset Ceiling Adjustment	31,631
159,481	Net liability/(asset) arising from defined benefit obligation	(32,666)

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 to be calculated 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 8.7 as at the most recent triennial funding valuation. It assumes a discount rate of 4.75% p.a. and salary increase of 3.65% p.a. from the employer's 31 March 2023 accounting report, giving an annuity of 8.31.

	2022/23 £'000
Net present value of estimated future service costs	161,621
Net present value of future contributions	128,955
Net Asset Ceiling	32,666

Notes to the Core Financial Statements

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

2021/22 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2022/23 £'000
746,050	Opening Fair Value of Scheme Assets	777,080
14,853	Interest Income	20,899
	Remeasurement (gains) and losses:-	
21,985	Return on plan assets, excluding the amount included in the net interest expense	(57,693)
13,983	Employer Contributions including unfunded pensions	15,237
4,614	Contributions by Scheme Participants	4,965
(24,405)	Estimated Benefits Paid	(25,218)
777,080	Closing Fair Value of Scheme Assets	735,270

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

2021/22 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2022/23 £'000
961,716	Opening Defined Benefit Obligation	936,561
41,744	Current Service Cost	40,515
19,426	Interest Cost	25,525
4,614	Contributions by Scheme Participants	4,965
-	Effect Of Business Combinations & Disposals	
	Remeasurement (gains) and losses:-	
(67,332)	Actuarial (gains)/losses arising from changes in financial assumptions	(355,900)
2,134	Other	45,752
38	Past Service Cost	98
(24,405)	Benefits Paid	(25,218)
(1,374)	Unfunded Pension Payments	(1,325)
936,561	Closing Defined Benefit Obligation	670,973

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 2023.

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:-

All scheme assets have quoted prices in active markets other than the managed fund - Multi Assets, which is unquoted.

2021/22 £'000	Local Government Pension Scheme assets comprised:	2022/23 £'000
29,861	Cash and cash equivalents	22,886
	Equity Instruments	
	<i>By industry type</i>	
70,720	Consumer	22,649
41,948	Manufacturing	14,549
4,134	Energy and utilities	13,887
33,953	Financial Institutions	20,803
20,405	Health and Care	18,753
19,830	Information Technology	20,310
2,552	Other	820
193,542		111,771
	Investment Funds - Quoted in Active Market	
116,282	Managed Fund - UK Equities Passive	156,658
118,962	Managed Fund - Property	88,457
156,690	Managed Fund - Bonds	140,976
391,934		386,091
	Investment Funds - Not Quoted	
161,743		214,522
777,080	Total Assets	735,270

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

2021/22 £'000	Fair Value of Scheme Assets	2022/23 £'000
	Equity instruments:	
	<i>By company size</i>	
193,542	Large capitalisation	111,771

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2020.

Notes to the Core Financial Statements

The principal assumptions used by the actuary are shown below:

2021/22	Basis for Estimating Assets and Liabilities	2022/23
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
20.70	Men	20.30
23.30	Women	23.00
	- longevity at 65 for future pensioners (years)	
21.60	Men	21.10
25.20	Women	24.90
3.7%	Rate of inflation - RPI	3.8%
3.0%	Rate of inflation - CPI	3.0%
3.9%	Rate of increase in salaries	3.7%
3.2%	Rate of increase in pensions	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%

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

2021/22		Category Analysis of the Scheme Assets as at 31 March 2022	2022/23	
%	£'000		%	£'000
40	309,823	Equities	37	268,429
-	-	Gilts	-	-
20	156,690	Other Bonds	19	140,976
15	118,962	Property	12	88,457
4	29,861	Cash	3	22,886
12	92,180	Multi-Asset Fund	14	102,828
-	-	Private Credit	-	-
9	69,564	Infrastructure	15	111,694
100	777,080	Total	100	735,270

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Core Financial Statements

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employers Liability
Adjustment to real discount rate - 0.1% decrease	2%
Adjustment to long term salary increase - 0.1% increase	0%
Adjustment to pension increase rate - 0.1% increase	2%
Adjustment to mortality rating assumption - 1 year increase	4%

Note 21 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2022/23 the Council paid £12.467m to teachers' pensions in respect of teachers' retirement benefits, representing 23% of pensionable pay for the period 1st April 2022 to 31st March 2023 (£11.5m and 23% in 2021/22). The employer's contribution increased as a result of a revaluation of the Scottish Teacher's pension scheme under the Public Service Pensions Act 2013. There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside of the terms of the teachers' Scheme. In 2022/23 these amounted to £0.702m representing 1.30% of pensionable pay (£0.709m and 1.41% in 2021/22).

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 2023 there were 12,561 members.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) require an administering authority to publish a separate pension fund annual report. This report will include a Fund Account, Net Asset Statement with supporting notes and disclosures prepared in accordance with proper practices.

A copy of this report is available by contacting Scottish Borders Council, Treasury & Investments Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 23 Events After the Balance Sheet Date

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

Note 24 Inventories

Notes to the Core Financial Statements

2021/22 £'000		2022/23 £'000
1,645	Balance outstanding at start of year	1,445
(200)	Movement during year	152
1,445	Balance outstanding at year-end	1,597

Note 25 Provisions

Provisions are recognised in the accounts when:

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

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

	Contractual Claims £'000	Equal Pay £'000	Historical Legal Claims £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2022	(50)	(8)	-	(3,479)	(3,537)
Additional charges to provisions			(29)	(122)	(151)
Payments made or released			-	118	118
Balance at 31 March 2023	(50)	(8)	(29)	(3,483)	(3,570)
Within 12 Months	(50)	(8)	(29)	(116)	(203)
Over 12 months	-	-	-	(3,367)	(3,367)
Total	(50)	(8)	(29)	(3,483)	(3,570)

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

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

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

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.

Note 26 Contingent Liabilities

Notes to the Core Financial Statements

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £323,614, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £309,807 at the Balance Sheet date.
- On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. However due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on Scottish Borders Council at this time.
- There has been a legal case regarding pension obligations relating to Civil Partnerships, it is too early to assess what the financial implications of this will be on Local Government Pension Schemes.
- Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Council's Balance Sheet to the Common Goods Funds as a prior period adjustment. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached. Consequently the Council considers any potential remaining transfers to be a contingent liability.

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

Notes to the Core Financial Statements

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2022/23

2021/22 £'000		2022/23 £'000
	Credited to Taxation and Non Specific Grant Income	
(34,187)	General Capital Grant	(24,568)
(7,984)	Other Grants	(19,691)
(351)	Developer Contributions	(273)
(42,522)	Total	(44,532)
	Credited to Services	
(2,005)	Infrastructure & Environment	(1,887)
(2,888)	Strategic Commissioning & Partnerships	(75)
(4,303)	Social Work & Practice	(6,526)
(17,582)	Education & Lifelong Learning	(16,928)
(22,758)	Resilient Communities	(23,927)
(716)	Finance & Corporate Governance	(67)
(40)	People Performance & Change	-
(50,292)		(49,410)

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

2021/22 £'000		2022/23 £'000
	Capital Grants Received In Advance	
(228)	Culture and Related Services	(85)
(7,760)	Developer Contributions	(8,541)
(2,380)	Economic Regeneration	(750)
(6,363)	Education	(3,146)
(5,202)	Environmental Services	(4,053)
(1,554)	Other Services	(141)
(1,573)	Planning & Economic Development	(578)
(333)	Roads and Transport	(98)
(25,393)		(17,392)

Note 29 Financial Instruments

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

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

Notes to the Core Financial Statements

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 2023			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(184,022)	-	(184,022)
Market Debt	-	(442)	-	(442)
Other debt	-	(33,136)	-	(33,136)
Total	-	(217,600)	-	(217,600)

	31st March 2022			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(291,309)	-	(291,309)
Market Debt	-	(582)	-	(582)
Other debt	-	(62,518)	-	(62,518)
Total	-	(354,409)	-	(354,409)

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

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

Notes to the Core Financial Statements

Financial Instruments - Balances

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

	Long Term		Current	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
Loans and Receivables				
Cash and Cash Equivalents	-	-	45,918	28,142
Debtors	1,106	1,114	48,692	38,843
Total Loans and Receivables	1,106	1,114	94,610	66,984
Borrowings				
Bank Overdraft	-	-	-	-
Financial Liabilities (principal amount)	(210,490)	(209,912)	(1,778)	(571)
Accrued interest	-	-	(3,058)	(3,002)
Total Borrowings	(210,490)	(209,912)	(4,836)	(3,573)
Other Liabilities				
PPP and finance lease liabilities	(82,161)	(79,757)	(4,776)	(4,674)
Bonds	-	-	(1,573)	(485)
Total other long-term liabilities	(82,161)	(79,757)	(6,349)	(5,159)
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(53,538)	(47,504)
Total Creditors	-	-	(53,538)	(47,504)

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 2022			31 March 2023	
£'000	%		£'000	%
(36,180)	17	Bonds and Mortgages	(36,175)	17
(174,310)	81	Public Works Loan Board	(173,737)	81
(210,490)	98	Long term borrowing (> 1 year)	(209,912)	98
(4,836)	2	Short Term Borrowing repayable within 12 months	(3,573)	2
(215,326)	100	Total Borrowing	(213,485)	100

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2021/22		2022/23	
£'000		£'000	
(4,836)	Less than 1 year	(3,573)	
(572)	Between 1 and 2 years	(381)	
(26,463)	Between 2 and 7 years	(26,075)	
(27,500)	Between 7 and 15 years	(29,500)	
(155,955)	More than 15 years	(153,956)	
(215,326)	Total	(213,485)	

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

	2022/23		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	16,454	-	16,454
Interest payable and similar charges	16,454	-	16,454
Interest Income	-	(1,425)	(1,425)
Interest and investment income	-	(1,425)	(1,425)
Net (gain) / loss for the year	16,454	(1,425)	15,029

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

Fair value of Assets and Liabilities carried at Amortised Cost

Notes to the Core Financial Statements

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(174,310)	(291,309)	(173,737)	(184,022)
Other debt	(41,016)	(63,100)	(39,748)	(33,578)
Total debt	(215,326)	(354,409)	(213,485)	(217,600)
Creditors	(59,887)	(59,887)	(52,663)	(52,663)
Total financial liabilities	(275,213)	(414,296)	(266,147)	(270,263)

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 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	45,918	45,918	28,142	28,142
Debtors	48,692	48,692	38,843	38,843
Total loans and receivables	94,610	94,610	66,984	66,984

All of the financial assets were of less than one year duration and therefore the fair value equates to the amortised cost on the balance sheet.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its day to day obligations to make payments
- **Re-financing risk** – the possibility that the Council may need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

Overall Procedures for Managing Risk

Notes to the Core Financial Statements

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are determined through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- By approving annually, in advance, prudential indicators for the following three years limiting:
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations

These are required to be reported and approved at or before setting the Council's annual Council Tax budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each financial year, as is a mid-year update.

These policies are implemented by a central treasury team. The Council maintains a strategy for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The annual Treasury Management Strategy for 2022/23, which incorporates the prudential indicators, was approved by the Council on 22nd February 2022. The key issues within the strategy were:

- The Authorised Limit for 2022/23 was set at £548.0m. This is the maximum limit of external borrowings or other long-term liabilities
- The Operational Boundary was expected to be £456.7m. 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 £456.7m and £159.8m 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

Notes to the Core Financial Statements

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2022/23 was approved by the Council on 22nd February 2022 and is available on the Council's website: [Other financial information | Scottish Borders Council \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/other-financial-information)

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2023 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses for non-performance by any of its counterparties in relation to its deposits.

Liquidity Risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day to day obligation to make payments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Notes to the Core Financial Statements

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, together with the maximum and minimum limits for fixed interest rates maturing in each period, as approved by the Council in the Treasury Management Strategy on 22 February 2022:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2022 £'000	Actual 31 March 2023 £'000
Less than one year	-	-	78,820	20	4,836	3,573
Between one and two years	-	-	78,820	20	572	381
Between two and seven years	-	-	78,820	20	26,463	26,075
Between seven and fifteen years	-	-	78,820	20	27,500	29,500
More than fifteen years	78,820	20	394,100	100	155,955	153,956
Total					215,326	213,485

Market Risk

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

- (i) **Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:
- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
 - Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
 - Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, and
 - Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

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

Notes to the Core Financial Statements

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

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

	£'000
Increase in interest receivable on variable rate investment	561
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)	26,636

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

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

Notes to the Core Financial Statements

Note 30 Debtor and Creditor Analysis

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

Debtors

2021/22 £'000		2022/23 £'000
18,033	Trade Receivables	16,203
9,109	Prepayments	2,780
34,080	Other Receivable Amounts	33,041
61,222		52,024

Creditors

2021/22 £'000		2022/23 £'000
(19,593)	Trade Payables	(16,954)
(40,294)	Other Payables	(35,709)
(59,887)		(52,663)

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2021/22 £'000		2022/23 £'000
1,011	Less Than 2 Months	1,103
525	2 To 4 Months	430
173	4 To 6 Months	491
2,022	6 Months To 1Year	2,045
25,665	More Than 1Year	26,980
29,396		31,049

For financial year 2022/23 the impairment allowance for Council Tax debtors amounted to £12.265m.

Notes to the Core Financial Statements

Note 31 Movement in Reserves

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

	Balance as at 31 March 2022 £'000	Transfers between reserves and funds £'000	(Gains) or Losses for the Year £'000	Balance as at 31 March 2023 £'000
Usable Reserves				
General Fund Balances	(51,991)	532	1,812	(49,647)
Capital Fund	(10,816)	(394)	-	(11,210)
Property Maintenance Fund	(51)	51	-	(0)
Insurance Fund	(1,623)	237	-	(1,386)
Unusable Reserves				
Capital Adjustment Account	(174,125)	(40,501)	-	(214,626)
Financial Instruments Adjustment Account	5,814	(303)	-	5,511
Revaluation Reserve	(164,118)	10,982	(3,660)	(156,797)
Pensions Reserve	159,481	28,677	(220,824)	(32,666)
Employee Statutory Adjustment Account	6,552	717	-	7,269
Total	(230,877)	(0)	(222,672)	(453,550)

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

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

A summary of all reserves movements are shown below:

Adjustments between accounting basis and funding under regulations for 2021/22 has been restated as the depreciation charge is now shown as charges attributable to both the Comprehensive Income & Expenditure Account and Revaluation Reserve in the Movement in reserves statement.

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

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(29,948)	-	-	-	(29,948)	29,948	-	
Impairment losses (charged to CI&ES)	(1,995)	-	-	-	(1,995)	1,995	-	
Revaluation Losses	(5,147)	-	-	-	(5,147)	5,147	-	
Capital grants and contributions applied	42,522	-	-	-	42,522	(42,522)	-	28
Employee Statutory Adjustments	135	-	-	-	135	(135)	-	
Profit/(Loss) on disposal of assets	(735)	(730)	-	-	(1,465)	1,465	-	
Revenue Exp Funded From Capital under Statute	(2,683)	-	-	-	(2,683)	2,683	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	308	-	-	-	308	(308)	-	
Net retirement charges per IAS 19	(44,981)	-	-	-	(44,981)	44,981	-	
Loans Fund principal repayments and Statutory premia	14,693	-	-	-	14,693	(14,693)	-	
Capital Expenditure charged to General Fund balance	2,015	-	-	-	2,015	(2,015)	-	
Employers contribution payable to Pension Fund	13,983	-	-	-	13,983	(13,983)	-	
Net Transfers to or (from) other reserves	2,354	(157)	311	(91)	2,417	(2,417)	-	
Total in year adjustments	(9,479)	(887)	311	(91)	(10,146)	10,146	-	

Notes to the Core Financial Statements

Adjustments between accounting basis & funding basis under regulations 2022/23

	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	(29,665)	-	-	-	(29,665)	29,665	-	
Impairment Losses (charged to CI&ES)	240	-	-	-	240	(240)	-	
Revaluation Losses	15,518	-	-	-	15,518	(15,518)	-	
Capital grants and contributions applied	44,532	-	-	-	44,532	(44,532)	-	28
Employee Statutory Adjustments	(717)	-	-	-	(717)	717	-	
Profit/(Loss) on disposal of assets	(57)	(803)	-	-	(860)	860	-	
Revenue Exp Funded From Capital under Statute	(4,277)	-	-	-	(4,277)	4,277	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	303	-	-	-	303	(303)	-	
Net retirement charges per IAS 19	(43,914)	-	-	-	(43,914)	43,914	-	
Loans Fund principal repayments and Statutory premia	10,131	-	-	-	10,131	(10,131)	-	
Capital Expenditure charged to General Fund balance	430	-	-	-	430	(430)	-	
Employers contribution payable to Pension Fund	15,237	-	-	-	15,237	(15,237)	-	
Net Transfers to or (from) other reserves	2,350	409	51	237	3,048	(3,048)	-	
Total in year adjustments	10,111	(394)	51	237	10,006	(10,006)	-	

Notes to the Core Financial Statements

Usable Reserves

Usable reserves are those that can be applied to fund expenditure or reduce the requirement to raise local taxation.

The General Fund Balances are further analysed as follows:

2021/22 £'000	Analysis as at 31 March	2022/23 £'000
	Earmarked Balances of the General Fund	
(1,599)	Education & Lifelong Learning - Devolved School Management	(3,589)
	Specific Departmental Reserves	
(4,573)	Infrastructure & Environment	(5,264)
(6,410)	Strategic Commissioning & Partnerships	(3,927)
(3,096)	Social Work & Practice	(5,790)
(7,325)	Education & Lifelong Learning	(5,323)
(3,301)	Resilient Communities	(3,187)
(10,498)	Finance & Corporate Governance	(3,862)
(387)	People Performance & Change	(200)
(4,953)	Allocated Reserves - Financial Plan	(8,525)
(42,142)		(39,667)
(9,849)	Non-Earmarked Balances of the General Fund	(9,980)
(51,991)	Total General Fund Reserve	(49,647)

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:

	Capital Adjustment Account	Financial Instruments Adjustment Account	Revaluation Reserve	Pensions Reserve	Employee Statutory Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000		£'000	£'000
Balance at 31/03/2022 carried forward	(174,125)	5,814	(164,118)	159,481	6,552	(166,396)
Depreciation Charged	29,240	-	9,579	-	-	38,819
Amortisation	425	-	-	-	-	425
Revaluation (gains)/losses	(15,518)	-	(3,660)	-	-	(19,178)
Impairment losses	(240)	-	-	-	-	(240)
Assets written off on de-recognition or sale	534	-	326	-	-	860
Revenue Expenditure funded from Capital	4,277	-	-	-	-	4,277
Employee Statutory Adjustments	-	-	-	-	717	717
Capital Receipts Applied	(3,048)	-	-	-	-	(3,048)
Capital Grants and Contributions Applied	(44,532)	-	-	-	-	(44,532)
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	-	(303)	-	-	-	(303)
Net retirement charges per IAS 19	-	-	-	43,914	-	43,914
Loans Fund principal repayments and Statutory premia	(10,131)	-	-	-	-	(10,131)
Actuarial (gains)/losses on Pensions assets and Liabilities	-	-	-	(220,824)	-	(220,824)
Employers Pension Contributions and payments	-	-	-	(15,237)	-	(15,237)
Capital from Current Revenue	(430)	-	-	-	-	(430)
Transfer Between Reserves	(1,077)	-	1,077	-	-	-
Balance at 31 March 2023	(214,626)	5,511	(156,796)	(32,666)	7,269	(391,307)

Notes to the Core Financial Statements

	Capital Adjustment Account	Financial Instruments Adjustment Account	Revaluation Reserve	Pensions Reserve	Employee Statutory Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000		£'000	£'000
Balance at 31/03/2021 carried forward	(152,897)	6,122	(110,788)	215,666	6,687	(35,210)
Depreciation Charged	34,698	-	4,308	-	-	39,006
Amortisation	398	-	-	-	-	398
Revaluation (gains)/losses	(22)	-	(58,435)	-	-	(58,457)
Impairment losses	1,995	-	-	-	-	1,995
Assets written off on de-recognition or sale	669	-	798	-	-	1,467
Revenue Expenditure funded from Capital	2,683	-	-	-	-	2,683
Employee Statutory Adjustments	-	-	-	-	(135)	(135)
Capital Receipts Applied	(2,419)	-	-	-	-	(2,419)
Capital Grants and Contributions Applied	(42,522)	-	-	-	-	(42,522)
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	-	(308)	-	-	-	(308)
Net retirement charges per IAS 19	-	-	-	44,981	-	44,981
Loans Fund principal repayments and Statutory premia	(14,693)	-	-	-	-	(14,693)
Actuarial (gains)/losses on Pensions assets and Liabilities	-	-	-	(87,183)	-	(87,183)
Employers Pension Contributions and payments	-	-	-	(13,983)	-	(13,983)
Capital from Current Revenue	(2,015)	-	-	-	-	(2,015)
Balance at 31 March 2022	(174,125)	5,814	(164,118)	159,481	6,552	(166,396)

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.

Employee Statutory Adjustment Account

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

Notes to the Core Financial Statements

Note 32 Cash Flow

2021/22 £'000	Reconciliation to General Fund Surplus	2022/23 £'000
(1,763)	Net (Surplus) or deficit on the provision of services	1,812
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(33,858)	Depreciation	(38,822)
(7,143)	Impairment & Revaluation Loss through I & E	15,758
(398)	Amortisation of intangible assets	(425)
(30,998)	Movement in pension liability	(28,677)
(735)	Gain/Loss on carrying amounts of assets disposed	(57)
(200)	Net movement in inventories charged to I & E	153
6,695	Net movement in debtors charged to I & E	(12,090)
(10,705)	Net movement in creditors charged to I & E	9,047
(112)	Net movement in provisions charged to I & E	(36)
(77,454)		(55,149)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
42,522	Capital grants received	44,532
787	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	-
43,309		44,532
(35,908)	Net Cash Outflow / (Inflow) from Operating Activities	(8,805)

Note 33

Impairment & Revaluation Gain/Losses

During 2022/23, Scottish Borders Council recognised a net impairment and revaluation gain of £15.758m within the Net Cost of Services. This includes a reversal of £33.168m against losses in previous years.

Note 34

Cash and Cash Equivalents

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

2021/22 £'000	2022/23 £'000
20	14
398	1,128
45,500	27,000
45,918	28,142

Supplementary Financial Statements

Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2021/22			2022/23	
£'000	£'000		£'000	£'000
	(75,705)	Gross Charges Levied		(78,660)
5,463		Less: Council Tax Reduction Scheme	5,574	
5,463			5,574	
8,407		Discounts and Exemptions	8,652	
812		Allowance for Impairment	843	
-		Miscellaneous	-	
	14,682			15,069
	(61,023)			(63,591)
	(61,023)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(63,591)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2022

The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) after providing for non-payment, as an equivalent number of band D dwellings and the level of non-payment provided for.

Band	Number of Properties 2021/22	Number of Properties 2022/23	Proportion	2021/22 £	2022/23 £
A	16,507	16,478	240/360	835.94	861.02
B	12,755	12,795	280/360	975.26	1,004.52
C	7,227	7,289	320/360	1,114.59	1,148.03
D	6,182	6,271	360/360	1,253.91	1,291.53
E	6,581	6,605	473/360	1,647.50	1,696.93
F	5,021	5,057	585/360	2,037.60	2,098.74
G	4,630	4,673	705/360	2,455.57	2,529.25
H	487	489	882/360	3,072.08	3,164.25
Total	59,390	59,657			

Supplementary Financial Statements

Council Tax Income Account

Note 2 Water and Waste Water Charges

The Council is required to bill and collect water and waste water charges on domestic properties along with Council Tax as part of an agency agreement. These charges were determined by Scottish Water and for 2022/23 the Band D charges were £221.40 for water and £257.04 for waste water.

Non-Domestic Rate Income Account

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

2021/22			2022/23	
£'000	£'000		£'000	£'000
	(51,687)	Gross Rates Levied & Contribution in Lieu		(52,606)
	1,547	Prior Year Adjustments		742
22,694		Less: Reliefs and Other Deductions	16,358	
647		Write-offs of uncollectable debts & allowance for impairment	283	
-		Interest paid on overpaid rates	-	
	23,341			16,641
	(26,799)			(35,223)
	(26,799)	Net Non-Domestic Rate Income		(35,223)
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	(26,799)	Contribution to National Pool		(35,223)
	26,668	Distribution received from National Pool		35,294
	(26,668)	Income Credited to the Comprehensive Income & Expenditure Statement		(35,294)

Supplementary Financial Statements

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 1 April 2022

Classification	Number	Rateable Value £'000
Shops	1,246	19,728
Public Houses	78	1,349
Offices including Banks	981	8,210
Hotels etc	120	3,713
Industrial Factories, Warehouses, Stores	2,298	27,104
Leisure Entertainment, Caravans, Hol. Sites	1,326	6,690
Garages and Petrol Stations	211	2,377
Cultural	52	709
Sporting Subjects	1,116	1,961
Education and Training	97	10,233
Public Service Subjects	429	5,356
Communications (non Formula)	4	15
Quarries, Mines etc	11	357
Petrochemical	5	1,304
Religious	285	1,225
Health Medical	95	3,965
Other	432	1,996
Care Facilities	81	1,899
Advertising	7	12
Undertakings	33	5,088
Total	8,907	103,291

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2022/23 was: 49.8p for properties with a rateable value up to £51,000 with supplements of 1.3p for properties with a rateable value between £51,000 and £95,000, 2.6p for properties with a rateable value in excess of £95,000.

Trust Funds

Scottish Borders Council administers numerous charitable trusts and bequests. Elected Members of the Council act as Trustees of these charities. Those registered with the Office of the Scottish Charity Regulator (OSCR) are detailed below:

- **Scottish Borders Council Education Trust**
- **Scottish Borders Council Community Enhancement Trust**
- **Scottish Borders Council Welfare Trust**

These three charities were registered with OSCR on 1 April 2014 and each contains funds that are restricted by purpose and geographical area.

- Following the successful transfer of 7 trusts into the SBC Community and Enhancement Trust and 37 into the SBC Welfare Trust in 2018/19, **The Scottish Borders Council Charitable Trust** continues to administer 32 separate trusts and bequests as at the Balance Sheet date.
- **The Ormiston Trust for Institute** remains as a separately registered trust with OSCR.

All OSCR registered charities are subject to audit, in line with OSCR requirements and a full set of financial statements compliant with those requirements are published separately. The Council also administers a further 39 non registered charities.

Trust Funds

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

Comprehensive Income & Expenditure Statements

2021/22 Total £'000		Charitable £'000	Other £'000	2022/23 Total £'000
	Income			
(15)	Donations & Legacies	(4)	(1)	(5)
(133)	Investments	(76)	(58)	(134)
(28)	Charitable Activities	-	(154)	(154)
-	Unrealised Gain On Investments	-	-	-
-	Recognition Of Fixed Assets & Investments	-	-	-
(653)	Revaluation Of Fixed Assets & Investments	-	-	-
	Expenditure			
229	Raising Funds	192	168	360
80	Charitable Activities	37	55	92
4	Other : Governance Costs	4	1	5
2	Unrealised Loss On Investments	126	129	255
(514)	(Surplus) / Deficit for the Year	279	140	419
(1290)	(Surplus) brought forward	(773)	(598)	(1371)
435	Funding (brought forward/carried forward) to Revaluation Reserve	(192)	(114)	(306)
(2)	Transfer to Capital Reserve	(126)	(129)	(255)
(1,371)	(Surplus) carry forward	(812)	(701)	(1,513)

Balance Sheet

2021/22 Total £'000		Charitable £'000	Other £'000	2022/23 Total £'000
	Non-current Assets			
2,370	Tangible Fixed Assets	337	1,727	2,064
2,058	Investments	898	998	1,896
-	Long term Loan	-	-	-
	Current Assets			
568	Short Term Investments	365	253	618
10	Sundry Debtors	3	8	11
	Current Liabilities			
(1)	Sundry Creditors	-	(3)	(3)
5,005	Net Assets	1,603	2,982	4,585
	Financed by			
(1,371)	Revenue Reserve	(812)	(700)	(1,512)
(1,333)	Capital Reserve	(505)	(573)	(1,078)
(2,301)	Revaluation Reserve	(286)	(1,709)	(1,995)
(5,005)		(1,603)	(2,982)	(4,585)

Common Good Funds

The Council administers the Common Good Funds for twelve towns within its area. The purpose of the Common Good Funds are that, subject to their legal responsibilities in terms of any assets held, the funds are operated for the common good of the residents of the towns and may be used to provide enhancement of citizenship or community development.

The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2023, for each of the funds. The accounting policies applied are those as set out in pages 59 to 69. The Common Good Financial Statements are presented in line with previous years

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

Following deregistration of Common Good Funds as a charity with OSCR, separate annual accounts are no longer prepared as a requirement.

Comprehensive Income and Expenditure Statements

2021/22	Total	2022/23												
		Coldstream	Duns	Eyemouth	Galashiels	Hawick	Innerleithen	Jedburgh	Kelso	Lauder	Melrose	Peebles	Selkirk	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Income													
(3)	Donations & Legacies	-	-	-	-	-	-	-	-	-	-	-	-	-
(148)	Investments	-	(1)	-	(8)	(89)	-	(48)	(14)	(12)	(1)	(26)	(14)	(213)
(232)	Charitable Activities	-	-	(5)	-	(97)	-	-	-	(166)	-	(67)	(86)	(421)
-	Unrealised Gain On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,308)	Revaluation Of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
-	Recognition Of Fixed Assets & Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,691)		-	(1)	(5)	(8)	(186)	-	(48)	(14)	(178)	(1)	(93)	(100)	(634)
	Expenditure													
668	Raising Funds	12	-	-	79	248	40	13	78	256	6	283	164	1,179
77	Charitable Activities	-	-	-	-	22	-	14	1	1	-	9	7	64
55	Other: Governance Costs	-	-	-	2	14	-	4	2	11	-	9	2	54
3	Unrealised Loss On Investments	-	2	-	20	57	-	17	35	31	1	62	32	357
803		12	2	0	101	341	40	148	116	299	7	363	225	1,654
(888)	(Surplus) / Deficit carry forward	12	1	(5)	93	155	40	100	102	121	6	270	125	1,020

Common Good Funds

Balance Sheet

2021/22 Total £'000		2022/23												
		Coldstream £'000	Duns £'000	Eyemouth £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets													
14,358	Tangible Assets	274	-	2	663	4,308	505	539	928	1608	32	892	3,909	13,659
2,902	Investments	-	15	-	141	404	-	857	249	220	14	446	228	2,575
5	Long Term Loan to Third Party	-	-	-	-	-	-	-	-	-	-	-	-	-
	Current Assets													
59	Sundry Debtors	-	-	-	-	32	-	3	1	8	-	21	8	73
457	Short Term Investments	-	4	4	18	114	-	116	49	(9)	5	31	91	424
	Current Liabilities													
(44)	Sundry Creditors	-	-	-	-	(14)	-	-	-	-	-	-	(1)	(15)
17,737	Net Assets	274	19	6	822	4,844	505	1,515	1,227	1,827	51	1,390	4,235	16,716
	Financed by													
(4,019)	Restricted Income Funds	(122)	(19)	(6)	(313)	(671)	(135)	(979)	(298)	(221)	(37)	(548)	(347)	(3,696)
(13,718)	Revaluation Reserve	(52)	-	-	(509)	(4,173)	(370)	(536)	(929)	(1606)	(14)	(842)	(3,888)	(13,020)
(17,737)	Total Reserves	(274)	(19)	(6)	(822)	(4,844)	(505)	(1,515)	(1,227)	(1,827)	(51)	(1,390)	(4,235)	(16,716)

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and relevant accounting standards, require local authorities to consider all their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary and associated entities and joint arrangements. The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements along with the appropriate notes:

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

The Group Accounts and Notes are set out on pages 123 to 128.

The Group accounts for 2021/22 have been restated to reflect the movement in Live Borders Financial Statements between draft accounts and finalised position. The resultant changes in the Net Asset position in 21/22 is an increase of £0.506m to £267.145m and a decrease in the surplus on provision of services of £0.024m to £8.341m.

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
- Lowood Tweedbank
- 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 pages 118 to 120. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body.

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

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

Lowood Tweedbank Limited, has been excluded from the Group accounts in 2021/22 and 2022/23 on the basis of materiality.

SB Inspires LLP has also been excluded from the Group accounts in 2022/23 on the basis of materiality.

Group Accounts

Associates

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

Jedburgh Leisure Facilities Trust, has been excluded from the Group accounts in 2021/22 and 2022/23 on the basis of materiality.

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 boards Comprehensive Income & Expenditure Statement showed gross expenditure of £259.058m and income of £241.235m of which £99.145m and £90.234 have 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 £8.772m

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

Group Comprehensive Income and Expenditure Statement

Restated 2021/22				2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
91,231	(15,845)	75,386	Infrastructure & Environment	92,601	(13,192)	79,409
49,269	(6,010)	43,259	Strategic Commissioning & Partnerships	46,335	(7,206)	39,129
141,806	(79,852)	61,954	Social Work & Practice	156,671	(86,202)	70,468
120,890	(21,208)	99,682	Education & Lifelong Learning	12,338	(21,000)	9,138
40,906	(24,405)	16,501	Resilient Communities	63,756	(25,623)	38,133
25,853	(6,094)	19,759	Finance & Corporate Governance	19,603	(3,522)	16,082
9,164	(653)	8,510	People Performance & Change	8,798	(163)	8,636
803	(235)	568	Common Good	1,300	(421)	879
313	(43)	270	Trust Funds	458	(159)	299
-	(8,178)	(8,178)	Share of Operating Results Of Associates & Joint Ventures	8,912	-	8,912
480,235	(162,524)	317,711	Services provided by the Council	510,772	(157,488)	353,285
480,235	(162,524)	317,711	Net Cost of Services	510,772	(157,488)	353,285
5,427	(5,170)	257	Roads Trading Operation (Surplus)/Deficit (External)	2,747	(2,672)	75
			Other Operating Expenditure			
1,465	(730)	735	(Gain)/Loss on Disposal of Assets	860	(803)	57
			Financing & Investment Income and Expenditure			
10,144	-	10,144	Interest Payable & Similar Charges	16,454	-	16,454
-	(398)	(398)	Interest Receivable & Similar Income	-	(1,781)	(1,781)
19,426	(14,853)	4,573	Net Interest Expense on the Net Defined Benefit Liability	25,525	(20,899)	4,626
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			Taxation and Non-Specific Grant Income			
-	(211,149)	(211,149)	Revenue Support Grant	-	(216,297)	(216,297)
-	(26,668)	(26,668)	Non-Domestic Rates Pool for Scotland	-	(35,294)	(35,294)
-	(61,023)	(61,023)	Council Tax	-	(63,591)	(63,591)
-	(42,522)	(42,522)	Capital Grants and Contributions	-	(44,532)	(44,532)
		(8,341)	(Surplus)/Deficit on Provision of Services			13,002

Group Comprehensive Income and Expenditure Statement

2021/22 Restated				2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		(8,341)	(Surplus)/Deficit on Provision of Services			13,002
		(60,418)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,660)
		2,267	Any Other (Gains) Or Losses			612
		(90,603)	Actuarial (gains)/losses on pension assets/liabilities			(229,465)
		(148,754)	Other Comprehensive Income and Expenditure			(232,513)
		(157,095)	Total Comprehensive (Income)/Expenditure			(219,511)

Group Balance Sheet

Restated 2021/22 £'000		2022/23 £'000
470,217	Property Plant and Equipment	477,290
30,823	Other Land and Buildings	30,955
136,316	Vehicle, Plant, Furniture & Equipment	141,027
6,725	Infrastructure	6,738
53,247	Surplus Assets	79,064
1,039	Assets Under Construction	1,039
882	Heritage Assets	715
4,960	Intangible Assets	4,469
13,298	Long Term Investments	4,385
1,111	Investments In Associates & Joint Ventures	1,114
0	Long Term Debtors	37,082
	Pension Asset	
718,618	Long Term Assets	783,878
1,507	Inventories	1,686
61,805	Short Term Debtors	52,372
(12,530)	less Impairment of Receivables	(13,182)
48,601	Cash and Cash Equivalents	30,137
99,382	Current Assets	71,014
(4,836)	Short Term Borrowing	(3,573)
(60,952)	Short Term Creditors	(53,527)
(148)	Provisions	(203)
(65,936)	Current Liabilities	(57,302)
(210,490)	Long Term Borrowing	(209,912)
(82,161)	Deferred Liabilities	(79,757)
(3,389)	Provisions	(3,367)
(25,393)	Capital Grants Receipts in Advance	(17,392)
(162,980)	Pension Liability	-
(484,412)	Long Term Liabilities	(310,427)
267,651	Net Assets	487,162
267,651	Net Assets/(Liabilities) including pension liability	487,162

Group Balance Sheet

Restated 2021/22 £'000	Financed By:	2022/23 £'000
	Useable Reserves	
(10,816)	Capital Fund	(11,210)
(51,991)	General Fund Balance	(49,647)
(51)	Property Maintenance Fund	-
(1,623)	Insurance Fund	(1,386)
(24,254)	Share of Group Entities Usable Reserves	(14,182)
	Unusable Reserves	
(174,125)	Capital Adjustment Account	(214,626)
5,814	Financial Instruments Adjustment Account	5,511
(164,118)	Revaluation Reserve	(156,796)
159,481	Pension Reserve	(32,666)
6,552	Employee Statutory Adjustment Account	7,269
(12,520)	Share of Group Entities Unusable Reserves	(19,430)
(267,651)	Total Reserves	(487,162)

The unaudited accounts were issued on 29th June 2023 and the audited accounts were authorised for issue on 28 September 2023.

Suzanne Douglas CPFA
Director of Finance and Procurement

Group Movement in Reserves Statement

Movement in reserves during 2021/22 - Restated

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2021	(48,265)	(16,721)	(64,986)	(35,209)	(10,361)	(45,570)	(110,556)

Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	(1,763)	(6,855)	(8,618)	(145,640)	(2,837)	(148,477)	(157,095)
Adjustments between accounting basis & funding basis under regulations	(14,454)	(677)	(15,131)	14,454	677	15,131	-
Increase or Decrease in 2021/22	(16,218)	(7,532)	(23,750)	(131,185)	(2,160)	(133,345)	(157,095)
Balance at 31/03/2022 carried forward	(64,483)	(24,253)	(88,736)	(166,394)	(12,521)	(178,915)	(267,651)

Movement in reserves during 2022/23

	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 01/04/2022	(64,483)	(24,253)	(88,736)	(166,394)	(12,521)	(178,915)	(267,651)

Movement in reserves during 2022/23

Total Comprehensive Income & Expenditure	1,812	11,077	12,889	(224,484)	(7,916)	(232,400)	(219,511)
Adjustments between accounting basis & funding basis under regulations	427	(1,006)	(579)	(427)	1,006	579	0
Increase or Decrease in 2022/23	2,239	10,071	12,310	(224,911)	(6,910)	(231,821)	(219,511)
Balance at 31/03/2023 carried forward	(62,244)	(14,182)	(76,426)	(391,306)	(19,431)	(410,738)	(487,162)

Group Movement in Reserves Statement

Group Cash Flow Statement

Restated 2021/22 £'000		2022/23	
		£'000	£'000
(8,341)	Net (Surplus) or deficit on the provision of services	13,002	
8,178	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	(8,912)	
(79,507)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(57,244)	
43,309	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	44,532	
(36,361)	Net Cash Flows From Operating Activities		(8,622)
	Investing Activities		
58,731	Purchase of PP&E, investment property and intangible assets	57,878	
(730)	Proceeds from PP&E, investment property and intangible assets	(803)	
160	Purchase/(Disposal) of short & long term investments	131	
(51,993)	Other Items which are Investing Activities	(34,405)	
6,168	Net Cash Flows from Investing Activities		22,801
	Financing Activities		
(9,736)	Cash received from loans & other borrowing	-	
7,198	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,506	
15,000	Repayments of short and long term borrowing	1,778	
(786)	Other items which are financing activities	-	
11,676	Net Cash Flows from Financing Activities		4,284
(18,516)	Net (Increase) or Decrease in Cash and Cash Equivalents		18,463
30,085	Cash and Cash Equivalents at the beginning of the reporting period		48,601
48,601	Cash and Cash Equivalents at the end of the reporting period		30,137
(18,516)	Movement		18,464

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 59 to 69.

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

Note 2 Group Cash Flow

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

Restated 2021/22 £'000		2022/23 £'000
	Reconciliation to General Fund Surplus	
(8,341)	Net (Surplus) or deficit on the provision of services	13,002
8,178	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	(8,912)
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(34,924)	Depreciation	(40,186)
(7,143)	Impairment & Revaluation Loss through I & E	15,758
(398)	Amortisation of intangible assets	(425)
(31,932)	Movement in pension liability	(29,402)
(735)	Gain/Loss on carrying amounts of assets disposed	(57)
(168)	Net movement in inventories charged to I & E	181
6,750	Net movement in debtors charged to I & E	(12,380)
(10,845)	Net movement in creditors charged to I & E	9,303
(112)	Net movement in provisions charged to I & E	(36)
(79,507)		(57,244)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
42,522	Capital grants received	44,532
787	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	-
43,309		44,532
(36,361)	Net Cash Outflow / (Inflow) from Operating Activities	(8,622)

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 £1.812m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £13.002m. The net asset position of the Council's single entity Balance Sheet of £453.55m becomes £487.162m on group consolidation. Overall, the Group Balance Sheet position has increased by £219.511m from 2021/22 largely as a result of the decrease in pension liability and increase in fixed asset valuations.

Notes to the Group Accounts

Note 4 Material Movements on Consolidation

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

Group Balance Sheet

	Joint Ventures		Subsidiaries				Inter Company	2022/23 £'000
	SBC	HSCIJB	Common Good	Trust Funds	Bridge Homes	Live Borders		
Long Term Assets	720,211	4,386	16,234	3,959	-	2,007	-	746,796
Current Assets	68,582	-	496	629	350	2,326	(1,370)	71,014
Current Liabilities	(56,438)	-	(5)	(3)	-	(174)	327	(57,302)
Long Term Liabilities	(311,470)	-	-	-	-	-	1,043	(310,427)
Net Assets excluding pension liability	420,884	4,386	16,715	4,585	350	3,159	0	450,080
Pension Asset/(Liability)	32,666	-	-	-	-	4,416	-	37,082
Net Assets/(Liabilities) including pension liability	453,550	4,386	16,715	4,585	350	7,575	0	487,162

Financed By:

	Joint Ventures		Subsidiaries				Inter Company	2022/23 £'000
	SBC	HSCIJB	Common Good	Trust Funds	Bridge Homes	Live Borders		
Useable Reserves	(62,243)	(4,386)	(3,696)	(2,590)	(350)	(3,159)	-	(76,424)
Unusable Reserves	(391,308)	-	(13,019)	(1,995)	-	(4,416)	-	(410,738)
Total Reserves	(453,550)	(4,386)	(16,715)	(4,585)	(350)	(7,575)	-	(487,162)

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

Common Good Funds: have been accumulated by former burghs since their foundation from the 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 12 former burghs, Coldstream, Duns, Eyemouth, Innerleithen, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Melrose, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related.

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

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

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

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

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

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

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

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

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

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

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

Heritage Assets: assets preserved in trust for future generations because of their cultural, environmental or historical association. It applies to assets held and maintained by the 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 STACA Statutory Mitigation Account.

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

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

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

Glossary of Terms

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

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

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Scottish Borders Council Pension Fund

annual report and accounts

for the year to 31 March 2023



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SECTION 1

MANAGEMENT COMMENTARY

CHAIRMAN'S REPORT

Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund (the 'Fund') for the year ended 31 March 2023. This Annual Report has been produced to provide Elected Members, Scheme Members and Employers and other interested parties with information concerning the administration and performance of the Fund in the financial year 2022/23.

Highlights of the Year

Pension Fund Committee/Pension Board

The Fund has continued to strengthen its governance and stewardship of the Fund over the year. This work was recognised as the Fund became a signatory of the UK Stewardship Code.

The Joint meetings of the Committee and Board continued as virtual meetings during 2022/23 ensuring all necessary governance and decision making continued.

The Investment and Performance Sub-Committee, met via Teams meetings with most of the Fund's investment managers during the year, which allowed the Committee full scrutiny and oversight of the assets under management.

Funding

The Fund's 2020 Actuarial Valuation resulted in a funding position of 110% and contribution rates maintained for the first 3 years, despite uncertainties arising from Court cases, such as the McCloud judgement and the LGPS cost cap mechanism. The Fund continues to monitor this position and the effect of the changes required to resolve the judgements. Although the value of the assets has decreased, the funding position has strengthened as the value of the liabilities decreased more due to higher interest rates. The Fund's 2023 Actuarial Valuation is currently underway, and the results will be published in next year's Annual Report and Accounts.

Investments

The volatile market conditions over the 12-month period caused by the escalation of Russia's conflict in Ukraine and swiftly tightening monetary policy globally has resulted in very difficult market environments. Over the 12-month period the Fund posted a negative

return of -4.9% and assets fell by £44.9m. However, the expectation is that the Fund's liabilities have fallen further than the assets over the period because of higher interest rates.

Statement of Responsible Investment

The Committee believes that a positive approach to Environmental, Social and Governance ('ESG') issues can positively affect the investment performance of the Fund. The Fund fully reviewed and updated its policy, to include key priorities and improved monitoring. The Fund also continues to monitor and work with all its managers to ensure ESG is fully integrated into all their investment decisions. The Fund undertook a full strategic asset review during 2021/22. The next full strategic asset review is scheduled for the end of 2023 once the Actuarial Valuation has been completed.

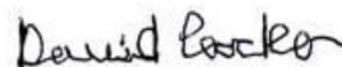
Pensions Administration

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

Good progress has been made on the delivery of actions set out in the Fund's business plan. Updates were made to the Communication Policy, an improved reporting tool to help meet statutory reporting requirements has been implemented and an Overpayment Policy adopted by the Fund.

Acknowledgement

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



Chairman, Pension Fund Committee
Scottish Borders Council

MANAGEMENT COMMENTARY SUMMARY

OVERVIEW OF FUND BUSINESS

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

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

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

STRATEGY AND OBJECTIVES

The Fund's primary aim is 'to provide for members, pension and lump sum benefits on their retirement or for their dependants, benefits on death before or after retirement, on a defined benefits basis'. All the longer-term policies, objectives and strategies of the Fund reflect this aim.

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

KEY NUMBERS OF THE FUND

- Total membership of 12,561 (12,178 in 2021/22)
- Total pension paid £28.3m (£25.4m 2021/22)
- Total contributions received £24.3m (£22.6m 2021/22)
- Total investments held £866.0m (£909.4m 2021/22)
- Investment performance of -4.8% for 2022/23 (5.9% 2021/22)

GOVERNANCE

The Pension Fund Committee aims to ensure the Fund is managed effectively, transparently and in compliance with regulations.

Prompted by the increased scrutiny of Local Government Pension Scheme ('LGPS') funds and increasing standards of governance introduced by legislation and the Pensions Regulator, an Independent Adviser was commissioned to undertake a review of the Governance of the Fund during October and November 2022. The Independent Adviser submitted a report 'Review of Governance of the Scottish Borders Council Pension Fund' with recommendations to the December 2022 meeting of the Pension Fund Committee and the Pension Fund Board. The report outlined a number of recommendations which concerned matters related to: Governance Structure and Decision Making; Objectives and Planning; Outcomes and Oversight; Risk Management; and Audit.

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2023

As required within the Local Government Pension Scheme (Scotland) Regulations 2018 the Fund has an established Pension Fund Board which meets jointly with the Pension Fund Committee. The Pension Fund Board is responsible for assisting the Fund in securing compliance with the regulations and other legislation relating to the administration and governance of the Fund. The Pension Fund Board has 4 members representing the employers and 4 trade union members representing the employees.

The Fund, annually, agrees a three-year business plan which sets out the action plan to deliver the key work areas identified to ensure objectives continue to be met and any new legislative requirements are built into work plans. The actions are monitored and reported to the Joint Pension Fund Committee and Pension Fund Board. The key actions completed in 2022/23 were:

- The successful application for membership of the UK Stewardship Code during 2022/23
- Reviewed the Communication Strategy and Action Plan in line with best practice and technological advancements.
- Continued to proactively manage and engage the Fund's Employers with the Annual Employer Liaison Meeting held in March 2023
- Overpayment Policy to improve governance arrangements was approved by Pension Fund Committee in December 2022
- Continued promotion of self service to all active and deferred members including online payslips and P60s
- Pension Fund Committee approval of Governance Policy and Compliance Statement
- Reviewed and updated Responsible Investment Policy and annual reporting.
- Implementation of the decisions taken as part of the 2021/22 Investment Strategy Review including the funding of an allocation with the procured infrastructure manager.

The Guaranteed Minimum Pension reconciliation has also been further delayed, although progress has been made since last year, due to the Pensions Administration team having two new recruits during the year coupled with processing the recalculation of Pensions and Lump Sums following the late settlement of the Scottish Joint Council Pay Award for Scottish Borders Council employees, which was backdated to April 2022. There have been no further legislative changes announced in relation to the remedy for McCloud; the Fund awaits confirmation of the requirements before developing an action plan to avoid repeated requests for information from the Employers.

The Fund has agreed the following key areas of development and improvement within its 2023/24 Business Plan:

- Review the Fund's strategic assets allocation following the results of the 2023 Actuarial Valuation
- Develop and implement an effective Communication Strategy for the Fund
- Review of Employer covenants
- Ensure accuracy of pension records
- Promotion of self-service facility
- System improvements to support home working.
- Review services provided by IT providers to ensure data is secure and adheres to cyber security requirements.

- Review services provided externally to ensure that these represent best value to the Fund.

RISKS AND UNCERTAINTIES

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

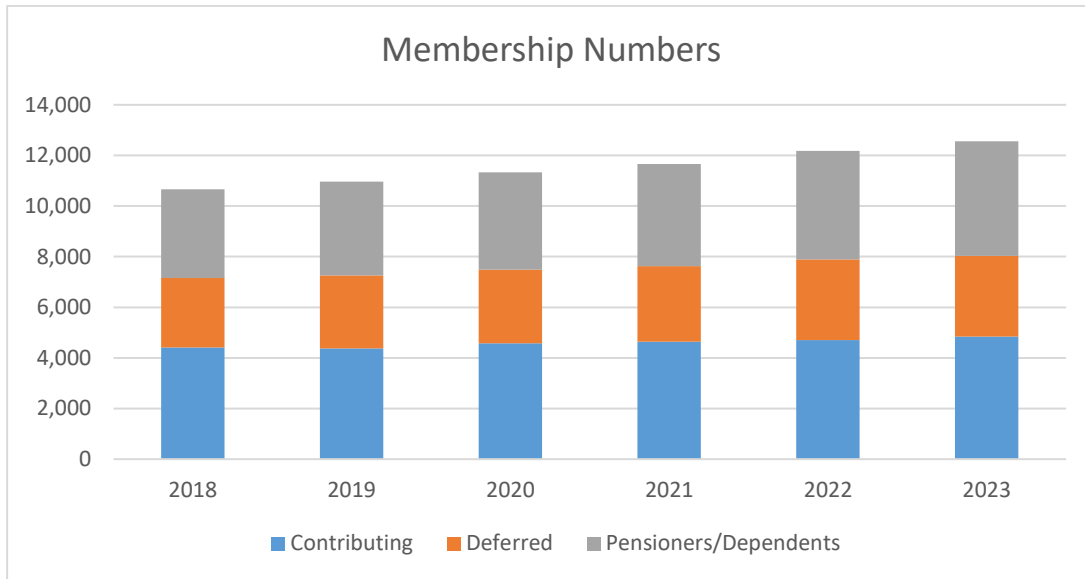
A full risk register is maintained by the Fund in line with CIPFA guidance and the Council's approach to risk management. Each risk identified is assessed for likelihood and impact with no controls in place and after controls are applied. Further controls are identified, and progress monitored and reported to the Joint Pension Fund Committee and Pension Fund Board on a quarterly basis as part of Risk update reports. The Fund currently has 51 identified risks spread over Assets & investments, Employer, Resource & skill, Liability, Administrative, Regulatory & Compliance and Reputation. However, there is an exercise currently being undertaken to review the risk register with a view to recategorizing the risks and reducing the number.

ADMINISTRATION AND MEMBERSHIP

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

The Fund has paid pensions benefits of £28.3m during the year (£25.4m in 2021/22) and received contributions of £24.3m (£22.6m in 2021/22). The Fund had a net withdrawal of £5.1m (£0.1m in 2021/22) during the year which was funded from the investments. Pensions have been paid on time and contributions have been collected in accordance with scheme regulations in all instances. The ability for staff to work from home has allowed the administration function to continue to perform as normal through the adoption of alternative working practices. Further information on the performance of Pension Administration and the Pension Administration Strategy can be found in section 4.

The maturing nature of the Fund is reflected in the membership numbers which are shown in the table over. Overall members at 31 March 2023 increased during the year to 12,561 but active contribution members now only represent 39% of the membership compared to 41% at 31 March 2018. The continued decrease in active members has resulted in the Fund looking to investments to provide income to ensure cash is available to pay the pensions as they are due.



COMMUNICATION

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

FUNDING

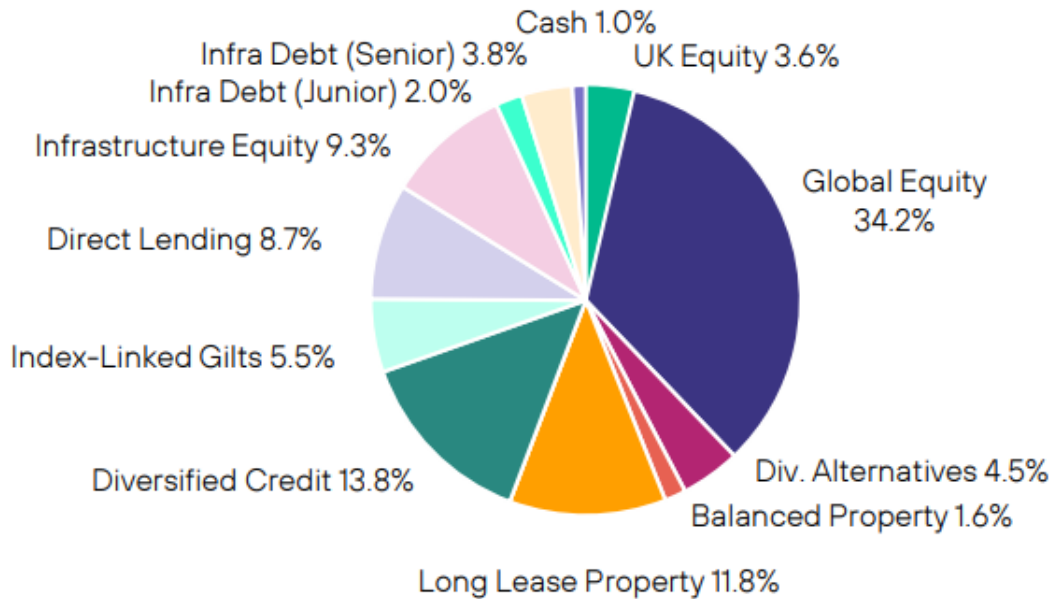
The three yearly Actuarial Valuation for 31 March 2020 was completed in March 2021 which resulted in a funding position of 110% (114% at 31 March 2017) for the Fund. The next formal valuation of the Fund as at 31 March 2023 is currently underway. Interim monitoring has been undertaken between the 2020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

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

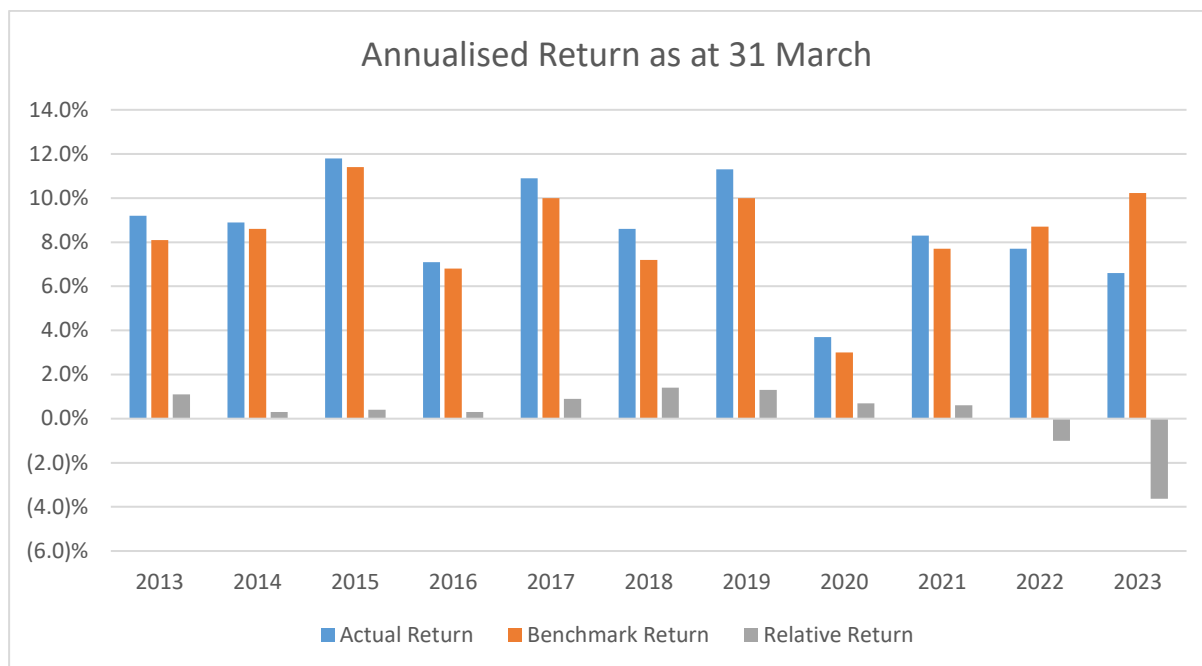
The Funding Strategy Statement approved on 17 March 2022 sets out the approach to funding. Further detail can be found in section 5 of the report and the full version of the Funding Strategy Statement is available via the Fund’s website. [Fund Strategy Statement](#)

INVESTMENT RETURNS

The Fund’s investment objective is to support the Funding Strategy by adopting an investment strategy and structure, which incorporates an appropriate balance between risk and return. Following the 2020 Actuarial Valuation, the Committee approved a revised asset allocation and further refinements were made in March 2023, which is shown in the diagram below. The revised asset allocation further spreads investments over a number of key asset markets, thus further spreading the risk and increasing the diversification of the Fund. Good progress has been made during the year in the implementation of the revised strategy.



The Fund’s investment returns delivered a return of -4.8% (5.9% 2021/22) against a benchmark of 2.3% (10.6% 2021/22) for the year to 31 March 2023. Overall, the Fund’s assets decreased by £43.4m from 31 March 2022. The negative absolute and relative performance over the past 12 months was reflective of the volatile and difficult market conditions. Whilst the Fund’s assets have declined overall, the change in market conditions will have also resulted in a decline in the present value of the Fund’s liabilities, with the expectation being that the net position will be positive for the Fund. The table over details the annualised return for 2022/23.



The 12-month period to 31 March 2023 was defined by heightened inflation and rising interest rates in key developed market regions (US, UK, Europe). Against this backdrop, markets faced a challenging and volatile period as central bank rhetoric and investor sentiment fluctuated.

Work to fully implement the strategy has continued, with equity exposure decreasing and the funds being invested in longer term illiquid assets such as infrastructure equity and residential property.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

The Fund has an overriding obligation to act in the best interest of the scheme beneficiaries. As part of this role the Fund believes that a positive approach to Environmental, Social and Corporate Governance issues can positively affect the financial performance of investments. The Fund has also undertaken a full review of its Responsible Investment Policy and on 17th March 2022 approved 6 key responsible investment objectives. These are.

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

These were left unchanged throughout 2022/23. Work has commenced in the assessment and collection of data to allow reporting and monitoring of SDG13 Climate Change and SDG 7 Affordable & Clean Energy. Due to the lack of robust measurement criteria or data the remaining objectives will be reviewed regularly as data collection is developed.

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

CLIMATE ACTION 100+

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

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

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

ACKNOWLEDGMENT

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

Councillor David Parker
Chair

David Robertson
Chief Executive

Suzanne Douglas CPFA
**Director of Finance &
Procurement**

Pension Fund Committee

Scottish Borders Council

Scottish Borders Council

KEY TRENDS

Membership	2018/19	2019/20	2020/21	2021/22	2022/23
Active Members	4,376	4,573	4,647	4,703	4,842
Deferred Members	2,878	2,909	2,977	3,194	3,187
Pensioners	3,707	3,856	4,040	4,281	4,532
Total Members	10,961	11,338	11,664	12,178	12,561

Investments	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Opening Net Value	685,681	731,048	712,319	859,794	909,381
Movement in year	45,367	(18,728)	147,475	49,587	(43,370)
Closing Net Value	731,048	712,319	859,794	909,381	866,011
Investment Income	13,314	13,938	12,749	17,600	16,284
Investment Fees	5,848	5,296	5,310	5,668	5,682

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Administrative costs	(391)	(363)	(352)	(378)	(450)
Oversight & Governance costs	(289)	(263)	(318)	(349)	(338)
Pensions Income	20,647	21,200	21,727	25,939	25,060
Pensions Expenditure	(24,257)	(26,555)	(28,296)	(26,071)	(30,163)
Net Pensions Cash flow	(3,610)	(5,355)	(6,569)	(132)	(5,103)

SECTION 2

GOVERNANCE

SCHEME ADMINISTRATION

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

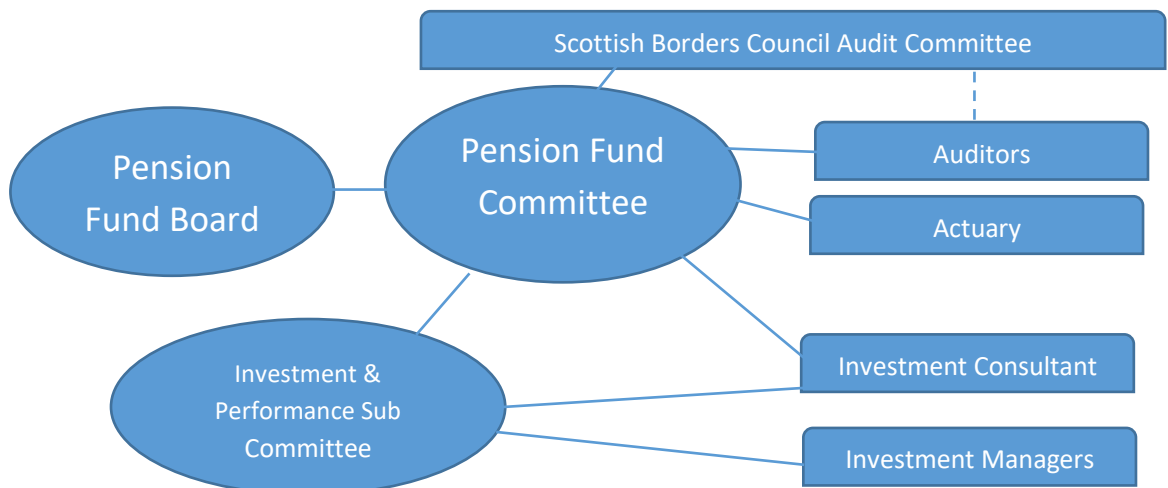
The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Scotland) Regulations 2018. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conducts and register of interests.

Suzanne Douglas – Director of Finance & Procurement is responsible for the financial administration of the Fund.

SCHEME GOVERNANCE

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

Scottish Borders Council Pension Fund Governance:



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

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

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

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

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

Investment Managers – manage the investment portfolios.

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

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

PENSION FUND COMMITTEE

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



Councillor David Parker - Chair



Councillor Simon Mountford – Vice Chair



Councillor Pam Brown
From 26/5/2022



Councillor Watson McAteer
from 26/5/2022



Councillor Carol Hamilton



Councillor Sandy Scott



Councillor Donald Moffat

Councillor Jim Brown to 4/5/2022

Councillor Gordon Edgar to 4/5/2022

PENSION FUND BOARD

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

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

As of 31 March 2023 the Pension Fund Board membership comprised the following:

Employer Representatives:

- Councillor Julie Pirone-Scottish Borders Council from 5/5/2022
- Hazel Robertson – Borders College to August 2022
- Kirsty Robb – Borders College from September 2022
- Laura Steven - Live Borders
- Anthony Daye – South of Scotland Enterprise
- Councillor Sandy Aitchison -Scottish Borders Council 4/5/2022
- Linda Ross -Live Borders to 5/4/2022

Employee Representatives:

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

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

INVESTMENT AND PERFORMANCE SUB-COMMITTEE

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

RISK MANAGEMENT

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

The Risk Register for the Fund has been developed in line with the CIPFA guidance “Managing Risk in the Local Government Pension Scheme” and the Council’s approach to risk management, which assesses risk using a scoring methodology based on likelihood and impact.

A full risk register review was undertaken in May 2022, with monitoring and reporting on a quarterly cycle to the Joint meetings of the Pension Fund Committee and Pension Fund Board. At its March 2023 joint meeting, the Pension Fund Committee and Pension Fund Board agreed to the proposal to refresh the Fund’s Risk Register.

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2023**

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

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

RED -Very High (15-25)

AMBER – High (6-12)

GREEN – Low (1-5)

The one risk remaining as a red assessment ‘After Controls’, as of 31 March 2023, is “Changes in legislation and other regulatory frameworks may impact adversely on the Fund in terms of funding levels and governance structures”. This risk will be reevaluated as part of the approved Fund’s Risk Register refresh. Further actions are required to implement the recommendations set out within the “Review of Governance of the Scottish Borders Council Pension Fund”, which was presented by the Independent Consultant at the December 2022 joint meeting of the Pension Fund Committee and Pension Fund Board.

TRAINING POLICY & PRACTICE STATEMENT

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

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

The Training Policy applies to members of the Pension Fund Committee and the Pension Fund Board. It requires all members to complete the Pensions Regulator’s Toolkit within six months of joining the Pension Fund Board and to attend at least two training events a year. The Training Policy also requires an annual training plan to be agreed.

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2023

On 17 May 2023 a Training Day was organised for members of the Pension Fund Committee, Pension Fund Board and officers of the Council involved in the management of the Fund. The training was carried out in person and comprised of the following areas:

- Funding – preparation for the Actuarial Valuation as of 31 March 2023
- Investment – understanding the strategy for the Fund.
- Administration – how benefits are calculated and member service.
- Governance – understanding the structure of LGPS, roles and responsibilities of the various groups.

All members are also required to attend, as a minimum, two meetings of the joint Pension Fund Committee and Pension Fund Board a year. The table below shows all seven Members of the Pension Fund Committee and all eight members of the Pension Fund Board have met the attendance requirement for 2022/23.

No of meetings	Committee Members		Board Members	
	%	Number	%	Number
5 meetings	43%	3	12%	1
4 meetings	57%	4	50%	4
3 meetings	-	-	38%	3
2 meetings	-	-	-	-
Less than 2	-	-	-	-

ANNUAL GOVERNANCE STATEMENT

The Local Government Pension Scheme (Scotland) Regulations 2018 requires Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The key document summarising the governance arrangements for the Fund is the Governance Policy and Compliance Statement (as amended on 22 June 2023) which is available on the Council's website: [Governance Policy and Compliance Statement 2023](#)

Governance Framework

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

- a) Scottish Borders Council is the Administering Authority for the Local Government Pension Scheme for the Scottish Borders geographical area. The Council has acknowledged its responsibility for ensuring that there is a sound system of governance (incorporating the systems of internal control), and this is reflected in the Council's governance arrangements.
- b) The Council has delegated its responsibilities as Scheme Manager, to the Pension Fund Committee. The Members of the Pension Fund Committee act as quasi-trustees and oversee the management of the Fund. The overall responsibility of ensuring there is a sound system of governance remains with the Chief Executive.
- c) The Pension Fund Board meets jointly with the Pension Fund Committee and formalises the involvement of the employers and trade unions representing the membership. All members of the Pension Fund Committee and Pension Fund Board are covered equally by the Training Policy to give them full opportunity to contribute effectively.
- d) The approval of the Pension Fund Business Plan covering the period 2022/23 – 2024/25, to improve planning and monitoring of the performance of the Fund and to demonstrate the "Myners Principle" relating to effective decision making. The Business Plan supports the delivery of the objectives of the Fund which are to deliver a high-quality pension service to members that is managed effectively, transparently and is compliant. The Business Plan ensures actions are included to address issues raised in the Annual Governance Statement.
- e) The Fund appoints professional advisers and external service providers, covering investment advisory, custodian and actuarial services.
- f) The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and Councillors embodied in procedural standing orders, financial regulations, Scheme of Delegation and Scheme of Administration. This is supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, the system includes comprehensive accounting systems that record income and expenditure for both member and investment activities, regular reviews of investment reports that measure investment returns against agreed benchmarks and targets, and independent performance reviews of the Fund by the investment consultant and performance monitoring service provider.
- g) The Fund follows the Council's approach to risk management and assesses risk using a scoring methodology and subjects the Risk Register to regular review.
- h) The Director of Finance & Procurement is responsible for ensuring the proper administration of the financial affairs of the Fund. This includes ensuring appropriate professional advice is sought and is given to the Fund on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control. The Fund complies with the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2016".
- i) The Director – People, Performance and Change is responsible for the pension benefit policy oversight and day-to-day administration of member benefits in accordance with statutory legislation and the approved Pension Administration Strategy.

- j) The Chief Officer Audit & Risk (Head of Internal Audit) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review in conformance with the Public Sector Internal Audit Standards.
- k) The Fund responds to findings and recommendations of external audit and internal audit, as appropriate. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Review of Framework

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

The review is informed by the work of an officer assessment of the Fund's compliance with the best practice principles, details of which are set out in the Governance Compliance Statement 2022-23 .

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

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

Internal Audit Opinion

The Chief Officer Audit & Risk's opinion is that there are generally sound systems of governance, risk management and internal control operating within the Fund during 2022/23. Some areas for improvement were identified.

During 2022/23 the Internal Audit work included:

- a) An appraisal of the operation of corporate governance and risk management arrangements.
- b) A review of key controls including pension administration and financial management arrangements in place.
- c) A review of business plan objectives and outcomes.

(a) Corporate Governance and Risk Management

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

The Independent Adviser submitted a report 'Review of Governance of the Scottish Borders Council Pension Fund' with recommendations to the December 2022 meeting of the Pension Fund Committee and the Pension Fund Board. Those recommendations relating to Governance should also be considered and implemented. The Internal Audit review of the Fund's Governance Policy and Compliance Statement identified that minor modifications are required to reflect practices that are in operation.

Identifying and managing risk is a cornerstone of effective management and the Risk Register for the Fund has been developed in line with CIPFA guidance “Managing Risk in the Local Government Pension Scheme”. The joint meetings of the Pension Fund Committee and Pension Board received risk management updates on a quarterly basis to demonstrate appropriate scrutiny and oversight of risk management, including in June 2022 the outcomes of a full risk review carried out in May 2022 supported by a full version of the risk register.

A clear relationship exists between risk management and the Business Plan, and the Risk Register incorporates Investment and ESG risks in line with the Policy Framework of the Fund. Overall, the Risk Register for the Fund contains too many risks and requires rationalising to ensure focus on the key risks. At its March 2023 joint meeting, the Pension Fund Committee and Pension Fund Board agreed to the proposal to refresh the Fund’s Risk Register. The Independent Adviser’s recommendations relating to risk should also be considered and implemented as part of the Risk Register refresh process. The latter will be facilitated by the Council’s Corporate Risk Officer to ensure resource is in place to support the refresh of the Fund’s Risk Register.

The Independent Adviser’s recommendations relating to Audit have been implemented during the preparation of the Internal Audit Annual Plan 2023/24 for the Fund, which was approved at the joint Pension Fund Committee and Pension Fund Board meeting on 21 March 2023; specifically, the increase in the allocation of Internal Audit resources needed to deliver the broader range of risk-based work.

The Internal Audit Annual Assurance Report 2022/23 has been used to inform the Fund’s 2022/23 Annual Governance Statement and Governance Compliance Statement. The Internal Audit independent assurance opinion has been incorporated in the Fund’s Annual Governance Statement within the Annual Report and Accounts 2022/23.

(b) Financial Governance and Key Controls

There was testing of pensioner payments within Internal Audit work on Payroll to ensure transactions are valid, complete and accurate, and key controls to prevent fraud and error are operating effectively.

Overpayments of pensions totalled 20 cases amounting to £3k. These can mainly be attributed to the timing issue of payments being prepared ahead of the payment date, and notification being received of a death of a pensioner which would impact the payment. There is a successful process for recovery of these overpayments, which is managed sympathetically. There is a direct link with the DWP “Tell us once” initiative, so a person registering a death would not have to advise the Administration team too. This ensures that all reported deaths in the UK are matched against the Pensioners data sets to give early notifications.

A new Pensions Overpayment Policy has been approved by the joint Pension Fund Committee and Pension Fund Board at its meeting on 13 December 2022. The Pensions Overpayment Policy links to the Financial Regulations to support the sound financial governance arrangements in place.

Pensions data has been submitted as part of the Council’s participation in the National Fraud Initiative (‘NFI’) exercise for 2022/2023. Staff resources are in place to investigate any data matches to ascertain whether these are the result of error or fraud. This will be ongoing during 2023/24.

Ongoing enrolments to the Fund are undertaken by the Council on a monthly basis as part of the payroll run. Any staff meeting the eligibility criteria are enrolled and the appropriate

communication issued at that time. The re-enrolment and re-declaration process occurs every 3 years with the latest being undertaken in September 2022. A total of 48 staff were re-enrolled from a total employed staff of 5,296 at that time. Overall, the Council fully complies with the legislation (the Pensions Act 2008) to ensure that certain staff are automatically enrolled in a workplace pension, therefore mitigating the risk of enforcement action or penalties.

(c) Business Plan Improvements and Developments

The 2022/23 – 2024/25 Business Plan for the Fund was approved by the Pension Fund Committee and Pension Fund Board at the joint meeting held on 29 June 2022. Included within the Business Plan were key objectives and actions with target dates. Having the Business Plan for the Fund is a good way of demonstrating compliance with the 'Myners Principle' relating to effective decision making.

The action plan is split into three objectives which support the strategic aims of the Fund:

- Set levels of employer contributions and investment returns that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund,
- Deliver a High-Quality Pension Service to Members.
- Ensure that the Fund is managed effectively, transparently and in compliance with legal requirements.

A Business Plan Performance Update, outlining progress on the Business Plan actions at mid-year, was presented to the Joint Pension Fund Committee and Pension Fund Board meeting on 13 December 2022. The Business Plan reflects both the Fund's Statement of Investment Principles ('SIP'), and the Pension Fund Committee's Environmental, Social and Governance ('ESG') beliefs and its approach on how ESG factors should be integrated in investment decision-making. The implementation of the ESG responsible investment principles is ongoing as some investment managers require time to adjust to the Fund's policy requirements.

One of the actions is the promotion of the Member Self Service facility ('MSS'). This provides direct access for active and deferred scheme members to view personalised pension data on the portal including the Annual Benefit Statement. Work is ongoing to increase uptake. The implementation of the updated version of MSS on a like for like basis is scheduled in 2023/24, subject to release from the software provider, as are other enhancements being developed.

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

Follow-up on the above will continue as part of the delivery of the approved Internal Audit Annual Plan 2023/24 for the Fund.

Public Sector Internal Audit Standards and Quality Assurance

The 2022/23 annual internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) demonstrates sufficient evidence that the Council's Internal Audit team, which also provides Internal Audit services to the Fund, conforms to the Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

Improvement Areas of Governance

The Pension Fund Committee agrees a three-year Business Plan on an annual basis to ensure the ongoing management and development of the Fund is in line with the longer-term policy, objectives and strategy of the Fund. The Business Plan sets out the key actions and sets timescales of each. The progress of the actions is reported mid-year to the Pension Fund Committee. The actions completed from the 2022/23 business plan are as follows.

- Completion of 2022/23 Training program
- Regular reviews of Risk Register
- No actions arising from the External Audit of the Annual Report & Accounts 2021/22
- Responding to consultations either individually or collectively with other Scottish LGPS Funds
- Signatories of the UK Stewardship Code
- Following the review of Strategic Asset Allocation completed in 2021/22 the implementation of the agreed strategy continued.

The following areas have been identified and included in the 2023/24 action plan submitted to the Joint Pension Fund Committee and Pension Fund Board for approval. These will enhance the existing governance arrangements:

- Continue to develop the knowledge and skills for all members of the Pension Fund Committee and Pension Fund Board
- Updating of all policy and strategy documents in line with the legislative changes
- Review and implementation of The Pension Regulators General Code of Practice
- Comprehensive review of Risk Register
- Complete actions outlined from the UK Stewardship Code and the independent review carried out.

Approved Scottish Borders Council Pension Fund Business Plan 2023/24-2025/26 from the Joint Pension Fund Committee and Pension Board meeting 22 June 2023. [SBC Business Plan Template 2023/24-2025/26](#)

STATEMENT OF RESPONSIBILITIES

COUNCIL'S RESPONSIBILITIES

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

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

Certification

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

Councillor David Parker
Chair
Pension Fund Committee

David Robertson
Chief Executive
Scottish Borders Council

ANNUAL GOVERNANCE COMPLIANCE STATEMENT

The Fund sets out its governance arrangements within the Governance Policy and Compliance Statement (as amended 22 June 2023).

The Local Government Pension Scheme (Scotland) Regulations 2018 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles. The following table contains an assessment of the Fund's compliance with these principles and reflects the changes following the introduction of the Pension Fund Board.

**Scottish Borders Council Pension Fund
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Principle		Full Compliance	Comments
Structure			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	Yes	<p>Scottish Borders Council acts as administering authority for the Pension Fund and delegates its responsibilities as Scheme Manager to the Pension Fund Committee (the 'Committee').</p> <p>The Committee comprises 7 elected Members.</p> <p>The Council's Scheme of Administration sets out the Committee's remit.</p>
B	Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Yes	<p>The Pensions Fund Board (the 'Board') formalises the involvement of the employers and trade unions representing the membership.</p> <p>The Fund's Board has eight members (four employer representatives and four trade union representatives) covering all pension fund members.</p> <p>The Board constitution is in line with the regulations, a copy of which is included in the Fund's Governance Policy and Compliance Statement.</p> <p>The Board meets jointly with the Committee and the Board's Constitution and the Scheme of Administration set out how disputes between the two bodies should be resolved.</p> <p>The Investment and Performance Sub-Committee (the 'Sub-Committee') established under the Committee and its remit is set out in the Scheme of Administration. Membership of the Sub-Committee is seven elected Members from the Committee and two (non-voting) members from the Board.</p>
C	Where a secondary committee or panel has been established, the structure ensures effective	Yes	<p>Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Committee for approval.</p> <p>Two members from the Board and all Members of the Committee are part of the</p>

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2023**

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

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2023**

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

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2023**

Principle		Full Compliance	Comments
	on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.		
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	The training policy for all members of the Board and Committee is approved annually.
C	The administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Annual Training Plan produced and implemented with logs of training attendance maintained.
Meetings (frequency/quorum)			
A	An administering authority's main committee or committees meet at least quarterly	Yes	The joint meetings of the Committee and Board are quarterly.
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment Sub-Committee meets every four months between the joint Committee/Board meetings.
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside	Yes	As lay members attend the Board and Committee meetings this formally provides for stakeholder engagement

**Scottish Borders Council Pension Fund
Annual Report and Accounts for the year to 31 March 2023**

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

SECTION 3

FINANCIAL STATEMENTS

DIRECTOR OF FINANCE & PROCUREMENT RESPONSIBILITIES

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

In preparing the Annual Accounts, the Director of Finance & Procurement has:

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

The Director of Finance & Procurement has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Fund as of 31 March 2023 and the transactions of the Fund for the year then ended. The unaudited accounts were issued on 30th June 2023.

Councillor David Parker

Chair

Pension Fund Committee

Suzanne Douglas CPFA

Director of Finance & Procurement

Scottish Borders Council

FUND ACCOUNT for year ending 31 March 2023

2021/22 £'000		2022/23 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme:		
22,593	Contributions	24,318	7
3,346	Transfers in from other pension funds	742	8
25,939		25,060	
(25,390)	Benefits	(28,281)	9
(681)	Payments to and on account of leavers	(1,882)	10
(26,071)		(30,163)	
(132)	Net Additions/(Withdrawals) from Dealings with Members	(5,103)	
(6,395)	Management expenses	(5,997)	11
	Return on Investments:		
17,600	Investment Income	16,284	12
40,765	Profits and (Losses) on Disposal of Investments and Changes in the Market Value of Investments	(49,598)	
(387)	Taxes on Income	(498)	
57,978	Net Return on Investments	(33,812)	
51,451	Net Increase/(Decrease) in the Fund during the Year	(44,912)	
859,694	Opening Net Assets of the Scheme	911,145	
911,145	Closing Net Assets of the Scheme	866,233	

Note 1-29 form part of the Financial Statements

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

NET ASSETS STATEMENT as of 31 March 2023

2021/22 £'000		2022/23 £'000	Notes
910,784	Investment Assets	866,189	14
(1,403)	Investment Liabilities	(178)	14
909,381	Total net investment	866,011	
	Current Assets & Liabilities		
4,174	Current Assets	2,347	21
(2,410)	Current Liabilities	(2,125)	22
1,764		222	
911,145	Net Assets of the Fund available to fund benefits at the period end	866,233	

Notes 1 to 28 form part of these financial statements.

The Net Assets Statement represents the value of assets and liabilities as at 31 March 2023 (excluding liability to pay pensioners).

The unaudited accounts were issued on 30 June 2023 and the audited financial statements were authorised for issue by Suzanne Douglas on 28th September 2023.

Suzanne Douglas CPFA
Director of Finance & Procurement
Scottish Borders Council

NOTES TO THE ACCOUNTS

1 DESCRIPTION OF THE FUND

A) General

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

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

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

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

Organisations participating in the Fund include:

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

B) Funding

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

The Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions. For 2022/23 this was based on the valuation undertaken as at the 31 March 2020, as amended by specific changes, agreed by the Committee relating to an individual employer. The overall contribution rate was 18% for the Fund as a whole; however, employers' contribution rates during 2022/23 ranged from 18% to 22%.

Contributions from active members of the Fund are paid on a tiered basis, the contribution rate being determined by the amount of salary falling into each earnings tier. These rates are made in accordance with the 2008 Regulations and ranged from 5.5% to 12.0% of pensionable pay for the financial year ended 31 March 2023. From 1 April 2015 these contributions are based on the LGPS Regulations 2018 in line with the updated LGPS Scheme.

C) Benefits

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

The table below gives a summary of the scheme benefits:

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

- Annual revaluation and pensions increase in line with CPI inflation.
- Partners and dependents pensions
- Ill health protection
- Death in service protection

Further details can be found on the Fund's website. [Scottish Borders Council Pension Fund](#)

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 2022/23 financial year and its position as at the 31 March 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements also present the net assets available to pay pension benefits. These do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. Local authorities responsible for administering a Pension Fund that forms part of the LGPS are required by The Local Government Pension Scheme (Scotland) Regulations 2018 to publish a Pension Fund Annual Report, which is required to include a Fund Account and Net Assets Statement prepared in accordance with proper accounting practices.

The accounts have been prepared on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account

Accruals Basis

In accordance with the Code, the Fund's Financial Statements are generally prepared on an accruals basis. The Net Assets Statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly.

Contributions Income

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

Transfers to and from other schemes

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

Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Benefits Payable

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

Taxation

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

Administration Expenses

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

Investment Management Expenses

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

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

Net Assets Statement

Valuation of Investments

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

- Market-quoted investments – Investments listed on recognised Stock Exchanges are valued at the bid price on the close of business on 31 March.
- Unquoted investments – directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities

typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

- Pooled investment vehicles – holdings in pooled investment vehicles, which are not traded on active markets are stated at bid price for funds with bid/offer spreads, or single price values where there are no bid/offer spreads, as at 31 March. Shares in other pooled arrangements have been valued at the latest available net asset value ('NAV'), determined in accordance with fair value principles. Private equity/debt and infrastructure assets are independently valued by the appointed Fund Manager and General Partners. Fair value is calculated by applying Private Equity and Venture Capital Valuation Guidelines.

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

Foreign Currency Transactions

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

Derivatives

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

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

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

Cash and Cash Equivalents

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

Actuarial Present Value of Promised Retirement Benefits

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

Additional Voluntary Contributions ('AVCs')

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

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

Accounting Standards that were issued but not yet adopted.

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Fund Liability

The Fund liability is calculated every three years by the appointed Actuary (currently Hymans Robertson), with annual updates in the intervening years. The methodology used is in line with the accepted guidelines and in accordance with IAS 26. Assumptions underpinning the valuations are agreed with the Actuary and are summarised on note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the financial statements at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of Promised Retirement Benefits (Note 20).	Estimation of the net liability to pay pensions in the future depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson is engaged to provide the Fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <ul style="list-style-type: none"> - A 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £13m. - A 0.1% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £12m. - A 0.1% increase in the long-term rate of salary increase would increase value of the liabilities by £1m, and - A 1-year increase in assumed life expectancy would increase the liability by £27m <p style="text-align: right;"><i>Source – IAS26 report 2023</i></p>
Portfolio of Level 3 assets held	Level 3 assets are those which do not have observable market data. The valuations are provided by administrators of the funds and are validated by independent administrators. Such valuations are prepared in accordance with the valuation principles of IFRS and GAAP. There is, however, a degree of estimation involved in the valuations.	The total assets held in Level 3 £344.4m and include Private Credit, Property, Infrastructure and Alternatives. Assurance has been obtained over the year end values. The value could move materially over the next few months depending on the market. Based on historical data and current market trends actual valuation could be between £379.1m and £309.7m

6 EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may 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; and
- Those that are indicative of conditions that arose after the reporting period - the annual accounts are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events are disclosed in the notes.

There are no known events since 31 March 2023 which directly affect these accounts.

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7 CONTRIBUTIONS RECEIVABLE

2021/22				2022/23		
Employers	Members	Total		Employers	Members	Total
£'000	£'000	£'000		£'000	£'000	£'000
17,030	5,506	22,536	Normal	18,184	5,988	24,172
42	-	42	Special/Pension Fund Strain	138	-	138
-	15	15	Additional Voluntary	-	8	8
17,072	5,521	22,593	Total	18,322	5,996	24,318

2021/22		2022/23
£'000		£'000
18,597	Administering Authority	20,203
989	Scheduled Bodies	1,019
3,007	Admitted Bodies	3,096
22,593		24,318

8 TRANSFERS IN

There were no group transfers into the scheme during 2022/23 or 2021/22 and the total of £0.742m (2021/22: £3.346m) represents the total of transfer values in respect of individual members joining the scheme.

9 BENEFITS PAYABLE

2021/22		2022/23
£'000		£'000
20,410	Pension Payments	21,878
4,254	Commutation and lump sum retirement benefits	5,382
726	Lump Sums death benefits	1,021
25,390		28,281

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2021/22		2022/23
£'000		£'000
22,361	Administering Authority	25,317
845	Scheduled Bodies	658
2,184	Admitted Bodies	2,306
25,390		28,281

10 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2021/22		2022/23
£'000		£'000
82	Refunds to members leaving service	147
599	Individual Transfers	1,735
-	Group Transfers	-
681		1,882

11 MANAGEMENT EXPENSES

2021/22		2022/23
£'000		£'000
378	Administrative costs	450
5,668	Investment management expenses	5,209
349	Oversight and governance costs	338
6,395	Total	5,997

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11(a) Investment Management Expenses

	Total	Management fees	Transaction cost
2022/23	£'000	£'000	£'000
Equities	535	508	27
Pooled Investments	2,986	2,289	697
Private Equity/Infrastructure	845	653	192
Property	770	465	305
Total	5,136	3,915	1,221
Custody fees	73		
Total	5,209		
	Total	Management fees	Transaction cost
2021/22	£'000	£'000	£'000
Equities	1,035	772	263
Pooled Investments	2,290	1,648	642
Private Equity/Infrastructure	1,400	1,274	126
Property	880	442	438
Total	5,605	4,136	1,469
Custody fees	63		
Total	5,668		

12 INVESTMENT INCOME

2021/22		2022/23
£'000		£'000
2,931	Dividends from equities	1,758
8,523	Income from Pooled Investment vehicles	7,831
6,146	Income from Pooled Property Investment vehicles	6,279
0	Interest on Cash Deposits	416
17,600		16,284

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13 OTHER FUND ACCOUNT DISCLOSURES

13(a) External Audit Costs

In 2022/23 the agreed audit fee for the year was £24,880 (2021/22 £22,110). The external auditor is Audit Scotland.

14 INVESTMENTS

Market Value at 31 March 2022 £'000		Market Value at 31 March 2023 £'000
	Investment Assets	
140,492	Equities	134,074
212,653	Pooled Equities	187,761
184,351	Pooled Bonds	165,909
116,036	Pooled Other	114,094
139,927	Pooled Property Investments	114,749
86,838	Private Equity/Infrastructure	130,036
-	Diversified Alternatives	-
-	Derivative Contracts	-
28,737	Cash Deposits	18,694
858	Investment Income Due	817
892	Amounts receivable for sales	55
910,784	Total Investment Assets	866,189
	Investment Liabilities	
(1,403)	Amounts payable for purchases	(178)
909,381	Net Investment Assets	866,011

14(a) Reconciliation of Movement in Investment and Derivatives

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

	Opening Market Value 1 April 2022 £'000	Purchases & Derivative Payments £'000	Sales & Derivative Receipts £'000	Change to Market value during year £'000	Closing Market Value 31 March 2023 £'000
Equities	140,492	21,407	(19,906)	(7,919)	134,074
Pooled Investments	513,040	33,968	(57,116)	(22,128)	467,764
Pooled Property Investments	139,927	-	(1,897)	(23,281)	114,749

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Private Equity/Infrastructure	86,838	42,847	(3,351)	3,702	130,036
Derivative Contracts	0	-	(1)	1	-
	880,297	98,222	(82,271)	(49,625)	846,623
Other Investment Balances					
Cash Deposits	28,737			21	18,694
Amount receivable for sales	892			2	55
Investment Income due	858				817
Spot FX Contract	-			5	
Amount Payable on Purchase	(1,403)			(1)	(178)
Net Investments	909,381			(49,598)	866,011

As per CIPFA disclosures, the change to market value during year intentionally does not balance opening/closing market values.

Significant Transactions during the year:

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

14(b) Investment Analysed by Fund Managers

Investment management was undertaken on behalf of the Fund during the financial year by 11 firms of investment managers (this excludes the managers used through the collaboration with the Lothian Pension Fund ('LPF')) and these are shown below. The Fund has also during 2022/23, continued to make investments into Infrastructure, via collaborative working with the Lothian Pension Fund and directly with Macquarie and IFM. As at 31 March 2023 the market value of the assets under management, broken down by manager and mandate (including cash held within each mandate) was:

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31 March 2022				31 March 2023	
£'000	%			£'000	%
29,134	3.2	Baillie Gifford	UK Equities	31,138	3.6
114,705	12.6	Baillie Gifford	Global Equities	106,205	12.3
118,980	13.0	Morgan Stanley	Pooled Fund - Global Equities	95,028	11.0
93,673	10.3	LGIM	Pooled Fund – Passive Global Equities	92,733	10.7
117,271	12.9	M&G	Pooled Fund - Diversified Income	118,834	13.7
67,080	7.3	M&G	Pooled Fund - Bonds	47,075	5.4
26,563	2.9	UBS	Pooled Fund - Property	13,664	1.6
121,500	13.3	BlackRock	Pooled Fund – Property	101,188	11.7
67,882	7.4	LGT	Pooled Fund - Alternatives	38,833	4.5
31,517	3.5	Partners Group	Pooled Fund – Private Credit	48,306	5.6
15,578	1.7	Permira	Pooled Fund – Private Credit	26,096	3.0
33,787	3.7	LPF	Infrastructure Equity	49,628	5.7
53,053	5.8	Macquarie	Pooled Fund -Infrastructure Debt	49,873	5.8
0	0	IFM	Pooled Fund – Infrastructure Debt	30,535	3.5
18,658	2.4	Internal	Internally Managed Cash & Investments	16,875	1.9
909,381				866,011	

The benchmarks and performance targets for each manager as at the 31 March 2023 are contained in the Statement of Investment Principles published on the Fund's website.

Investments representing more than 5% of Net Assets

The value of the following investments exceeds 5% of the total value of the net assets of the Fund at 31 March 2023. Each of the investments comprises units in a managed fund.

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	As at 31 March 2022		As at 31 March 2023	
	£'000	% of Fund	£'000	% of Fund
M&G Alpha Opportunities Fund	117,271	12.9	118,834	13.7
BlackRock – Long Lease Property	121,500	13.4	101,188	11.7
Morgan Stanley Global Brands Fund	118,980	13.0	95,028	11.0
LGIM – Future World Global Equity Index	93,673	10.3	92,733	10.7
Macquarie	53,053	5.8	49,873	5.8
Partners Group	31,517	3.5	48,306	5.6
M&G Index Linked	67,080	7.3	47,075	5.4

Fund Performance

The total Fund return for the year was -4.8% with a relative return under benchmark of 2.3%. Over three years the Fund has generated an annualised return of 6.6% per annum, with a relative return under benchmark of 10.2% per annum. Further information on this is contained in Section 6 - Investments.

14(c) Stock Lending

The Fund may participate in the stock lending programme managed by its Global Custodian, Northern Trust. All loans are fully collateralised. As at 31 March 2023 stock with a market value of £3.6m was on loan.

14(d) Property Holdings

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

15 ANALYSIS OF DERIVATIVES

There were no derivatives held at 31 March 2023 or 31 March 2022.

16 FAIR VALUE BASIS OF VALUATION

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

1. Level 1 - are those where fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities and unit trusts. Prices are quoted at bid prices.
2. Level 2 - are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

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Level 3 - are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

16(a) Fair Value Hierarchy

Values as at 31 March 2023	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
Equities	134,074	0	0	134,074
Pooled Investments	260,937	93,626	113,201	467,764
Pooled Property Investments	0	13,563	101,186	114,749
Private Equity/Infrastructure	0	0	130,036	130,036
Cash Deposits	18,694	0	0	18,694
Other Investment assets	0	0	0	0
Investment Income due	817	0	0	817
Amounts receivable for sales	0	55	0	55
Net Investment Assets	414,522	107,244	344,423	866,189
Financial liabilities at fair value through profit & loss				
Payable for investment purchase	0	(178)	0	(178)
Total	414,522	107,066	344,423	866,011

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Values as at 31 March 2022 (restated)	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
Equities	139,802	-	690	140,492
Pooled Investments	303,330	94,835	114,875	513,040
Pooled Property Investments	-	18,610	121,317	139,927
Private Equity/Infrastructure	-	-	86,838	86,838
Cash Deposits	28,737	-	-	28,737
Investment Income due	-	-	-	-
Amounts receivable for sales	858	-	-	858
Net Investment Assets	-	892	-	892
Financial liabilities at fair value through profit & loss	472,727	114,337	323,720	910,784
Payable for investment purchase		(1,403)		(1,403)
Total	472,727	112,934	323,720	909,381

The note was updated to reflect a movement of Level 3 investments from private equity/infrastructure to pooled investments following updated information from Northern Trust.

16(b) Transfers between Levels 1 and 2

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

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

	Market Value 31 March 2022 £'000	Transfer in to level 3 £000	Purchases during year & derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31 March 2023 £'000
Overseas Venture Capital	9,904	0	11,337	(2,150)	821	1,671	21,583
Overseas Equity Funds	67,883	0	0	(30,000)	(6,833)	7,750	38,800
Private Credit Funds	46,993	0	33,290	(6,769)	1,234	(346)	74,402
UK Property	121,317	0	0	(458)	(19,673)	0	101,186
UK Venture Capital	76,933	0	32,119	(1,201)	601	0	108,452
Overseas Equities	690	0	0	(215)	140	(615)	0
TOTAL	323,720	0	76,746	(40,793)	(23,710)	8,460	344,423
	Market Value 1 April 2021 £'000	Transfer in to level 3 £000	Purchases during year & derivative payments £'000	Sales during the year and derivative receipts £'000	Unrealised gains/ (losses) £'000	Realised gains/ (losses) £'000	Market Value 31 March 2022 £'000
Overseas Venture Capital	9,985		2,063	(3,264)	391	729	9,904
Overseas Equity Funds	59,822		34	-	8,027	-	67,883
Private Credit funds	50,916		10,508	(13,806)	(440)	(185)	46,993
UK Property	65,505		54,265	(7,909)	8,656	800	121,317
UK Venture Capital	59,705		15,696	(2,146)	3,170	508	76,933
Overseas Equities	-	830	-	-	(140)	-	690
TOTAL	245,933	830	82,566	(27,125)	19,664	1,852	323,720

There have been no funds transferred to Level 3 during the year.

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

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

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Sensitivity of Assets Valued at Level 3

Having considered historical data and current market trends, and consulted with independent advisors, the Fund has determined the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-) %	Value at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Overseas Venture Capital	15.0	21,583	24,820	18,346
Overseas Equities Fund	13.5	38,800	44,038	33,562
Private Credit	10.5	74,402	82,214	66,590
UK Property	8.0	101,186	109,281	93,091
UK Venture Capital	9.5	108,452	118,755	98,149
Overseas Equities	5.5	0	0	0
Total		344,423	379,108	309,738

17 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2022				31 March 2023		
Fair value through profit & loss £'000	Financial Assets at amortised cost £'000	Financial Liabilities at amortised cost £'000		Fair value through profit & loss £'000	Financial Assets at amortised cost £'000	Financial Liabilities at amortised cost £'000
			Financial assets			
140,492	-	-	Equities	134,074	-	-
513,040	-	-	Pooled Investments	467,764	-	-
139,927	-	-	Pooled Property Investments	114,749	-	-

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86,838	-	-	Infrastructure	130,036	-	-
-	28,737	-	Cash	-	18,694	-
-	858	-	Other Investment balances	-	817	-
-	892	-	Debtors	-	55	-
880,297	30,487	-		846,623	19,566	
			Financial Liabilities			
-		(1,403)	Creditors	-		(178)
		(1,403)	Total			(178)
909,381				866,011		

17(a) Net Gains and Losses on Financial Instruments

31 March 2022		31 March 2023
£000		£000
	Financial assets	
41,089	Designated at fair value through profit & loss	(49,625)
11	Loans & receivables	28
	Financial Liabilities	
1	Fair value through profit & Loss	0
(336)	Loans & receivables	(1)
40,765	Total	(49,598)

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

18 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity

for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

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

Market Risk

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

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

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Asset Type	Potential Market Movement %
UK Equities	20.5
Global Equities	20.3
UK Bonds	11.8
Property	8.6
Alternatives	10.5
Cash	1.5

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

Asset Type	Value as at 31 Mar 23 £'000	+/- % Change *	Value on Increase £'000	Value on Decrease £'000
UK Equities	31,138	20.5	37,521	24,755
Global Equities	293,966	20.3	353,641	234,291
UK Bonds	47,075	11.8	52,630	41,520
Property	114,852	8.6	124,729	104,975
Alternatives	372,134	10.5	411,208	333,060
Cash	6,846	1.5	6,949	6,743
Total Assets	866,011		986,678	745,344

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

Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below and includes investment and operational cash balances. These disclosures present interest rate risk based on the underlying financial assets at fair value:

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Asset Type	At 31 March 2022 £'000	At 31 March 2023 £'000
Cash and Cash Equivalents	21,310	8,659

Interest rate risk sensitivity analysis

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

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

Asset Type	Value as at 31 Mar 23 £'000	Effect on Asset Values	
		Favourable Rate Move + 100 BPS £'000	Unfavourable Rate Move -100 BPS £'000
Cash and Cash Equivalents	8,659	87	(87)

Currency Risk

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

The following table summarises the Fund's currency exposure at 31 March 2023:

Currency exposure by asset type	As 31 March 2023 £'000
Overseas Equities	101,855
Overseas Fixed Income Funds	118,834
Overseas Equity Funds	226,561
Overseas venture capital	21,583
Total	468,833

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Currency risk – sensitivity analysis

Asset Type	Value as at 31 March 23 £'000	+/- % Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	101,855	9.5	111,531	92,179
Overseas Fixed income	118,834	8.3	128,697	108,971
Overseas Equity Funds	226,561	9.4	247,858	205,264
Overseas venture capital	21,583	8.8	23,482	19,684
Total Assets	468,833		511,568	426,098

Credit Risk

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

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

The Fund believes it has managed its exposure to credit risk, and the Fund has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its internal treasury management arrangements at 31 March 2023, including current account cash, was £2.2m (31 March 2022: £2.9m). This was held with the following institutions:

	Rating	Balance at 31 March 2022 £'000	Balance at 31 March 2023 £'000
Bank Current Accounts			
Royal Bank of Scotland	A+	2,967	2,160
Northern Trust	AA	18,343	6,499
Total		21,310	8,659

Liquidity Risk

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

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

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The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2023, the Fund's illiquid assets under this definition are some of the Property fund of funds holdings and the infrastructure holdings.

19 FUNDING ARRANGEMENTS

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

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

2020 Actuarial Valuation

The 2020 Actuarial Valuation was undertaken for the Fund as at 31 March 2020 (full report available on the Fund's website) [Actuarial valuation report - 2020](#). The Actuarial Valuation was completed during the financial year 2020/21 by the Fund's actuaries, Hymans Robertson. It has been undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018.

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

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

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

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

Valuation Assumptions

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

Financial Assumptions

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

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

Demographic Assumptions

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

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

Commutation Assumption

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

50:50 option

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

20 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

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

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	Net Pension Asset/(Liability) as at:		
	31 March 2021 £m	31 March 2022 £m	31 March 2023 £m
Present value of the defined benefit obligations	(1,088)	(1,057)	(731)
Fair Value of Fund Assets* (bid value)	860	909	866
Net Asset/(Liability)	(228)	(148)	135

* Please note the Employer's fair value of plan assets is approximately 85% of the Fund's total.

The McCloud judgement, which relates to age discrimination arising from public sector pension scheme transition arrangements has been included in the obligations figures above. The obligations also include a calculation for the Guaranteed Minimum Pension ('GMP') equalisation which guidance from Treasury is awaited. The GMP reconciliation exercise is still ongoing but is unlikely to be significant, no allowance has therefore been made in the obligations. The allowance included in the obligations is used for statutory accounting purposes by the Fund and complies with the requirements of IAS 26. The assumptions underlying the figure are detailed below:

	At 31 March 2021	At 31 March 2022	At 31 March 2023
	% p.a.	% p.a.	% p.a.
Discount Rate	2.00	2.70	4.75
Pay Increases – Long Term	3.55	3.90	3.65
Pension Increases	2.85	3.20	2.95

As noted above, liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2020 Actuarial Valuation (see Note 19) because IAS 19 stipulates a discount rate, rather than a rate that reflects the market rate for investment returns on the Fund's assets.

21 CURRENT ASSETS

Current Assets	As 31 March 2022 £'000	As 31 March 2023 £'000
Short term debtors		
Contributions Due – Employees	22	0
Contributions Due - Employers	67	0
	89	0
Transfer value receivable (joiners)	1,013	73
Sundry Debtors	13	0
Prepayments	92	114
Total	1,207	187
Cash Balances	2,967	2,160
Total	4,174	2,347

22 CURRENT LIABILITIES

Current Liabilities	As 31 March 2022 £'000	As 31 March 2023 £'000
Transfer value payable (leavers)	258	272
Sundry Creditors	1,582	987
Benefits payable	570	866
Total	2,410	2,125

23 ADDITIONAL VOLUNTARY CONTRIBUTIONS ('AVCs')

AVCs are invested separately from the main Fund, securing additional benefits on a money purchase basis for those members that have elected to contribute. All AVCs are managed by Standard Life and the value at 31 March 2023 was £2.285m (2022 £1.949m). During the year contributions in totalled £0.653m, while payments out of the AVC fund totalled £0.299m. In accordance with regulation 4(2)(b) of the Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (SI 2010/233), AVCs are not included in the Pension Fund balance sheet.

24 AGENCY SERVICES

There are no agency service agreements in place.

25 RELATED PARTY TRANSACTIONS

During the year, the Fund had an average balance of £0.7m (2022: £1.40m) of cash administered by Scottish Borders Council within separate external banking arrangements. The Council charged the Pension Fund £0.320m (2022 £0.320m) in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Fund

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balance due to Scottish Borders Council by the Fund at the balance sheet date and disclosed in the net assets statement was as follows:

As at 31 March	2022 £'000	2023 £'000
Due (to)/from Scottish Borders Council	(50)	(253)

Governance

Five members of the Pension Fund Committee were active members of the Pension Fund as at 31 March 2023. Two members of the Pension Fund Committee were in receipt of pension benefits from the Fund.

26 KEY MANAGEMENT PERSONNEL

The key management personnel, of the Fund during 2021/22 was Scottish Borders Council Director - Finance & Corporate Governance. During 2022/23 this continued from April to July, from August this management responsibility passed to the Council's Acting Chief Financial Officer. Total remuneration payable is set out below.

As the Fund does not employ any staff directly a full remuneration report is not required.

31 March 2022 £000's		31 March 2023 £000's
113	Short-term benefits	102
-	Post-employment benefits	-
5	Other long-term benefits	10
-	Termination benefits	-
118	Total	112

The figures above reflect the full remuneration as reported in Scottish Borders Council Accounts. The Fund is recharged 10% of the above posts.

27 CONTINGENT ASSETS

One of the admitted body employers in the Fund holds an insurance bond to guard against the possibility of being unable to meet their pension obligations. This bond is drawn in favour of the Fund and payment will only be triggered in the event of employer default.

28 CONTINGENT LIABILITES

Guaranteed Minimum Pension Equalisation

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation. As guidance has not yet been issued by the Treasury it is not possible to quantify the impact this will have on the Fund at this time, however, an allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 March 2023 accounts.

Guaranteed Minimum Pension Reconciliation

The exercise known as GMP Reconciliation to reconcile HM Revenue contracted out records with those of pension funds is reaching a conclusion. The full cost implication of this is not yet known. Scottish Ministers legislated that any LGPS pensions that have been overpaid due to incorrect GMPs being held should not be reduced. Final information has been received from HMRC and the outstanding cases will be added to the Pensions Administration System, this has been delayed since 2021-22 due to other competing priorities.

Goodwin

The Goodwin tribunal relates to a recent employment tribunal that changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e., where the female member died) on or after 5 December 2005. It is too early to know what the likely effect may be on LGPS members' benefits at this time.

SECTION 4

ADMINISTRATION

PENSION ADMINISTRATION STRATEGY

The Pension Administration Strategy approved in 14 December 2021 sets out the procedures and performance standards required by both Scottish Borders Council, as Administering Authority and the employers with the Fund. The procedures and performance standards are agreed to ensure the efficient and effective administration of the pension scheme. The strategy aims to ensure that.

- A high-quality pension service is delivered to all scheme members.
- Pension benefits are paid accurately and on time.
- Successful partnership working develops between the Fund and its employers.
- Performance standards are understood, achieved and reported; and
- Performance and service delivery comply with the Local Government Pension Scheme (LGPS) regulations, other related legislation and the Pensions Regulator's Codes of Practice.

PERFORMANCE

The Pension Administration Strategy sets out the statutory responsibilities of Scottish Borders Council as the Administering Authority. Service standards and key performance measures are agreed. The performance against these agreed standards and measures are reported annually to the Pension Fund Committee and Pension Fund Board.

The performance for the year to 31 March 2023 is set out below.

Employer Performance Measures

Service Standards

Standard – target completion 90%	Volume	%age Met
New starts notification – within 20 working days	905	100%
Change notification – within 20 days	950	100%
Retirement info – at least 20 working days before	158	100%
Early leaver notification – within 20 working days	571	100%
Death in service notification – within 10 working days	4	100%

Contribution Payments

The following tables compare the date contribution payments are received against the target date, of 19th of the month, for each of the Scheduled and Active Admitted Bodies.

Employer Body	By Target Date	Late	% On Time
Scottish Borders Council	12	-	100%
Visit Scotland	12	-	100%
Borders College	12	-	100%
Scottish Borders Housing Association	12	-	100%

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Jedburgh Leisure Facilities Trust	12	1	91.67%
Borders Sport and Leisure Trust	12	-	100%
AMEY Community Limited	12	-	100%
SB Cares	12	-	100%
CGI	12	-	100%
South of Scotland Enterprise	13	-	100%

There was one late payment during the year, this payment was received one day later than the required date, we will monitor this employer going forward and take appropriate action should this occur again in the future.

Administering Authority Performance Measures

Service Standards

Standard	Volume	Target	%age Met
Estimates – Transfer In	130	20 days	69.23%
Estimates – Transfer Out	55	20 days	72.72%
Estimate – All Other	1,417	10 days	

With the continuation of hybrid working staff, it was accepted that it was not going to be possible to record all queries received as in previous years. We also saw a further move to more queries coming in via email and Members Self Service, which is reflected in the table below.

Type of Query	Volume	Target	%age Met
Phone Calls logged	84	5 days	100%
Phone Calls to team	3,388	Not measured	
Emails to pensions@scotborders.gov.uk mailbox	9,880	Not measured	
Emails to team members directly	7,704	Not measured	
Correspondence via Members Self Service	1,921	Not measured	
Total	22,977		

Other Measures

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	21 March 2023
Benefit Statements	by end of August	Issued by 24 August 2022

The eighth liaison meeting, held virtually, with all Admitted and Scheduled Bodies took place during 2022/23 and re-enforced the changes that had been made to the annual reporting with the Fund Actuary from the 2020/21-year end and afforded the employers the chance to ask questions to the Pensions Team. Going forward we will continue to hold the liaison meeting towards the end of the financial year where we will discuss up-coming legislative changes and requirements for the year end processing.

The Annual Benefit Statements for Active and Deferred were loaded into the Member Self Service (MSS) portal. Communications were issued via the scheme employers to alert scheme members that this was now available. All Deferred Members have been invited to sign up for MSS and were advised that they will be published online going forward. There have been regular reminders issued to those not yet signed up and requests made via employers to encourage their scheme members to sign up. This will be an ongoing exercise.

Key Administration Tasks

Task	Total received
New entrants	836
Early leavers	571
Retirements	317
Deaths in service	4
Deaths in deferment	4
Deaths in retirement	129
New Widows(ers), Child Pensions	51
Estimates	1,417
Pension credit members	0
Pay all Pensioners on 15th of the month or prior working day when 15th is a non-banking day	100% achieved

Member Self Service Statistics

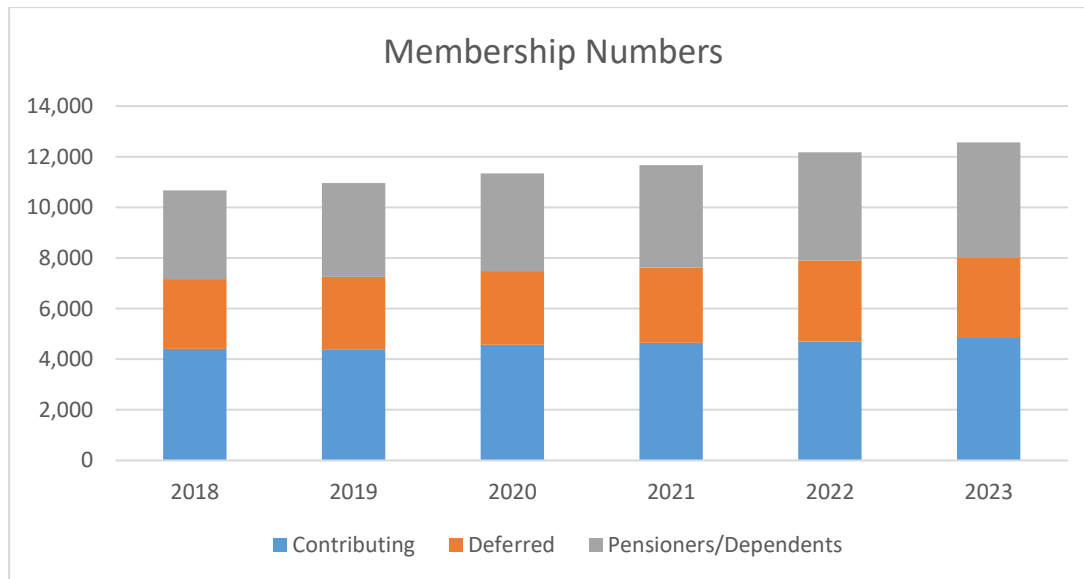
Task	Total Active	Target	% Completed in target
Active Members	4,842	100%	28.14%
Deferred Members	3,187	100%	
Benefit calculations run	16,715		

MEMBERSHIP

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Teachers are not included as they are enrolled as members of schemes managed and administered by the Scottish Public Pension Agency.

The current membership of the Fund is 12,561, of which 4,842 are actively contributing and 4,532 are in receipt of their benefits. The table over provides a summary of the trends in membership:



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There are 17 employer organisations with the Fund including the Council itself. Membership by employer is analysed in the table below.

Membership Details as at 31 March 2023	Number of Contributors	Pensioners	Deferred Members	Total
Scheduled Bodies:				
Scottish Borders Council	4,327	4,158	2,899	11,384
Borders College	192	113	94	399
	4,519	4,271	2,993	11,783
Scottish Borders Housing Association	53	116	73	242
LIVE Borders	103	76	86	265
Jedburgh Leisure Facilities Trust	2	2	-	4
Amey Community Limited (TUPEE Staff only)	2	11	1	14
CGI (TUPEE Staff only)	24	10	8	42
South of Scotland Enterprise	139	1	3	143
	323	216	171	710
Gala Youth Project	-	2	-	2
Scottish Borders Careers	-	3	1	4
L&B Community Justice Authority	-	3	6	9
BC Consultants	-	17	13	30
Others	-	20	3	23
	-	45	23	68
Total	4,842	4,532	3,187	12,561

COMMUNICATION POLICY AND PERFORMANCE

COMMUNICATION POLICY

The Fund approved the current Communications Policy on 15 September 2022. The overall aim of the Communications Policy is to provide communication in an efficient manner to all stakeholders, ensuring that it is: -

- Delivered in a timely efficient and effective manner.
- Provides relevant content to the audience, with a clear purpose and message.
- Well written, avoiding being of a technical nature wherever possible based on the differing needs of the stakeholders.
- Becoming increasingly digital

The objective of this policy is to ensure that: -

- Pension regulations and the policies of the Fund are communicated in a clear and informative manner.

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- Benefits of the scheme are promoted to ensure this is recognised as an integral part of the employee reward package.
- Information is provided in the most appropriate manner to allow scheme members to make more informed decisions relating to their pensions.
- Communication methods are continually evaluated, assessed and redesigned where necessary to ensure continuing effectiveness.

The communication methods utilised are: -

Fund website to provide information to as many stakeholders as possible at a time that suits them, we provide access to the following: -

- Scheme policies
- Scheme benefits
- Contact details.
- Links to other useful sites

The Fund has deployed a secure portal for all active and deferred members of the LGPS, which provides direct access for scheme members to view personalised pension data and further enhances the communications with active and deferred scheme members in a modern digital manner. The portal also allows members to carry out the following: -

- View all the details they need about their LGPS Pension in real time.
- Carry out pension quotes on demand without needing to contact The Pensions Team
- Annual Benefit Statements available to view.
- Check and update nominations of beneficiary.
- Upload any documents that the Pensions Team request.
- Use the contact facility to raise any questions in an electronic manner.
- Provide feedback on the MSS application.

Pension Committee and Local Pension Board agendas and minutes can be found on the main Council website, www.scotborders.gov.uk The Fund uses both surface and e-mail to send and receive general correspondence. Roadshows and presentations are available to employer workplaces and attendance at roadshows, seminars, induction and pre-retirement presentations on request, a minimum period of four weeks' notice will be required to allow for appropriate preparations. Scheme members can arrange to visit our offices to speak to a member of our Pensions Administration Team, they can arrange to pre-book appointments by e-mail or telephone.

The introduction of the Pension Fund website in June 2018 has allowed members to access information and documents. The table below details the number of visits to the site over the past 15 months up to end of May 2023. The scheme website can be found at www.scottishborderscouncilpensionfund.org



COMMUNICATION PERFORMANCE

The following communications took place during 2022/23

- The Employer Liaison meeting was held as a virtual meeting due to the continued hybrid working practices. In addition to the meeting an email was issued to all employers providing the details of the requirements for the year end reporting for the scheme and action to be taken in preparation for the coming years' payroll
- Deployment of Member Self Service with emails issued to all active members to encourage sign up and provide access to the Annual Benefit Statement
- Annual Benefit Statements were issued in hard copy format to all deferred members including information on how to sign up for the Member Self Service portal and newsletter.
- Information continues to be posted within the Scottish Borders Council Pension Fund website; this included the following: -
 - Notice that we were unable to issue payslips and guidance on how to sign up for online access to payslips
 - Information regarding Pensions Increase
 - Details of Shared Cost AVC

SECTION 5

FUNDING

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement sets out its purpose and objectives as

- to ensure the long-term solvency of the Fund, using a prudent long-term view.
- to ensure that employer contribution rates are reasonably stable where appropriate.
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- to reflect the different characteristics of different employers in determining contribution rates; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.

The aims and purpose reflect those of the Fund.

These objectives are desirable individually but may be mutually conflicting. The Statement sets out how the administering authority balances the potentially conflicting aims of affordability and stability of contributions, transparency of processes, and prudence in the funding basis.

The latest Funding Strategy Statement (FSS) was approved by the Pension Fund Committee on 4 March 2021 and resubmitted for noting to the Pension Fund Committee and Pension Fund Board on 17 March 2022. It is effective from 31 March 2021 and a copy of this document can be found at [Funding Strategy Statement](#).

ACTUARIAL STATEMENT

The Local Government Pension Scheme regulations require each Administering Authority to obtain an Actuarial Valuation of the assets and liabilities of the Fund every three years. The last Actuarial valuation was as at 31 March 2020. The regulations require each Administering Authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out their Funding Strategy.

In completing the Actuarial Valuation, the Actuary must have regard to the current version of the administering authority's Funding Strategy Statement.

The Actuarial Valuation is essentially a measurement of the Fund's liabilities and assets. The Funding Strategy Statement deals with how the liabilities will be managed. In practice, review of the Funding Strategy Statement and completion of the Actuarial Valuation are carried out in tandem to ensure that measurement and management processes are cohesive.

Actuarial Valuation 2020

The Actuarial Valuation as at the 31 March 2020 was undertaken during 2020 and the final certified report was presented to the joint meeting of the Pension Fund Committee and Pension Fund Board on 4 March 2021. The Actuarial Valuation was undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018. A copy of the report is available via the Council's committee papers website [Pension Fund/Board Committee papers](#)

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2023

The outcome of the 2020 Actuarial Valuation was a funding level of 110% a slight reduction in the position assessed at 2017 of 114%. The funding position equates to a surplus of over £63m and the advice of the Actuary is that this surplus be used over time to partially offset increases in the primary employer's contribution rate of 21.9%. The Fund's common pool contributions rate remains stable for the first two years but due to uncertainties around the impact of McCloud and the Cost Cap Mechanism rates will be increased by 0.5% from 1 April 2023. Employers out with the common pool have seen individual employer rates change for specific circumstances.

Valuation Date as at 31 March	Past Service Funding Position – Scottish Borders Council Pension Fund		
	2014 £m	2017 £m	2020 £m
Value of the Scheme Liabilities	487	(573)	(650)
Smoothed Asset Value	490	654	713
Surplus/ (Deficit)	3	81	63
Funding Level	101%	114%	110%

Note 19 to the Statement of Accounts contains details of the outcome and assumptions used in the 2020 Valuation and the impact that it had on employer contribution rates.

A major contributing factor to the improvement in the funding level has been the investment performance that the Fund has achieved over the past three years.

Employer Contribution Rates

As part of the 2020 Actuarial Valuation, the Actuary certified the primary rate at 21.9%. However, in agreement with the Actuary a secondary rate of 3.9% has been deducted to allow the common rate of contribution as 18% of payroll for the next two years with an increase of 0.5% on 1 April 2023. The secondary rate will reduce the surplus of £63m over 50 years.

Individual and pooled employers' rates vary from the common contribution rate (18.0%) depending on the demographic and actuarial factors particular to each employer. The table below highlights the key employer contribution rates (i.e., the rate which employers in the Fund pay):

Employers Contribution Grouping	Employers Contribution Rate	
	2021/22	2022/23
Scottish Borders Council Common Pool	18.0%	18.0%
Scottish Borders Housing Association – Individual	20.3%	20.8%
CGI	21.1% plus £16,500	22.0% plus £16,500
South of Scotland Enterprise	20.6%	21.1%

Valuation for Statutory Accounts at 31 March 2023

Note 20 to the Financial Statement contains the present Actuarial Valuation for the Fund as required by the International Accounting Standard (IAS) 26. This shows a net asset position of £135m and the reason this has changed from a net liability position of £148m as at 17 March 2022 is because of higher interest rates. This can be seen from the fact that the present value of the defined benefit obligations has dropped from £1,057m to £731m.

However, the liabilities for this figure are calculated on an IAS 19 basis and therefore will differ from the results of the 2020 Actuarial Valuation because IAS 19 stipulates a specific discount rate to enable comparability rather than a rate that reflects the market rate for investment returns on the Fund's assets. It is therefore not appropriate to use this as a measure for setting employer contribution rates or assessing the overall long term funding health of the Fund. The full version of the Actuary report and the current Funding Strategy Statement is available via the Pension Fund website: [Scottish Borders Council Pension Fund](#)

SECTION 6

INVESTMENT

STATEMENT OF INVESTMENT PRINCIPLES

Following the 2020 Actuarial Valuation which reported a funding position of 110% and investment target returns of 3.8%, the Fund undertook a review of its Statement of Investment Principles and its target asset allocation.

The Statement of Investment Principles ('SIP') and is reviewed regularly to reflect any changes agreed by the Pension Fund Committee and Pension Fund Board. The SIP for 2022/23 was approved on 17 March 2022, can be found at [Statement of Investment Principles](#).

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 as amended, require administering authorities to prepare, maintain and publish a SIP which includes the policy on:

- The types of investment to be held
- The balance between different types of investment
- The risk considerations, including the ways in which risks are to be measured and managed
- The expected return on investments
- Realising of investments
- Taking account of social, environmental or ethical considerations in investments
- Exercising the rights (including voting rights) attaching to investments
- Stock Lending.

The Pension Fund Committee is responsible for making decisions in relation to the SIP and approving any decisions in relation to any changes to fund managers, investment advisers and custodian. The Pension Fund Investment and Performance Sub-Committee ('Sub-Committee') reviews the SIP and monitors the performance of managers. The Sub-Committee makes recommendations to the Pension Fund Committee in relation to these areas.

The primary objective of the Fund which frames key considerations when agreeing the SIP is to provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis.

The objective is reflected in the underlying investment principles, which are considered in the development and agreement of the Fund's Investment Strategy. The key principles are shown below:

- **Long term perspective** – by the nature of the Fund's liabilities and employers, the Fund is able to take a long-term view and position its Investment Strategy on this basis.
- **Diversification** – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns and to manage risk.
- **Maturing nature** – the contributions received are less than the benefits currently paid to pensioners meaning the Fund is a maturing Fund. Income generation is therefore required.
- **Stewardship** – the Fund is a responsible investor and adopts policies and practices which acknowledge the importance of Environmental, Social and Governance (ESG) issues.

INVESTMENT STRATEGY

The Pension Fund Committee and Pension Fund Board sets an Investment Strategy for the Fund, taking into account the funding status and liabilities. The strategy is subject to regular review and as appropriate, asset liability modelling techniques are used to assist in these reviews.

This investment objective is to support the Funding Strategy by adopting an Investment Strategy and structure, which incorporates an appropriate balance between risk and return to build up the required assets in a way that produces stable employer contributions to the Fund

The Pension Fund Committee will, as far as is practicable and as an aid to long term stability, seek to maintain a positive ratio of assets to liabilities at each Actuarial Valuation.

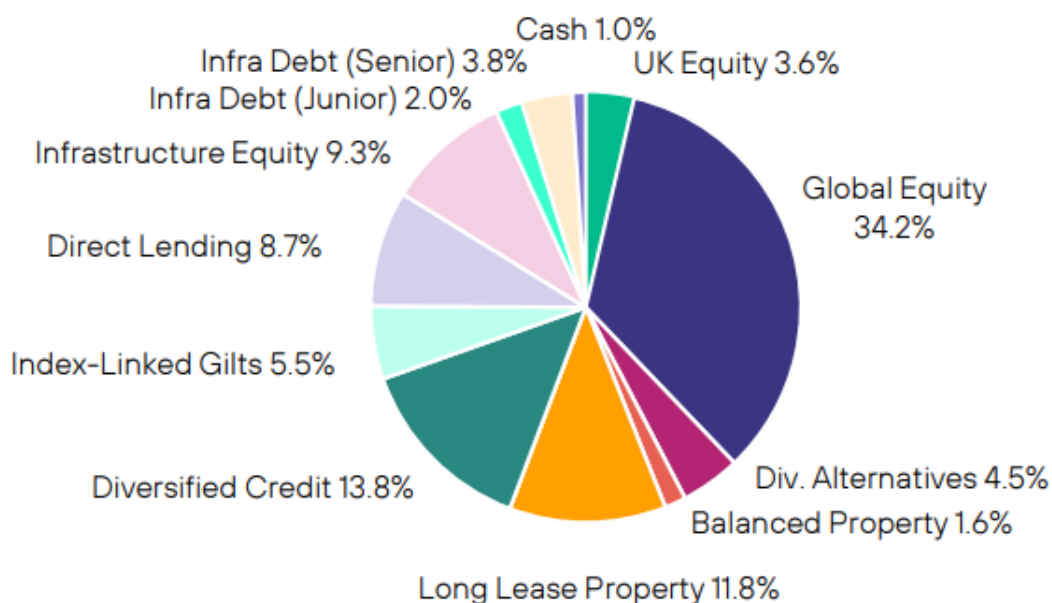
The Fund now has negative cash flow as there are less actively contributing members compared to members receiving pensions. It however also has deferred members who are presently neither contributing to nor receiving benefits from the Fund.

The Fund is categorised as a maturing fund, and this is reflected in the Investment Strategy with a move towards a greater focus on income producing assets. The main focus of the Fund however is to continue to seek capital growth to meet future liabilities.

The Investment Strategy, which forms part of the SIP, has been developed with the support of external investment consultants who support the Pension Fund Committee in their decision-making process. The approved Investment Strategy is presented as a strategic asset allocation which sets benchmark percentage allocations across the various asset classes.

Following the 2020 triennial valuation, a full asset allocation review exercise was undertaken in June 2021, taking into account the funding status and liabilities and using asset liability modelling. A further refinement was made to the strategic assets allocation in March 2023, resulting in the revised strategy contained in the SIP.

A full Investment Strategy will be carried out following the results of the Actuarial Valuation as at 31 March 2023. The review is expected to take place in late 2023 or early 2024.



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The approved strategic asset allocation maintained the allocation for equities but approved the movement of the passive equities into a ESG focused passive fund and the movement of Baillie Gifford Global equities into their Paris Aligned Global Equity fund. The review also introduced an allocation to Residential Housing, increased the allocation to Long Lease Property and increased the allocation to Infrastructure. These changes were made to increase the alignment of investments with liabilities and to increase the income generating investments to ensure funds are available to pay liabilities as they become due. The Fund has made good progress on the implementation of these changes with the full funding of the new ESG passive equity fund with LGIM and has fully implemented the increased allocation to Long Lease Property with BlackRock. The infrastructure allocation has also been fully funded with IFM.

The strategic asset allocation also diversifies the risk exposure in its use of managers. The Fund currently has 11 firms of investment Managers with 17 funds (this excludes the managers used through the collaboration with the Lothian Pension Fund ('LPF')).

Shown below are the current investment managers for the Fund.



BLACKROCK



Morgan Stanley



PERMIRA
DEBT MANAGERS



The Fund's infrastructure investment is split over a pooled fund investment with IFM, and a portfolio of investments developed in collaboration with the Lothian Pension Fund. The investment managers for these are shown below:



The implementation of the Investment Strategy commenced in June 2021 saw the appointment of LGIM for ESG Passive Equity and IFM for Infrastructure. The table over shows the position as at 31 March 2023 against the Strategy:

Asset Class	Asset Allocation at 31/3/22 %	Asset Allocation at 31/3/23 %	Strategic Benchmark %
UK Equity	3.2	4.0	3.5
Global Equity	36.0	34.0	36.5
Bonds	20.3	19.0	16.0
Alternatives	12.7	13.0	14.0
Property	16.3	14.0	14.5
Infrastructure	9.5	15.0	15.5
Cash	2.0	1.9	0.0
Total	100.0	100.0	100.0

Investment Manager Allocation

Each external investment manager is appointed to manage a specified % allocation of the Fund's total investment assets. The breakdown of the Fund's assets by investment manager, mandate type and asset class at 31 March 2022 and 31 March 2023 are shown in the table below (this summarises the managers used through the collaboration with the Lothian Pension Fund (LPF)).

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Manager	Mandate Type	31 Mar 2022 (%)	31 Mar 2023 (%)
Baillie Gifford	UK Equities	3.2	3.6
Baillie Gifford	Global Equities	12.6	12.3
Morgan Stanley	Pooled Fund - Global Equities	13.0	11.0
LGIM	Pooled Fund – Global Passive Equities	10.3	10.7
M&G	Pooled Fund - Diversified Income	12.9	13.7
M&G	Pooled Fund - Bonds	7.3	5.4
UBS	Pooled Fund - Property	2.9	1.6
BlackRock	Pooled Fund – Property	13.3	14
LGT	Pooled Fund - Alternatives	7.4	4.5
Partners Group	Pooled Fund – Private Credit	3.5	5.6
Permira	Pooled Fund – Private Credit	1.7	3.0
LPF	Infrastructure Equity	3.7	5.7
IFM	Infrastructure	0.0	3.5
Macquarie	Pooled Fund -Infrastructure Debt	5.8	5.8
Cash	Internally Managed Cash & Investments	1.9	1

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Holdings

The table below shows the top 20 direct holdings at 31 March 2023. All holdings are held with the Baillie Gifford Global and UK equities' portfolios.

Company	Market Value of Holding £ m	Company	Market Value of Holding £ m
Microsoft	4.0	AJ Gallagher	2.1
Prosus	3.9	Olympus	1.9
Elevance Health	3.9	Atlas Copco	1.8
Moody's	3.6	Royalty Pharma	1.8
Pernod Ricard	2.7	TSMC	1.8
Service Corp Intl	2.7	Thermo Fisher Scientific	1.7
Mastercard	2.5	Meta Platforms Inc	1.7
Amazon.com	2.5	Tesla Inc	1.7
AIA Group	2.4	Richemont	1.6
Alphabet Class C	2.3	Alnylam Pharmaceuticals	1.5

INVESTMENT PERFORMANCE

MARKET CONTEXT

The 12-month period to 31 March 2023 was defined by heightened inflation and rising interest rates in key developed market regions (US, UK, Europe). Against this backdrop, markets faced a challenging and volatile period as central bank rhetoric and investor sentiment fluctuated.

Investor focus at the beginning of the accounting period centred on central bank policy, with investors concerned over the impact of rising interest rates and the removal of accommodative monetary policy as central banks attempted to stem heightened inflation. Alongside this sentiment, investors remained cognisant of the ongoing conflict in Ukraine and the impact this continued to have on global markets, with Russia hit by economic sanctions and retaliatory measures on Russian oil exports and gas supply issues in Europe. This combination of supply chain pressures, rising energy prices and transportation costs exacerbated the already pronounced increase in inflation, putting further pressure on central banks to accelerate planned interest rate hikes. The sharp rise in interest rates amid heightened and stubborn inflation significantly weakened global economic growth forecasts and increased fears of a global recession over Q2 2022 and Q3 2022.

At the end of September 2022, the UK Government announced its plans for a substantial unfunded fiscal package. The announcement raised concerns over the UK's credibility to pay back long-term debt, resulting in a sharp fall in Sterling and the biggest sell-off in long dated UK

government bonds since the 1990s. To provide some stability to markets, the Bank of England intervened with a short-term government bond purchasing programme over the first two weeks of October. The reversal of many of the policies announced in the “mini budget”, and a change in political leadership, saw UK gilt yields stabilise over the final quarter of 2022. As a result, domestically focused areas of the UK equity market benefitted from the recovering outlook.

Financial markets ended the year more positively, as investors pared back expectations of the pace and magnitude of near-term rate rises as elevated inflation began to ease slightly. This was despite a partial setback in December as central banks reaffirmed their commitment to the rate hiking cycle. Having sold off significantly in September, UK markets bounced back from their depleted valuations owing to the reversal of many of the policies announced in September’s ‘mini budget’ and the Bank of England’s emergency relief measures in an attempt to stabilise UK bond markets.

Financial markets started 2023 positively, continuing the positive sentiment that global inflation may have peaked and that interest rate hikes may slow or stop earlier than expected. This was despite a partial setback in March 2023 due to corporate liquidity fears caused by the collapse of Silicon Valley Bank and the UBS takeover of Credit Suisse. However, any volatility or concern arising from this was more than offset by the increase in valuations over January and February.

Equity markets

Equity markets were largely negative over the 12-month period. Global equities returned –5.1% (MSCI AC, GBP hedged) in local currency terms over the year, while unhedged equities returned -0.9% (MSCI AC, unhedged). Despite the negative sentiment from events in September and October, the UK performed strongly, benefitting from its heavy bias to energy and financials, posting a gain of 2.9% (FTSE All Share) for the year. US equities detracted over the period, delivering a return of -7.7% (S&P 500, GBP hedged) due to significant exposure to highly valued “growth” style stocks, which are more sensitive to investor sentiment which was largely negative. Similarly, emerging markets detracted primarily due to the negative impact of China’s strict lockdown measures to control COVID-19. Overall, Emerging Market equities ended the year negative, delivering a return of -6.2% (MSCI EM, GBP hedged).

Bonds

Fixed income markets were sharply negative over the year, owing to rising base rates and heightened inflation, both of which erode future fixed income streams. Despite the negative investor risk sentiment, investment grade credit underperformed subordinated debt, due to its greater sensitivity to interest rates. Global investment grade credit ended the year posting a negative return of -4.9% (source: PIMCO). Global high yield credit delivered a negative return of -3.1% (source: PIMCO).

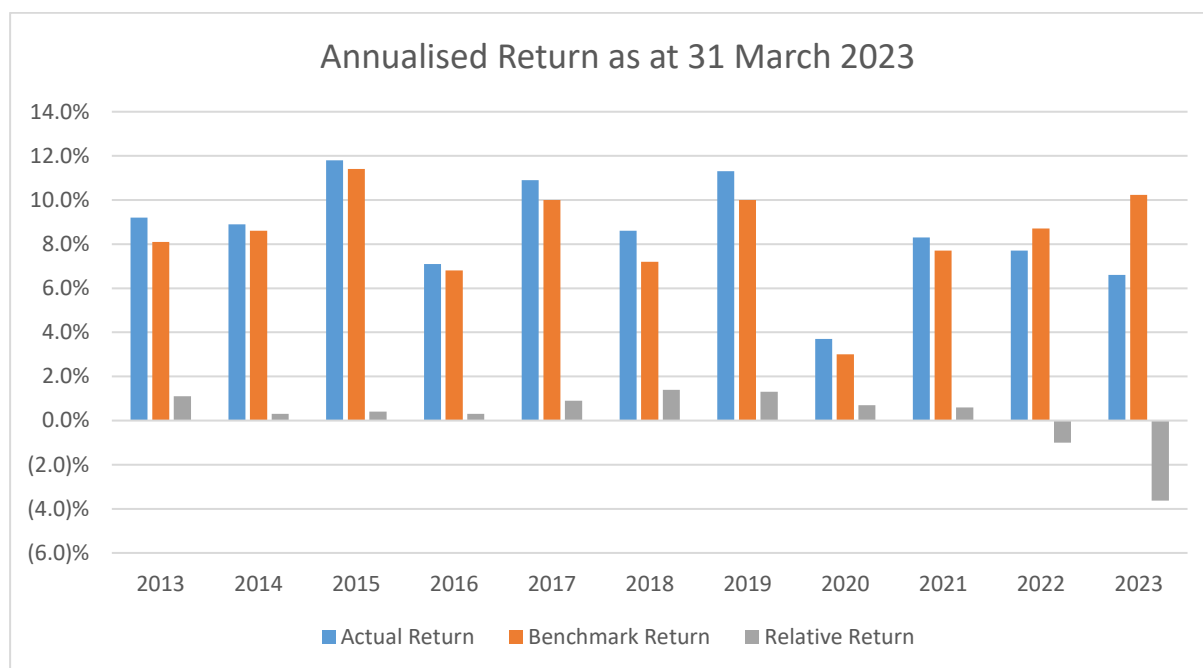
Fixed interest gilts (FTSE Gilts Over 15 years) and index-linked gilts (FTSE Index Linked Gilts Over 5 years) returned -29.7% and -30.4% over the period respectively, driven by the Bank of England’s rate hiking cycle and increasing inflation expectations. Gilt yields, and thus valuations, were significantly volatile over September and October owing to the market reaction to the UK government’s “mini budget”.

Property

The UK property market also underperformed, despite a strong first half of 2022. The property market saw significant negative performance over the second half of the year, with valuation declines driven primarily by rising interest rates and the rising cost of debt.

FUND PERFORMANCE

The Fund's investment returns delivered a return of -4.8% (5.9% 2021/22) against a benchmark of 2.3% (10.6% 2021/22) for the year to 31 March 2023. Overall, the Fund's assets decreased by £43.4m from 31 March 2022. The negative absolute and relative performance over the past 12 months was reflective of the volatile and difficult market conditions. Whilst the Fund's assets have declined overall, the change in market conditions will have also resulted in a decline in the present value of the Fund's liabilities, with the expectation being that the net position will be positive for the Fund.



Each quarter, the Investment Consultants, Isio, reported on the Fund's quarterly performance by individual investment manager and mandate to the Joint Pension Fund Committee and Pension Fund Board. The Investment and Performance Sub-Committee also met each investment manager during the year giving the Pension Fund Committee an opportunity to gain a deeper understanding of the investments, their decision-making processes and their performance.

The Fund delivered a return of -4.8% against a benchmark of 2.3% for the year.

The table below provides an analysis of how the Fund's investments performed against the Fund's benchmark.

Return on Investment as at 31/03/2023	1 year rolling return		3 year rolling return	
	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	-4.8	2.3	6.6	10.2
Global Equities	-3.1	-1.0	10.8	16.3
UK Equities	-1.6	3.0	9.0	14.1
Bonds	-9.4	-7.7	1.7	-0.3

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Alternatives	2.7	8.3	6.8	5.8
Property	-13.0	12.2	0.8	10.1
Cash	-	-	-	-

All of the Fund's mandates contributed to the relative underperformance over the last 12 months, albeit to varying degrees, in what was a challenging market environment.

Underperformance over the 3-year period has been driven by the Fund's equity mandates (both Global and UK) and property mandate. Equity underperformance can be largely attributed to the significant underperformance of the Baillie Gifford mandates, whose growth-style has underperformed in the rising interest rate environment. Rising interest rates, and the associated increase in the cost of debt, has also resulted in a fall in the capital value of underlying property assets within the property mandates. This, combined with the inflation-based benchmark for the Long Lease Property mandate, in a period where inflation has reached multi-decade highs, were the key drivers of the mandate's relative underperformance.



RESPONSIBLE INVESTMENT

The Fund's overriding obligation is to act in the best interests of the scheme beneficiaries. In this fiduciary role, the Fund believes that a positive approach to Environmental, Social and Corporate Governance ('ESG') issues can positively affect the financial performance of investments whereas a failure to address these considerations can have a detrimental effect. In accordance with its fiduciary duty, it is imperative that the Pension Fund Committee acts 'prudently, responsibly and honestly' and therefore considers both short term and long-term risks when making investment decisions.

The Fund approved a revised Statement of Responsible Investment Policy (the 'Policy') on 17 March 2022 setting out the approach to responsible investment and arrangements to monitoring manager performance against the principles of the policy on an annual basis. The key principles within the Policy are:

- All new investment managers adhere to and report on the United Nations Principles for Responsible Investment (UNPRI) Code & Stewardship Code.
- Investment managers will be expected to use ESG factors as a tool for gathering information to improve decision making, thereby managing risks.
- The Fund minimises any harm to the environment and society, whilst ensuring it builds up a portfolio of assets that are best placed to meet its future liabilities.
- The Fund wishes to see its environmental footprint minimised, its social responsibilities maximised, and the highest standards of employee relations and corporate governance maintained.
- The Fund requires its investment managers to adhere to these standards in all their investments activities and plans to monitor how these standards are upheld for the following set of overarching principles.

The approved Policy also approved 6 key responsible investment objectives. These are.

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

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

The Fund actively engages with managers to ensure they are meeting these key principles and is incorporating ESG considerations into their investment decisions.

The Fund actively investigates opportunities to increase investment in sustainable funds. This active management resulted in a £30m investment with IFMin their Global Infrastructure (UK) fund.



Climate Change is a global challenge, which will have a significant impact on the global economy, corporations and society as a whole. The Paris Agreement of the United Nations Framework Convention on Climate Change sets three main aims:

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



The Fund as part of its responsible investment policy has become a signatory to Climate Action 100+ which was launched in December 2017 with the support of 225 investors representing \$26.3 trillion of assets. It now has 575 investors with assets of \$54 trillion under management. The Fund became a signatory to this in March 2020.

As a signatory the Fund gives it support to the Climate Action 100+ in its engagement with boards and senior management of companies to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities.
- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goals of limiting global average temperature increase to well below 2°C above pre-industrial levels.
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to enable investors to assess the robustness of companies' business plans against a range of climate and improve investment decision making.

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Due to the work of Climate Action 100 and other there were a record 215 climate-related shareholder resolutions in the recent 2022 proxy season. Work undertaken also saw the first ever net zero accounting related resolution at a FSTE 100 AGM. Climate Action 100 with support of signatories like the Fund continue to work with companies to make improvements and commitments to Climate change targets.

SECTION 7

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund (the fund) for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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

Responsibilities of the Director of Finance & Procurement and the Council for the financial statements

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

In preparing the financial statements, the Director of Finance & Procurement is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the fund's operations.

The Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Director of Finance & Procurement as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;
- inquiring of the Director of Finance & Procurement concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the fund's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

Other information

The Director of Finance & Procurement is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor's report thereon.

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

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd CPFA

Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

CONTACT DETAILS

For further information and advice on administration, benefits and scheme membership please contact:

Pensions Team	Telephone 01835 – 825052/3
	E-mail pensions@scotborders.gov.uk

Scheme members should have a copy of the “Employees’ Guide to the Local Government Pension Scheme Administered by the Scottish Borders Council” and can obtain their own copy of an Annual Report on request.

or visit Scottish Borders Council Pension Fund website at:
www.scottishborderscouncilpensionfund.org

For further information on the Fund’s investments, please contact.

Suzanne Douglas	Telephone 01835 – 824000 ext. 5881
Director of Finance & Procurement	E-mail Sdouglas@scotborders.gov.uk

You can get this document on audio CD, in large print, and various other formats by contacting us at the address below. In addition, contact the address below for information on language translations, additional copies, or to arrange for an officer to meet with you to explain any areas of the publication that you would like clarified.

Contact us at Suzy Douglas, Director of Finance and Procurement, Financial Services,
Council Headquarters, Newtown St Boswells Melrose TD6 0SA
Tel: 01835 825881 Fax: 01835 825011 or email: sdouglas@scotborders.gov.uk

annual report and financial statements

Bridge Homes LLP

for the year to 31 March 2023

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MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the year ended 31 March 2023.

Reference and Administrative Information

Company Name	Bridge Homes LLP
Company Registration Number	SO304775
Registered Office	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Designated Members

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

Scottish Borders Council

Scottish Future Trust Investments Ltd

The Council has two votes and Scottish Futures Trust has one vote as per the Members Agreement resulting in Scottish Borders Council having a controlling share of the LLP.

Professional support

The Council provides the Administrative, Legal and Financial support and advice to Bridge Homes.

Principal Activity

The principal activity of Bridge Homes since establishment in 2014/15 was investment in mid-market residential property for domestic rental to meet an identified social need within the Scottish Borders. Following the sale of all Bridge Homes Properties to Eildon Housing Association on 25th March 2022, the principal activity in the year 2022/23 has been to collect and pay outstanding debts. The process to wind up Bridge Homes has commenced.

Activity Summary

Bridge Homes was legally established in 2014/15 as a Limited Liability Partnership between Scottish Borders Council and Scottish Futures Trust in order to provide additional affordable housing for mid-market rent via the National Housing Trust / Local Authority Variant Initiative. By 31 March 2018 Bridge Homes owned 45 homes at Castle View Ayton, Queen Elizabeth Drive Galashiels, Standalane Way Peebles, Croft Field Court Denholm, Henderson's Court Kelso, and Waverley Road Innerleithen.

During 2018/19 Bridge Homes acquired an additional 4 flats at Hydro Gardens Peebles and 5 houses at Washington Avenue Kelso. Therefore by year end 31 March 2019 Bridge Homes owned 54 affordable homes across Scottish Borders. These final 9 acquisitions effectively brought an end to the development, or acquisition, phase of Bridge Homes' activity. 31 March 2019 was also the extended initiative deadline for completed homes delivery agreed between the Council and Scottish Government.

The National Housing Trust / Local Authority Variant model is predicated on the disposal of Bridge Homes properties sometime between their fifth and tenth year anniversaries in order to repay the loan capital to the Council. The terms of The Local Authority Variant model means that Bridge Homes LLP tenants did not have the option to purchase. Eildon Housing Association has previously expressed a willingness to collaborate with the Council and Scottish Futures Trust to explore ways to transfer all of the LLP's housing stock to the Association, thereby retaining the homes in the affordable housing sector in perpetuity, and enabling existing tenants to continue living in their homes.

Council Officers consequently met with their Scottish Government / More Homes Division and Scottish Futures Trust counterparts in order to identify and agree a preferred way forward for a potential disposal strategy. The experience gained by Scottish Futures Trust and Scottish Government / More Homes Division and Housing Policy staff from previous LLP disposals helped progress the thinking regarding how best to progress the Bridge Homes LLP disposal.

Discussions between the stakeholders confirmed a willingness to agree a plan and process to transfer the houses to Eildon HA if it could be achieved by 31 March 2022. This was critical since this would ensure that the Association would secure AHSP grant to assist them purchase the homes.

The proposed disposal to the Association was agreed by the meeting of Scottish Borders Council on 16 December 2021, and subsequently by the Board of the LLP on 17 January 2022. This cleared the way for the disposal strategy to be successfully implemented, with the transfer to the Association settling on 25 March 2022 as planned.

Since settlement date, Scottish Futures Trust and Council staff have been working on progressing payment of a small number of residual outstanding invoices relating to activity and responsibilities prior to 25 March 2022. This has been assisted by Orchard and Shipman's cooperation with the ending of their managing agent role.



David Robertson CPFA
Designated Member
Scottish Borders Council
27th June 2023

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

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

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

For the financial year 2022/23 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for 2022/23 in accordance with section 476 of the Companies Act 2006. The directors acknowledge their

responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

These financial statements were approved for signature by the Audit Committee at its meeting on 27th June 2023.

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME for the year ended 31 March 2023

2021/22		2022/23	Notes
£		£	
247,983	Turnover	(4,037)	1
(79,613)	Cost of Sales	1,948	2
168,370	Gross Profit	(2,088)	
(17,685)	Administrative Expenses	(136)	3
150,685	Operating Loss	(2,224)	
(109,640)	Interest Payable & Similar Expenses	(31)	4
(42,889)	Loss On Disposal of Property	0	
(1,844)	Profit/(Loss) For The Financial Year Available For Discretionary Division Among Members	(2,255)	5
1,611,279	Other Comprehensive Income Revaluation Reserve Realised	0	
1,609,435	Total Comprehensive Income	(2,255)	

The LLP's turnover and expenses relate to outstanding income and expenditure from financial year 2021/22. Estimated figures at this time show income which was estimated to be above actual income received and expenditure estimated to be above actual expenditure in the financial year, therefore figures shown in 2022/23 show a correction of this position. Due to the sale of the properties this will no longer be a continuing operation.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

BALANCE SHEET as at 31 March 2023

2021/22		2022/2023		Notes
		£	£	
	Fixed Assets			
0	Property, Plant and Equipment		0	5
	Current Assets			
67,508	Debtors	0		6
321,822	Cash at Bank	349,310		
389,330		349,310		
	Creditors			
(37,764)	Amounts falling due within 1 year	0		7
351,565	Net Current Assets		349,310	
351,565	Net Assets attributable to Members		349,310	
	Represented By:			
0	Loans and Other Debts due to Members		0	8
	Members' Other Interests			
2	Capital Account	2		9
351,563	Profit and Loss Reserve	349,308		
0	Revaluation Reserve	0	349,310	
351,565	Total Members' Interests		349,310	

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

No members have required the company to obtain an audit of its accounts for the period in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the provisions applicable to the LLPs subject to the small LLPs regime.



David Robertson CPFA
 Designated Member
 Scottish Borders Council
 28th September 2023
 Company Registered Number: SO304775

CASH FLOW STATEMENT for the year ended 31 March 2023

2021/22 £		2022/23 £
	Reconciliation of Profit to Net Cash Flow from Operating Activities	
(1,844)	Profit/(Loss) for the Financial Year	(2,255)
152,529	Adjustments to Profit for Non Cash Movements	31
(30,259)	(Increase)/Decrease in Debtors	67,508
12,326	Increase/(Decrease) in Creditors due within 1 year	(37,764)
132,752	Net Cash Inflow from Operating Activities	27,519

2021/22 £		2022/23 £
	Cash Flow Statement	
132,752	Net Cash Inflow from Operating Activities	27,519
	Investing Activities	
7,835,000	Disposal of Investment Properties	0
7,835,000	Net Cash Inflow/(Outflow) from Investing Activities	0
	Financing Activities	
(1,329,000)	Balance of Sales Proceeds Paid to Members	0
(894,000)	Capital Repayment	0
(5,611,982)	Loan Repayment	0
(109,640)	Interest Payable	(31)
(7,944,640)	Net Cash Inflow/(Outflow) from Financing Activities	(31)
23,112	Increase/(Decrease) in Cash	27,488
23,112	Movement in Cash in Period	27,488

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2023

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2022	2	1,680,580	0	(1,329,017)	351,565
Profit/(Loss) For The Year Available for Discretionary Division Among Members	0	(2,255)	0	0	(2,255)
Repaid to SBC	0	(1,329,017)		0	0
Revaluation Reserve transferred following disposal	0	0	0	0	0
Balance of Sales Proceeds Paid to Members				0	0
Balance at 31 March 2023	2	349,308	0	0	349,310

	Members Capital (Classified As Equity) £	Profit & Loss Reserve £	Revaluation Reserve £	Loans & Other Debts Due To Members £	Total £
Balance at 1 April 2021	894,002	71,146	1,611,279	5,611,982	8,188,409
Profit/(Loss) For The Year Available for Discretionary Division Among Members	0	(1,844)	0	0	(1,844)
Repaid to SBC	(894,000)			(5,611,982)	(6,505,982)
Revaluation Reserve transferred following disposal	0	1,611,279	(1,611,279)	0	0
Balance of Sales Proceeds Paid to Members				(1,329,017)	(1,329,017)
Balance at 31 March 2022	2	1,680,580	0	(1,329,017)	351,565

ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2019) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Basis Other than Going Concern

Bridge Homes is 99.999% owned by Scottish Borders Council and is financed under a Facility Agreement with the Council to borrow up to £18.8m along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget.

As at 31 March 2023, as a result of the sale of properties to Eildon Housing Association, the drawn down amounts under the facility agreement have been repaid.

The Members have undertaken a going concern assessment. As a result of the disposal of the properties and the intention to cease trading, the financial statements have been prepared on a basis other than going concern. Bridge Homes LLP continues in existence albeit as a non-trading company. There were no adjustments necessary for the Assets and Liabilities as a result of the basis other than going concern.

Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Interest payable on capital advances is accounted for based on the applicable 4^{1/2} - 5 year PWLB (Public Works Loan Board) fixed interest rate applicable at the date the borrowing was initially incurred.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced rental income from tenanted investment properties. This rental income is exempt from value added tax.

Tangible Fixed Assets

Tangible fixed assets, with a value greater than £1,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

With the sale of the Properties, Bridge Homes no longer has fixed assets reported on the Balance Sheet as at 31st March 2022.

Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

Inventories

Any inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Support Services

The costs of support services provided by Scottish Borders Council are charged to Bridge Homes LLP in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP).

Accounting estimates and judgments disclosure note

The Annual Accounts no longer contain estimated figures that are based on assumptions made by Bridge Homes about the future or that are otherwise uncertain.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

2021/22 £		2022/23 £
247,983	Rental Income/Grant	(4,037)
247,983		(4,037)

2 Cost of Sales

2021/22 £		2022/23 £
76,908	Management Charges	2,089
866	Insurance	0
-	Landlord Registration	0
879	Other	(141)
960	Utilities	0
79,613		1,948

3 Administrative Expenses

2021/22 £		2022/23 £
685	Accountancy and Legal	136
17,000	Audit	0
17,685		136

4 Interest Payable & Similar Charges

2021/22 £		2022/23 £
30	Bank Charges	31
109,610	Interest Payable to Local Authority	0
109,640		31

5 Property, Plant and Equipment

(Property, Plant and Equipment consists of Land and Buildings)

2021/22 £		2022/23 £
7,877,889	NBV at 31 March 2021	0
(7,877,889)	Sale of Properties	0
0	Revaluation Gains Credited to the Revaluation Reserve	0
0	NBV at 31 March 2022	0

6 Debtors

2021/22 £		2022/23 £
56,282	Unpaid Rental Income	0
10,184	Grant for Central Support Costs	0
1,041	Other Debtors/Prepayments	0
67,508		0

7 Creditors: Amounts Falling Due Within One Year

2021/22 £		2022/23 £
6,348	Management Charges	0
6,832	Repairs & Maintenance	0
0	Utilities	0
14,400	Audit	0
2,542	Accountancy	0
3,299	Legal Fees	0
4,344	Miscellaneous	0
37,764		0

8 Loans & Other Debts Due To Members

2021/22 £		2022/23 £
1,329,017	Loan from Local Authority	0

9 Members' Capital

2021/22 £		2022/23 £
1	Initial Capital - Scottish Borders Council	1
1	Initial Capital – Scottish Futures Trust Investments Ltd	1
0	Capital Grant - Scottish Borders Council	0
2		2

10 Related Party Transactions

Throughout the year Bridge Homes was controlled by the members. During the year, Bridge Homes entered into the following transactions with Scottish Borders Council:

	Transaction £	Debtor/ (Creditor) At 31 March 2023 £
Loan	0	0
Capital Grant	2	(2)
Revenue Grant	0	0
Service Charge	0	0
Balance of Sales Proceeds	(1,329,017)	0
Loan Interest	0	0
	(1,329,017)	(2)

11 Ultimate Controlling Party

The Bridge Homes is controlled by the Designated Members as detailed on page 2.

CONTACT INFORMATION

For further information on Bridge Homes LLP, please contact

Suzy Douglas

Financial Services Manager

Scottish Borders Council

Telephone: 01835 – 825881

E-mail: sdouglas@scotborders.gov.uk

Council Headquarters

Newtown St Boswells

MELROSE

TD6 0SA

Scottish Borders Council
Lowood Tweedbank Limited
Charity Registration Number: SC615148

members' report and financial statements

for the year ended 31 March 2023

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Reference and Administrative Information

Company Name	Lowood Tweedbank Limited
Company Registration Number	SC615148
Registered Office	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Designated Members

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

Scottish Borders Council

Professional support

The Council provides the Administrative, Legal and Financial support and advice to Lowood Tweedbank Limited.

Principal Activity

Lowood Tweedbank Limited was established on 30 November 2018. Its principal activity is to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements.

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2023

	2022/23	Notes
Turnover	47,120	1
Cost of Sales	(47,120)	2
Gross Profit	0	
Operating Profit	0	

BALANCE SHEET as at 31 March 2023

	2022/2023		Notes
	£	£	
Fixed Assets		0	
Current Assets			
Debtors	2,601		3
Cash at Bank	74,371		
Creditors			
Amounts falling due within 1 year	(76,971)		4
Net Current Assets		1	
Net Assets attributable to Members		1	
Represented By:			
Capital Account	1		5
Profit and Loss Reserve	0		
Total Members' Interests		1	

The Accounting Policies on page 5 and the Notes on page 6 form part of these Financial Statements.

For the financial year 2022/23 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for 2022/23 in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the micro entity provisions.

These financial statements were approved for signature by the Council as it's meeting on 28th September 2023.

**Suzy Douglas CPFA
Designated Member
Scottish Borders Council
28th September 2023**

Company Registered Number: SC615148

ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2017) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced rental income from tenanted residential properties.

Cash and Liquid Assets

Cash comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

	2022/23 £
Rental Income	47,120
	47,120

2 Cost of Sales

	2022/23 £
Rental Income paid to Scottish Borders Council	(39,916)
Property Repairs and Maintenance Costs	(4,940)
Bank Charges	(2)
Utility Costs	(1,886)
Legal Fees	(375)
	(47,120)

3 Debtors

	2022/23 £
Unpaid Rental Income	2,600
Share Issue	1
	2,601

4 Creditors: Amounts Falling Due Within One Year

	2022/23 £
Unpaid Rental Income due to Scottish Borders Council	(76,971)
	(76,971)

5 Members' Capital

	2022/23 £
Initial Capital - Scottish Borders Council	1
	1

CONTACT INFORMATION

For further information on Lowood Tweedbank Limited, please contact

Suzy Douglas	Telephone: 01835 – 825881
Director of Finance & Procurement	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

MEMBERS' REPORT AND FINANCIAL STATEMENTS

SB Inspires LLP
Registration Number: SO307412

FOR THE PERIOD 3 NOVEMBER 2021 TO 31 MARCH 2023

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MEMBERS' ANNUAL REPORT

The Members present their Annual Report and the Financial Statements for the period 3 November 2021 to 31 March 2023.

Reference and Administrative Information

Company Name	SB Inspires LLP
Company Registration Number	SO307412
Registered Office	Council HQ Newtown St Boswells Melrose Scottish Borders TD6 0SA

Designated Members

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

Scottish Borders Council

SBC Nominees Limited

Professional support

The Council provides the Administrative, Legal and Financial support and advice to SB Inspires.

Principal Activity

SB Inspires LLP was established on 3rd November 2021. The principal activity of SB Inspires during the period was delivering professional development training and digital education consultancy to educators in Scotland as an accredited Apple Professional Learning Provider (APLP).

Business Review

Background

Scottish Borders Council (the Council) have established the Inspire Learning programme an education led digital programme to transform teaching and learning across the Borders for the benefit of all teachers, children and young people where Apple devices are given to all P4-S6 pupils and shared class sets of iPads for ELC to P3 children.

A gap in the provision of education focused digital skills nationally was identified as a result of this, in order to mitigate any risk to the Council, SB Inspires was legally established in 2021/22 as a Limited Liability Partnership with the ambition of providing support and professional development opportunities to education technology projects and local authorities across the country and the rest of the world as an Apple contracted APLP.

The Inspire team achieved APLP status in March 2022, allowing the company to enter into contracts with Apple to deliver Apple Learning Coach courses and award candidate accreditation. Initially, the target market is educators in other Local Authorities and Multi Academy Trusts.

SB Inspires LLP is 99.999% owned by the Council and is financed under a Facility Agreement with the Council.

Governance

A Project Board, supported through the Council, has been established and meets regularly to oversee the development and delivery of the initiative. A Project Team, consisting of officers from the Council, has also been established to set up the required systems and deliver the project.

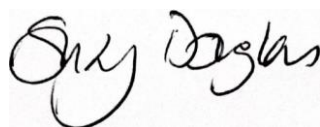
Activity Summary

Professional development in the form of the Apple Learning Coach qualification has been delivered to educators in Glasgow City Council during 2022/23, the final part of the qualification will be delivered in April 2023.

Workshops on behalf of Apple showcasing Inspire Learning's capabilities were designed and then delivered at the School Leaders Scotland conference in November 2022.

Discussions have been held with other local authorities in the UK to explore their visions for Apple Learning Coach and to outline how SB Inspires could support them in their objectives.

A small team attended the British Educational Training and Technology conference in March 2023 where they had a stand and attended networking events at to promote the 'Inspire Academy' brand.



Suzanne Douglas CPFA
Director of Finance and Procurement
Scottish Borders Council
28th September 2023

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

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

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

The Accounting Policies on page 5 and the Notes on page 6 form part of these Financial Statements.

For the period 3rd November 2021 to 31 March 2023 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for the period in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the provisions applicable to the LLPs subject to the small LLPs regime.

These financial statements were approved for signature by the Council as its meeting on 29th June 2023.

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

for the period 3 November 2021 to 31 March 2023

	Period to 31 March 2023 £	Notes
Turnover	55,766	1
Cost of Sales	(40,634)	2
Gross Profit	15,132	
Administrative Expenses	(8,853)	3
Operating Profit	6,279	
Profit For The Financial Year Available For Discretionary Division Among Members	6,279	
Other Comprehensive Income		
Revaluation Gain/(Loss) on Property	0	
Total Comprehensive Income	6,279	

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

The Accounting Policies on page 7 and the Notes on pages 8 to 9 form part of these Financial Statements.

BALANCE SHEET as at 31 March 2023

	Period to 31 March 2023		Notes
	£	£	
Current Assets			
Debtors	55,766		4
Cash at Bank	0		
	55,766		
Creditors			
Amounts falling due within 1 year	(49,487)		5
Net Current Assets		6,279	
Net Assets attributable to Members		6,279	
Members' Interests			
Capital Account	0		
Profit and Loss Reserve	6,279		
Revaluation Reserve	0	6,279	
Total Members' Interests		6,279	

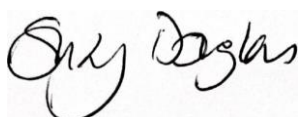
For the period 3rd November 2021 to 31 March 2023 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for the period in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the provisions applicable to the LLPs subject to the small LLPs regime.

The Accounting Policies on page 7 and the Notes on pages 8 to 9 form part of these Financial Statements.

These financial statements were approved by the members and authorised for issue on 29 June 2023 and are signed on their behalf by:



Suzanne Douglas CPFA
Director of Finance and Procurement
Scottish Borders Council
28 September 2022
Company Registered Number: SO307412

ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2019) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced training and workshops run on behalf of Apple.

Tangible Fixed Assets

The business had no fixed assets in the period.

Cash and Liquid Assets

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year. There was no cash in hand or deposits for the period.

Inventories

Any inventories are included in the Balance Sheet at the lower of cost and net realisable value. There were no inventories in the period.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

	Period to 31 March 2023 £
Training / Workshops	55,766
	55,766

2 Cost of Sales

	Period to 31 March 2023 £
Staff Costs – Scottish Borders Council	34,794
Staff Costs – other providers	2,795
Conference Fees	3,045
	40,634

3 Administrative Expenses

	Period to 31 March 2023 £
Accountancy and Legal	4,000
Facilities	3,908
Other	945
	8,853

4 Debtors

	Period to 31 March 2023 £
Trade Debtors	23,039
Accrued Income	27,727
	55,766

5 Creditors: Amounts Falling Due Within One Year

	Period to 31 March 2023 £
Amounts owed to Scottish Borders Council	49,787
	49,787

6 Related Party Transactions

Throughout the year SB Inspires was controlled by the members. During the year, SB Inspires entered into the following transactions with Scottish Borders Council:

	Transaction £	Debtor/ (Creditor) At 31 March 2023 £
Staff Costs including Travel Costs	34,974	34,794
Payment of Creditor Invoices	10,785	10,785
Facilities Fees	3,908	3,908
	(49,487)	49,487

7 Ultimate Controlling Party

SB Inspires LLP is controlled by the Designated Members as detailed on page 2.

CONTACT INFORMATION

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