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AUDIT COMMITTEE TUESDAY, 27 JUNE 2023

A MEETING of the AUDIT COMMITTEE will be held VIA MICROSOFT TEAMS on TUESDAY, 27 JUNE 2023 at 10.00 am

J. J. WILKINSON,
Clerk to the Council,

21 June 2023

BUSINESS		
1.	Apologies for Absence	
2.	Order of Business	
3.	Declarations of Interest	
4.	Minute	5 mins
5.	Director Risk Management Presentation Consider verbal presentation on corporate risks by Director Strategic Commissioning and Partnerships.	30 mins
6.	Audit Scotland National Report Local Government in Scotland Overview Consider report by Audit Scotland which can be accessed via the following link: https://www.audit-scotland.gov.uk/uploads/docs/report/2023/nr_230517_local_government_overview.pdf	10 mins
7.	Annual Assurance Statement 2022-23 to Scottish Housing Regulator (Pages 3 - 16) Consider report by Director Social Work and Practice. (Copy attached.)	
8.	Draft Annual Governance Statement 2022-23 (Pages 17 - 28) Consider report by Chief Executive. (Copy attached.)	15 mins
9.	Draft Annual Report and Accounts (Pages 29 - 32) Consider report by Director Finance and Procurement. (Copy attached.)	30 mins
	(a) Draft SBC Annual Accounts	(Pages 33 -

		158)	
	(b)	Draft SBC Welfare Trust Annual Accounts	(Pages 159 - 174)
	(c)	Draft SBC Education Trust Annual Accounts	(Pages 175 - 190)
	(d)	Draft SBC Community Enhancement Trust Annual Accounts	(Pages 191 - 206)
	(e)	Draft Ormiston Trust for Institute Annual Accounts	(Pages 207 - 222)
	(f)	Draft SBC Charitable Trusts Annual Accounts	(Pages 223 - 238)
	(g)	Draft Bridge Homes LLP Annual Accounts	(Pages 239 - 254)
	(h)	Draft Lowood Tweedbank Ltd Annual Accounts	(Pages 255 - 262)
	(i)	SB Inspires Ltd Annual Accounts	(Pages 263 - 274)
10.		SBC Pension Fund Unaudited Annual Accounts and Report for the Year to 31 March 2023 (Pages 275 - 364)	20 mins
		Consider report by Pension Fund Committee. (Copy attached.)	
11.		Any Other Items Previously Circulated	
12.		Any Other Items which the Chair Decides are Urgent	

NOTES

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

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

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ANNUAL ASSURANCE STATEMENT 2022/23 TO THE SCOTTISH HOUSING REGULATOR

Report by Director Social Work & Practice

AUDIT COMMITTEE

27 June 2023

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the Audit Committee considers and approves the Annual Assurance Statement 2022/23 in respect of landlord services provided by the Council.**
- 1.2 Part of the Audit Committee's remit (Audit functions) is to assess the effectiveness of internal controls, risk management, and governance arrangements.
- 1.3 In 2019, the Scottish Housing Regulator ("the Regulator") revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. The Annual Assurance Statement 2022/23 in respect of landlord services provided by the Council (Appendix 1), is designed to meet this requirement of the Scottish Housing Regulator, supported by the further self-assessment information (Appendix 2).

2 RECOMMENDATIONS

- 2.1 **I recommend that the Audit Committee:**
 - a) Considers the details of the Annual Assurance Statement 2022/23 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1), and the further self-assessment information (Appendix 2), and acknowledges the actions by Management to improve arrangements; and**
 - b) Approves that the Annual Assurance Statement 2022/23 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1) be submitted to the Scottish Housing Regulator along with the Summary Statement of Self-Assessment of Compliance against Regulatory Framework (Appendix 2).**

3 BACKGROUND

- 3.1 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, and used economically, efficiently and effectively.
- 3.2 In 2019, the Scottish Housing Regulator (“the Regulator”) revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. This statement must either confirm that the Governing Body or appropriate Committee is assured that the landlord is complying with all relevant regulatory requirements and standards, or highlight any material areas of non-compliance and how the landlord will address these.
- 3.3 As Scottish Borders Council is a housing stock transfer local authority, it is subject to submitting a Statement that is considerably less involved than an asset-owning authority. However, the Council is responsible for Homelessness Services provision in the Scottish Borders and must give assurance in this area.
- 3.4 Part of the Audit Committee’s remit (Audit functions) is to assess the effectiveness of internal controls, risk management, and governance arrangements in place.

4 ANNUAL ASSURANCE STATEMENT 2022/23 IN RESPECT OF LANDLORD SERVICES PROVIDED BY THE COUNCIL

- 4.1 A draft version of the Annual Assurance Statement for submission to the Scottish Housing Regulator is attached as Appendix 1 ‘Scottish Borders Council Annual Assurance Statement 2022/23 to the Scottish Housing Regulator’, is designed to meet this requirement of the Scottish Housing Regulator. It confirms the Council’s level of compliance with all of the relevant requirements set out at Chapter 3 of the Regulatory Framework, to include:
- all relevant standards and outcomes in the Scottish Social Housing Charter in respect of any tenants, homeless persons, and other person who are in receipt of housing services; and
 - legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- 4.2 The Annual Assurance Statement 2022/23 in respect of landlord services provided by the Council is informed by the self-assessment of compliance against the Regulatory Framework by the Homelessness Services Manager, and the work of Audit and Inspection bodies. More information is contained in Appendix 2 ‘Summary Statement of Self-Assessment of Compliance against Regulatory Framework’.
- 4.3 The self-assessment demonstrates good progress with the previously identified improvement actions, arising from the significant amount of work undertaken by Council officers and others in a collaborative effort over the year. This supports the conclusion that the Council now meets the outstanding material requirement for the Gypsy/Traveller site at Tweedside Caravan Park, and is now materially compliant with the Scottish Housing Regulator’s revised Regulatory Framework.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications associated with this report.

5.2 Risk and Mitigations

The supporting document 'Summary Statement of Self-Assessment of Compliance against Regulatory Framework' (Appendix 2) details areas where additional work has further enhanced the Council's compliance with the Regulatory Framework of the Scottish Housing Regulator.

5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under regulatory framework of the Scottish Housing Regulator.

5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

5.6 Rural Proofing

This report does not relate to 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 content of this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

- 6.1 The Director Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director People, Performance & Change, Clerk to the Council, and Communications team will be consulted on this report and any comments received have been incorporated.

Approved by
Director Social Work & Practice **Signature**

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk
Sharron Elsdon	Homelessness Team Leader

Background Papers: The Regulatory Framework of the Scottish Housing Regulator
Previous Minute Reference: Audit and Scrutiny Committee 27 June 2022

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

Appendix 1

Scottish Borders Council Annual Assurance Statement 2022/2023 to the Scottish Housing Regulator (draft)

The Assurance Statement on Internal Control and Governance 2022/23 by the Director Social Work & Practice to the Chief Executive includes assurances in respect of landlord services provided by the Council, as detailed below. This informs the Annual Governance Statement 2022/23 by the Chief Executive which will be considered for approval by the Council's Audit Committee at its meeting on Date 27th June 2023.

We confirm that in respect of landlord services provided by the Council we have seen and considered sufficient evidence to give us assurance that the Council complies with the regulatory requirements as laid out in Chapter 3 of the Scottish Housing Regulator's Regulatory Framework, including:

- All relevant standards and outcomes in the Scottish Social Housing Charter in respect of any tenants, homeless persons, and other person who are in receipt of housing services; and
- Legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.

The overall arrangements in respect of the Council's legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety, appear to be operating satisfactorily and to be materially compliant with the revised Regulatory Framework:

- Gypsy/Traveller site – The Council's designated site for Gypsy/Travellers within Scottish Borders at Tweedside Caravan Park, Innerleithen continues to meet the Scottish Government's minimum standards for Gypsy/Traveller sites. Provision for the collection of relevant data on protected characteristics for service users who use the Gypsy/Traveller site at Tweedside Caravan Park, Innerleithen has been built into a new feedback survey form for use during 2023/2024 which is intended to give all Gypsy/Traveller households who stay on the site the opportunity to give their views on their experience of the service and to make suggestions for how the service can be improved.
- Homelessness Services – The Internal Audit Annual Plan for 2023/24 includes a review of Homelessness services and their progress against the Service Improvement Action Plan. During 2021/2022, the Council's Internal Audit examined and evaluated the progress made in the self-assessment of homelessness services, along with an associated Service Improvement Action Plan. The audit confirmed that the risk, control, and governance systems were largely satisfactory and that management improvement actions were initiated.

Signed _____ Stuart Easingwood, Director – Social Work & Practice

Signed _____ Councillor Elaine Thornton-Nicol, Chair of Audit Committee

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Scottish Borders Council Annual Assurance Statement 2022/2023 to the Scottish Housing Regulator Summary Statement of Self-Assessment of Compliance against Regulatory Framework

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
Assurance & Notification	
<p>Prepare an Annual Assurance Statement in accordance with SHR published guidance, submit it to SHR between April and the end of October each year, and make it available to tenants and other service users.</p>	<p>The Scottish Borders Council Annual Governance Statement (AGS), forms a section of the SBC Annual Report and Statement of Accounts which is considered annually by the Council’s Audit and Scrutiny Committee. The ‘Scottish Borders Council Annual Assurance Statement 2022/2023 to the Scottish Housing Regulator’ is reported under section 8 of the 2022/2023 ‘Director – Social Work & Practice Assurance Statement on Internal Control and Governance’, which informs the Annual Governance Statement 2022/2023 by the Chief Executive which is being considered by the Council’s Audit Committee at its meeting on 27th June 2023.</p> <p>This Summary Statement of Self-Assessment of Compliance against Regulatory Framework supplements the 2022/2023 ‘Director – Social Work & Practice Assurance Statement on Internal Control and Governance’.</p> <p>The ‘Annual Assurance Statement 2021/22 to the Scottish Housing Regulator’ by the Service Director Customer and Communities’ was considered and approved by Scottish Borders Council’s Audit and Scrutiny Committee at its meeting on 27th June 2022 and subsequently submitted to the Scottish Housing Regulator as required:</p> <ul style="list-style-type: none"> • Item No. 11 b - Appendix 2 - Summary Statement of Self-Assessment of Compliance against Regulatory (1).pdf • Item No. 11 a - Appendix 1 - draft Annual Assurance Statement 2021-22 to Scottish Housing Regulator.pdf
<p>Notify the SHR during the year of any material changes to the assurance in our Annual Assurance Statement.</p>	<p>SBC will notify the SHR during the year of any material changes as soon as possible.</p>

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
<p>Each landlord must have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.</p>	<p>The Council is responsible for homelessness services provision in the Scottish Borders. As at 31 March 2023, 151 properties are managed for use as temporary accommodation for homeless people this included the direct ownership and management of 18 properties, and the management of 133 properties leased from RSLs.</p> <p>In addition, the Council works together with an independent private business, Tweedside Caravan Park, to provide 9 pitches and related amenities for use by Gypsy/Travellers at Tweedside Caravan Park in Innerleithen.</p> <p>The overall arrangements in respect of the Council’s legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety, appear to be operating satisfactorily and to be materially compliant with the revised Regulatory Framework:</p> <ul style="list-style-type: none"> • Gypsy/Traveller site – The Council’s designated site for Gypsy/Travellers within Scottish Borders at Tweedside Caravan Park, Innerleithen now meets the Scottish Government’s minimum standards for Gypsy/Traveller sites. This follows the Council and Tweedside Caravan Park reaching agreement during 2021/2022 on the form of a new occupancy agreement for use on the site. • Homelessness Services – The Internal Audit Annual Plan for 2023/24 includes a review of Homelessness services and their progress against the Service Improvement Action Plan. • During 2021/2022, the Council's Internal Audit examined and evaluated the progress made in the self-assessment of homelessness services, along with an associated Service Improvement Action Plan. The audit confirmed that the risk, control, and governance systems were largely satisfactory and that management improvement actions were initiated.
<p>Notify the SHR of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory</p>	<p>Following a review of fire safety requirements the capacity of the designated site for Gypsy/Travellers at Tweedside Caravan Park, Innerleithen has been reduced from 10 pitches to 9 pitches. There are no other tenant or resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports</p>

or statutory authorities, or insurance providers, relating to safety concerns.

from regulatory or statutory authorities, or insurance providers, relating to safety concerns.

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
Make our Engagement Plan easily available and accessible to its tenants and service users, including online.	The SHR's Engagement Plan with SBC is located on the Council's website at Charter performance Gypsy/Travellers - rights and responsibilities Scottish Borders Council (scotborders.gov.uk)
Scottish Social Housing Charter Performance	
Submit an Annual Return on the Charter (ARC) to the SHR by 31 May each year in accordance with the SHR's published guidance.	The Council submitted its ARC for 2022/2023 to the SHR on 9 th May 2023 in accordance with the SHR's Technical Guidance.
Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information. It must: <ul style="list-style-type: none"> • Agree its approach with tenants. • Ensure it is effective and meaningful – that the chosen approach gives tenants a real and demonstrable say in the assessment of performance • Publicises the approach to tenants • Ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened • Involve other service users in an appropriate way, having asked and had regard to their needs and wishes. 	<p>Work continues to improve the involvement of tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting.</p> <ul style="list-style-type: none"> • During 2022/2023 officers continued to utilise a new homelessness services customer feedback survey to give all homelessness service users the opportunity to give their views on their experience of the service and to make suggestions for how the service can be improved. The default survey medium is online but every service user who does not have digital access is provided with a paper version of the survey.

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
<p>Report its performance in achieving or progressing towards the Charter outcomes and standards to its tenants and other service users (no later than October each year. It must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon free language. When reporting its performance to tenants and other service users it must:</p> <ul style="list-style-type: none"> • Provide them with an assessment of performance in delivering each of the Charter outcomes and standards which are relevant to the landlord. • Include relevant comparisons – these should include comparisons with previous years, with other landlords and with national performance. • Set out how and when the landlord intends to address areas for improvement. • Give tenants and other service users a way to feed back their views on the style and form of the reporting. 	<p>Work continues to improve the involvement of tenants and other service users in the preparation and scrutiny of performance information, and to agree the format of performance reporting with tenants and other service users, ensuring that it is accessible for them, and to give them a way to feed back their views on the style and form of the reporting. This includes:</p> <ul style="list-style-type: none"> • Self-assessment of ‘customer engagement’ has been included as a priority in the homelessness self-assessment programme within the reviewed and updated homelessness ‘Self-Assessment and Service Improvement Action Plan’.
<p>Make the SHR’s report on the landlord’s performance easily available to its tenants, including online.</p>	<p>The SHR’s information about SBC, including information about performance, can be found at Scottish Borders Council Scottish Housing Regulator</p>
<p>Tenants and Service Users Redress</p>	
<p>Make information on reporting significant performance failures, including the SHR’s leaflet, available to its tenants.</p>	<p>The SHR’s leaflet is available on the Council’s website at: Scottish Social Housing Charter & Performance Scottish Social Housing Charter Scottish Borders Council (scotborders.gov.uk)</p>

<u>Annual Assurance Statement Statutory Guidance Requirement</u>	<u>Self-Assessment of Compliance</u>
Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO). Ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.	Information on how to make a complaint, in accordance with SPSO guidance, and complaints performance reports are available on SBC's website at: What is a complaint Making Complaints Scottish Borders Council (scotborders.gov.uk) Supporting procedures are on SBC's intranet at: Making a complaint Making Complaints Scottish Borders Council (scotborders.gov.uk)
Whistleblowing	
Have effective arrangements and a policy for whistleblowing by staff and governing body/elected members which it makes easily available and which it promotes.	The Council's 'Procedure on the Disclosure of Unlawful or Improper Actions – otherwise known as "Whistle Blowing"' is Appendix 2 in the Council's 'Code of Conduct for Employees of Scottish Borders Council' which is located at Code of Conduct revised November 22.docx.pdf (sharepoint.com)
Equality and Human Rights	
Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies, and in its day-to-day service delivery.	The Council's Integrated Impact Assessment (IIA) Process enables the development or review of projects, policies, strategies, functions & services that meet the demands of Equality legislation and do not discriminate. The Integrated Impact Assessment (IIA) Process and Supporting Guidance is located at Guidance - Integrated Impact Assessment 2021 ready for publishing.docx (sharepoint.com)
To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.	Relevant data on protected characteristics is collected on homelessness applications in accordance with the Scottish Government's HL1, HL3 and Prevent1 case management database frameworks. Provision for the collection of relevant data on protected characteristics for service users who use the Gypsy/Traveller site at Tweedside Caravan Park, Innerleithen has been built into a new feedback survey form for use during 2023/2024 which is intended to give all Gypsy/Traveller households who stay on the site the opportunity to give their views on their experience of the service and to make suggestions for how the service can be improved.

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DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

Report by Chief Executive

AUDIT COMMITTEE

27 June 2023

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the Audit Committee considers and approves the draft Annual Governance Statement 2022/23 for inclusion in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process.**
- 1.2 The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement and report compliance on an annual basis.
- 1.3 Part of the Audit Committee's remit is to assess the adequacy and effectiveness of corporate governance arrangements and consider annual assurance reports relating to the Council's service delivery models including partnership and collaboration to ensure the highest standards of probity, public accountability and ethical standards are demonstrated to underpin the delivery of value for money or best value services.
- 1.4 The draft Annual Governance Statement 2022/23 at Appendix 1, in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the annual Review of Framework undertaken, Improvement Areas of Governance, and Overall Opinion.

2 RECOMMENDATIONS

2.1 I recommend that the Audit Committee:

- a) Considers the details of the draft Annual Governance Statement 2022/23 (Appendix 1) to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledges the actions identified by Management to improve internal controls and governance arrangements; and**
- b) Approves that the draft Annual Governance Statement 2022/23 (Appendix 1) be published in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process.**

3 BACKGROUND

- 3.1 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, and used economically, efficiently and effectively.
- 3.2 Fundamentally, Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values by which the authority is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
- 3.3 The Council approved an updated Local Code of Corporate Governance on 30 March 2023, on recommendation by this Committee, noting that the updated Local Code will be used for the 2022/23 annual assurance process.
- 3.4 The SBC Local Code of Corporate Governance is consistent with the principles and requirements of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) which helps to ensure proper arrangements continue to be in place to meet these responsibilities.
- 3.5 The CIPFA/SOLACE Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement and report compliance on an annual basis.
- 3.6 Part of the Audit Committee's remit is to assess the adequacy and effectiveness of corporate governance arrangements and consider annual assurance reports relating to the Council's service delivery models including partnership and collaboration to ensure the highest standards of probity, public accountability and ethical standards are demonstrated to underpin the delivery of value for money or best value services. This includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'¹.

4 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

- 4.1 The Chief Officer Audit & Risk has utilised the updated Local Code to populate the key elements within The Governance Framework section.
- 4.2 The officer Governance Self-Assessment Working Group (the 'Group') has undertaken the annual review of the adequacy and effectiveness of the Council's internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2023. The Chief Officer Audit & Risk led on this process as part of HIA² role to be champion for sound governance.
- 4.3 The Group has evaluated progress with the implementation of actions associated with the 10 improvement areas of governance within the previous year's annual governance statement, which included the 7 recommended improvements made in the Best Value audit report (2019). The Group identified where further improvement in governance arrangements can be made.

¹ CIPFA guidance note for local authorities 'Audit Committees' (2018)

² CIPFA 'the role of the head of internal audit in public sector organisations' (2019)
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- 4.4 The Annual Governance Statement 2022/23 (Appendix 1), in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the Annual Review of Adequacy and Effectiveness of the Council's Governance Framework undertaken, Improvement Areas of Governance, and Overall Conclusion and Opinion on Assurance.
- 4.5 The Annual Governance Statement 2022/23 is informed by the:
- The self-assessment of compliance against the Local Code by the officer Governance Self-Assessment Working Group;
 - Directors' assurance statements, supported by their 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.
- 4.6 The annual assurance process not only creates an opportunity for the Council to set out its standards for good governance but also to ensure that its governance arrangements are seen to be sound. This is important as the governance arrangements in public services are closely scrutinised. This is one example of how the Council demonstrates the core principle of good governance "G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability" included within the CIPFA/SOLACE Framework.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications associated with this report.

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016), on which Scottish Borders Council's Local Code of Corporate Governance is framed, 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.

Core principle of good governance "E. Developing the entity's capacity, including the capability of its leadership and the individuals within it" is included within the CIPFA/SOLACE Framework. Workforce and elected member development are a key part of the good governance framework within the Council's Local Code of Corporate Governance.

This will enable the Council to fulfil its obligations to provide best value service delivery to its citizens.

5.2 Risk and Mitigations

The Annual Governance Statement 2022/23 details areas where additional work would further enhance the internal control environment, or improve risk management, and corporate governance arrangements. This helps to ensure proper arrangements continue to be in place to meet the responsibilities set out in the CIPFA/SOLACE Framework.

Core principle of good governance "F. Managing risks and performance through robust internal control and strong public financial management" is included within the CIPFA/SOLACE Framework. Scottish Borders Council's evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its updated Local Code of Corporate Governance.

5.3 **Integrated Impact Assessment**

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014. This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

The application of practices to ensure obligations under the Equalities Act and compliance with the Fairer Scotland Duty is set out in Scottish Borders Council's Local Code of Corporate Governance to demonstrate compliance of core principle of good governance "A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law" which is included within the CIPFA/SOLACE Framework.

5.4 **Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

Core principle of good governance "C. Defining outcomes in terms of sustainable economic, social, and environmental benefits" is included within the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The officer Governance Self-Assessment Working Group considered examples of evidence to demonstrate local compliance with all the Framework's seven core principles of good governance, supporting principles and a range of specific requirements.

5.5 **Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

Core principle of good governance "D. Determining the interventions necessary to optimise the achievement of the intended outcomes" is included within the CIPFA/SOLACE Framework. Prevention arrangements are a key part of the good governance framework including the Council's governance arrangements in place and action plan to progress towards achieving its objectives and fulfil its climate change obligations.

5.6 **Rural Proofing**

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

Core principle of good governance "B. Ensuring openness and comprehensive stakeholder engagement" is included within the CIPFA/SOLACE Framework. Scottish Borders Council's evidence of systems, processes and documentation on how to work effectively with communities, involve local people at the outset, and consult appropriately to demonstrate local compliance with this core principle of good governance is set out in its Local Code of Corporate Governance.

5.7 Data Protection Impact Statement

There are no personal data implications arising from content of this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Directors of the Council Management Team (CMT), as part of their engagement in the annual assurance process 2022/23, have provided annual assurance statements to the Chief Executive, supported by their completion of comprehensive evidence within a checklist to assess compliance with the seven core principles of good governance and the financial regulations. CMT has been consulted on this report to ensure their knowledge of its content.

6.2 The Acting Chief Financial Officer, Interim Chief Officer Corporate Governance (and Monitoring Officer), Director People, Performance & Change, Clerk to the Council, and Communications team have been consulted on the report and any comments received have been incorporated.

Chief Executive **Approved by**
Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036

Background Papers: CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'; Scottish Borders Council Local Code of Corporate Governance

Previous Minute Reference: Audit Committee 27 June 2022

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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:

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 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 plans for their permanent recruitment). 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) 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.

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. 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 refocused 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
June 2023

Councillor Euan Jardine
Leader of the Council
June 2023

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DRAFT ANNUAL REPORT AND ACCOUNTS 2022/23

Report by Acting Chief Financial Officer

AUDIT COMMITTEE

27 June 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report provides the Audit Committee with an opportunity to scrutinise the draft Scottish Borders Council and Group Annual Report and Accounts for the year ended 31 March 2023 prior to its submission to the External Auditors.**
- 1.2 The draft Report and Accounts are still subject to Statutory Audit, which will commence in July as normal. It is estimated that following the Audit process, the final report and Accounts will be submitted to Council in September 2023.

2 STATUS OF REPORT

- 2.1 This report is presented to enable members to consider the draft Annual Report and Accounts (the Annual Report) attached at Appendix 1 prior to External Audit Inspection by the normal statutory deadline of 30 June 2023.

3 RECOMMENDATIONS

- 3.1 **It is recommended that the Audit Committee:**
 - (a) **Notes the Draft Annual Report and Accounts 2022/23 for Scottish Borders Council and associated Group Accounts; and**
 - (b) **Supports its submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Common Good and Trust Funds accounts.**

4 BACKGROUND

- 4.1 The Accounts summarise the financial transactions for the 2022/23 financial year and the balance sheet positions 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 they be prepared in accordance with proper accounting practice. 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).
- 4.2 All of the Trust reports attached adhere to the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). There is no longer a requirement to produce separate accounts for the Common Good Funds as they are no longer registered charities as of 31st March, as reported to Council in March 2023.

5 ANNUAL REPORT AND ACCOUNTS 2022/23

- 5.1 The draft Annual Accounts for 2022/23 are attached at Appendices 1 - 5. These will be submitted to the External Auditors, Audit Scotland, by 30 June 2023, to allow commencement of the audits:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2023 (Appendix 1)
 - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2023 (Appendix 2(i))
 - **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2023 (Appendix 2 (ii))
 - **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2023 (Appendix 2 (iii))
 - **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2023 (Appendix 2 (iv))
 - **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2023 (Appendix 2 (v))
 - **Bridge Homes LLP** Annual Accounts for the year to 31 March 2023 (Appendix 3)
 - **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2023 (Appendix 4)
 - **SB Inspires Ltd** Annual Accounts for the year to 31 March 2023 (Appendix 5)

- 5.2 The above Accounts will be made available for public inspection for a 14 day period commencing 3 July 2023.
- 5.3 It should be noted that the Accounts remains draft and the conclusion of the year end work including the external audit may result in changes.
- 5.4 The Committee will receive a copy of the final reports at the end of the statutory external audit process to agree prior to approval by full Council and their publication.
- 5.5 The key issues and highlights are reflected in a presentation elsewhere on the agenda.

6 IMPLICATIONS

6.1 Financial

There are no financial implications relating to this proposal.

6.2 Risk and Mitigations

The accounts have been prepared following the accounting codes and with due professional care and attention however; the External Audit process may highlight issues which result in amendments to the draft accounts.

6.3 Integrated Impact Assessment

It is anticipated that there are no adverse equality implications.

6.4 Sustainable Development Goals

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

6.5 Climate Change

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

6.6 Rural Proofing

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

6.7 Data Protection Impact Statement

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

6.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of the proposals contained in this report.

7 CONSULTATION

- 7.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications are being consulted on this report and any comments will be reported at the Committee meeting.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer, 01835 824000 X5881

Background Papers:
Previous Minute Reference:

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

Contact us at Suzy Douglas, Financial Services Manager, Council Headquarters,
Newtown St Boswells, Melrose, TD6 0SA
Tel: 01835 824000 X5881
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**UNAUDITED ANNUAL ACCOUNTS
SCOTTISH BORDERS COUNCIL
FOR THE YEAR TO 31 MARCH 2023**

Scottish Borders Council

Annual Accounts 2022/23

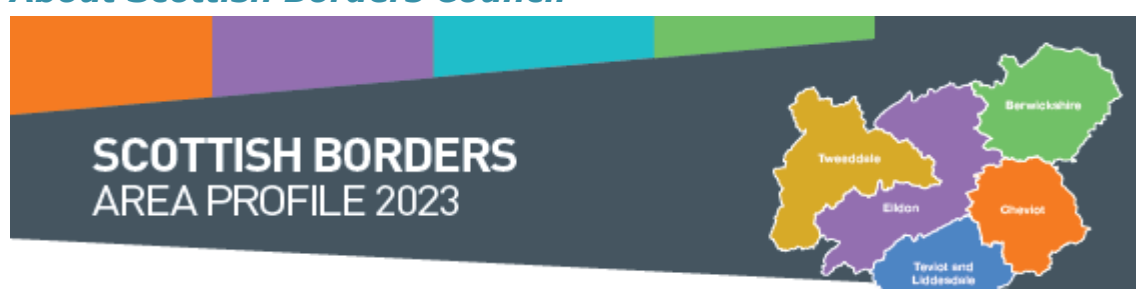
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Management Commentary

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



OUR KEY FACTS		
POPULATION 116,020 (Mid 2021 Estimate, NRS)	SQ KM 4732 sq km (1827 sq miles)	HOUSEHOLDS 55,296 (2021 Estimate, NRS)
<ul style="list-style-type: none"> 16.1% aged 0 to 15 years (Scotland = 16.6%) 58.3% aged 16 to 64 years (Scotland = 63.8%) 25.6% aged 65+ years (Scotland = 19.6%) 	4th most sparsely-populated mainland area in Scotland	<ul style="list-style-type: none"> 0% of the population live in large urban areas (Scotland = 38%) 25% of the population live in other urban areas (Scotland = 34%) 28% of the population live in small towns (Scotland = 11%) 47% of the population live in rural areas (Scotland = 17%)

SOURCE: <https://www.nrscotland.gov.uk/files/statistics/council-area-data-sheet/scottish-borders-council-profile.html>

SOURCE: <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2021>

SOURCE: <https://www.gov.scot/publications/scottish-government-urban-rural-classification-2022/documents/>

ELECTED MEMBERS			
COUNCILLORS 34 councillors	MULTI-MEMBER WARDS 11 multi-member wards	SERVICE DIRECTORATES 7 service directorates managed Council services during 2022/23	ADMINISTRATION During 2022/23 the Council had a coalition administration which consisted of Conservative and Independent Councillors

EMPLOYEES				
EMPLOYEE NUMBERS 5,031 total FTE: 4,133.4 1,268 male 3,763 female	AGE <ul style="list-style-type: none"> 13.62% aged 16 to 29 years 29.44% aged 30 to 44 years 44.17% aged 45 to 59 years 12.78% aged 60+ years 	DISABILITY 2.46% of our employees have a disability	ETHNIC MINORITY 0.66% of our employees are from ethnic minority	EMPLOYMENT 2,535 full time 2,496 part time

Strategic Direction

Council Plan

On 22 February 2022, Council approved the Scottish Borders Council Plan 2022/23. 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.

 <p>Clean, green future</p>	<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>	 <p>Empowered, vibrant communities</p>	<p>*The Scottish Borders has thriving, inclusive communities where people support each other and take responsibility for their local area</p>
 <p>Fulfilling our potential</p>	<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>	 <p>Good health and wellbeing</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>Strong inclusive economy, transport and infrastructure</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 and visit</p>	 <p>Working together improving lives</p>	<p>*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</p>

Scottish Borders Council key highlights 2022/23

 <p>Clean, green future</p>	<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>Fulfilling our potential</p>	<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>Strong inclusive economy, transport and infrastructure</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 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 Demand Responsive Transport service pilot launched in Berwickshire and extended for 2023/24
 <p>Empowered, vibrant communities</p>	<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

- 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

Working together improving lives

•Scottish Borders Council will be a well-run and efficient organisation. We will have well informed, timely and effective decision making, which is evidence led and focused on the needs of customers and communities; and we will have a positive and open culture.

- The Council 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

A Corporate Financial 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 strategic risk register are as follows:

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

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's priorities and Corporate Plan covering 5 and 10 years respectively. These Financial Plans can be found on the Council's website: [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 first plan was published in 2013/14. The plans have been amended and updated each year since 2013/14 and, to date, permanent savings of £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:

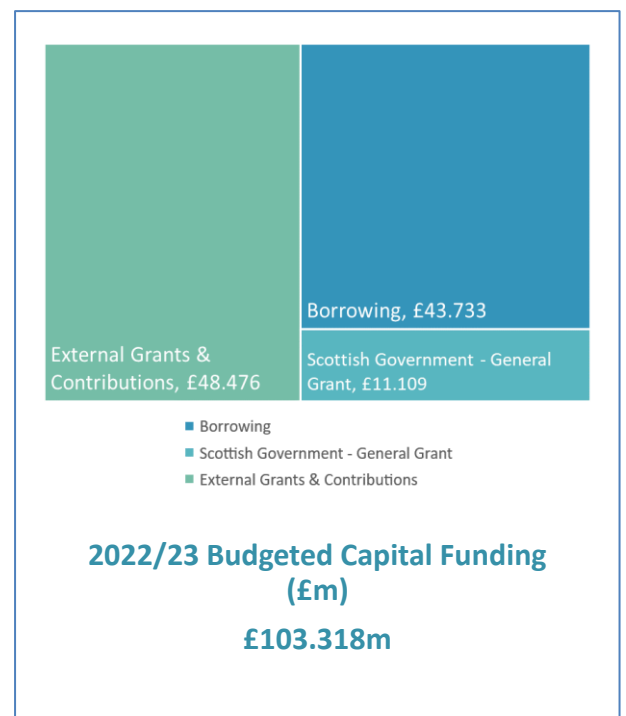
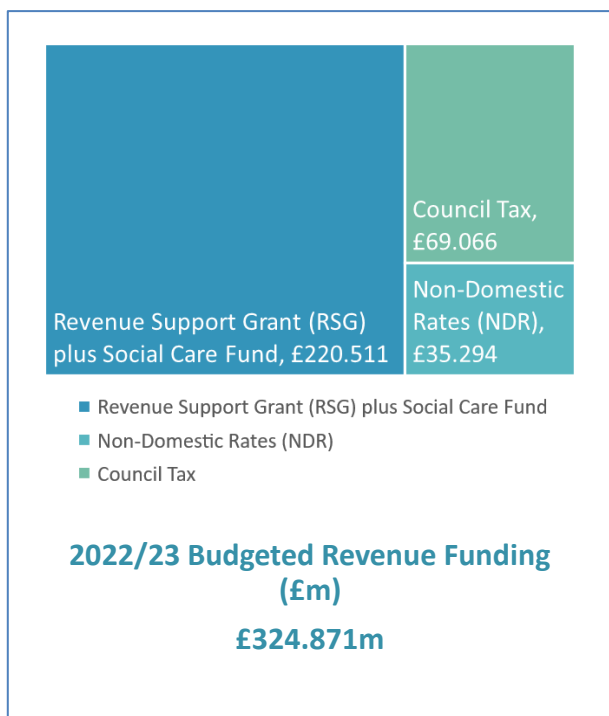
[Equality and diversity/Fairer Scotland Duty | Scottish Borders Council \(scotborders.gov.uk\)](https://www.scotborders.gov.uk/equality-and-diversity/fairer-scotland-duty)

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 48 has further analysis.



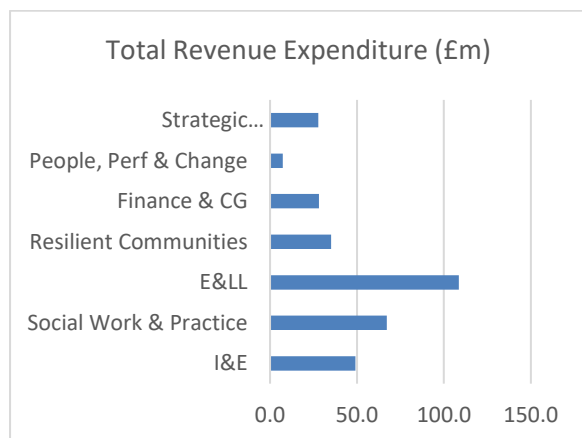
Financial Position at 31 March 2023

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.

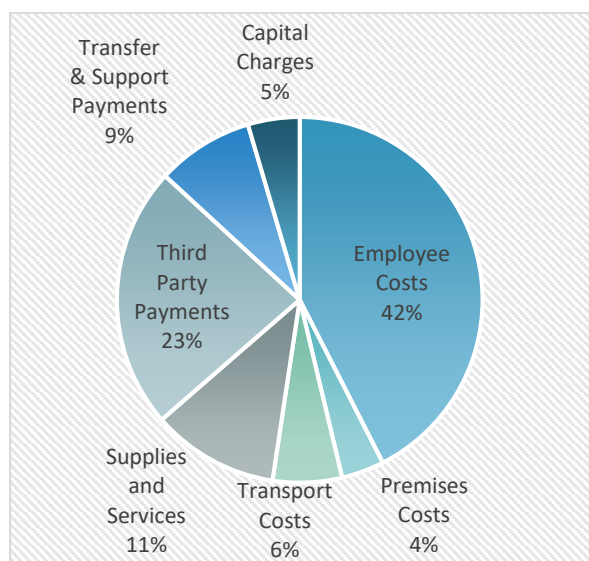
Revenue

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:

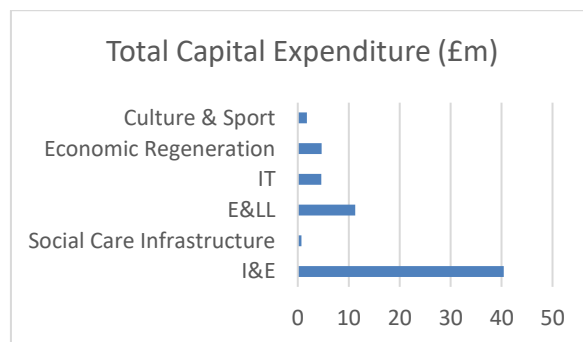


Revenue net expenditure of £323.4m for the year includes income of £151.0m, and gross expenditure of £474.4m as analysed in the chart below:



Capital

The actual outturn for the financial year 2022/23 was capital expenditure of £63.5m with a favourable 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 48. It should be noted that the net impact of these Statutory Adjustments have no impact on the Council Taxpayer.

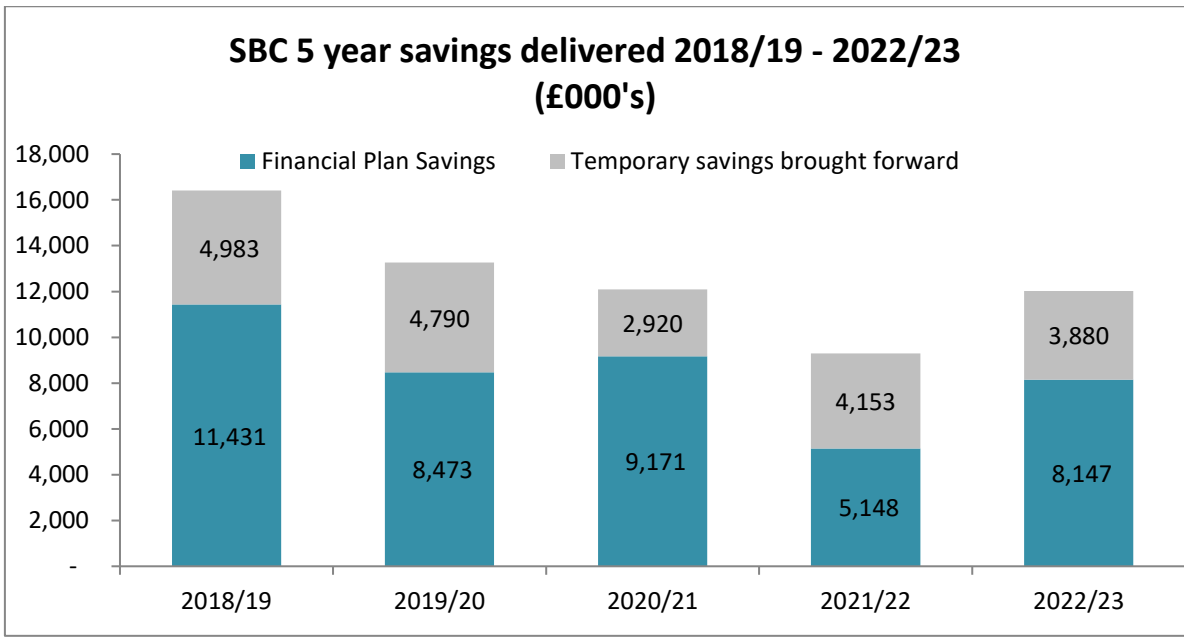
Net Surplus on Revenue Out-turn	(1.532)
Net Statutory Adjustments to Net Cost of Services (inc. Depreciation/Impairment on Revaluation/Loan Charges/PPP/Non Distributed Costs)	26.688
Other Asset (Gains)/Losses	(3.603)
Net Interest Costs	15.029
Net Changes on Pension Assets/Liabilities (IAS19 at 31 st March 2021)	(247.829)
Capital Grants & Contributions Applied (exc.Reserves used)	(44.532)
SBc Contracts External Operating Deficit	0.075
Net Surplus - Total Comprehensive Income & Expenditure	(255.704)

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 48 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 £17.7m being required to revise the net cost of services of £340.3m 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 £0.411m.

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	17,668	340,339
Other Income and Expenditure	(320,328)	(19,600)	(339,928)
(Surplus) or Deficit on Provision of Services	2,344	(1,933)	411

Opening Balance on General Fund	(51,991)
(Surplus) or Deficit on Income & Expenditure Account for the Year	411
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	1,933
Closing Balance on General Fund	(49,647)

Note 5 – Expenditure and Funding Analysis on pages 66 – 69 explains the movement in further detail.

Other Comprehensive Income and Expenditure

This position needs to be finally adjusted to reflect Actuarial (Gains)/losses on the Pension Fund Net Assets/Liabilities (£252.5m) calculated on an IAS19 basis and Revaluations of Non-Current Assets at the balance sheet date of 31st March 2023. This revises the £0.411m deficit position on the Provision of Council Services to a Net Comprehensive Income surplus of £255,704m (surplus of £147.403m in 21/22).

Balance Sheet

During 2022/23 the Net Asset position increased by £255.8.4m to £486.6m (£230.8m 2021/22). The table below details the movement during the year.

	Balance Sheet as at		
	31-Mar-22	31-Mar-23	Movement
	£m	£m	£m
Long Term Assets	681.6	721.6	40.0
Current Assets	96.1	67.7	(28.4)
Current Liabilities	(63.1)	(55.6)	7.5
Long Term Liabilities	(324.3)	(311.5)	12.8
Net Assets excluding Pension Liability/Asset	390.3	422.3	32.0
Pension (Liability)/Asset	(159.5)	64.3	223.8
Net Assets/(Liabilities) including Pension Liability	230.8	486.6	255.8

More details in relation to the Net Assets Excluding pension liabilities can be found within the Balance Sheet on page 50.

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

Treasury and Debt Management

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

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

Cash Management

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



Debt Management

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

External Debt

The Council's outstanding external debt as at 31 March 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

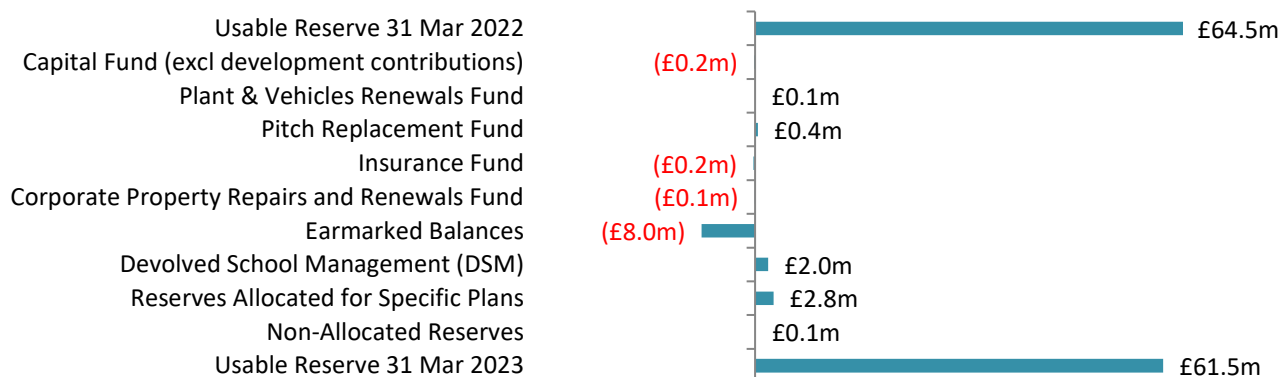
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 100 provides additional information on the movement of the usable and unusable reserves held by the Council.

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

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

As at 31 March 2023 the total Usable Reserves Balance is £61.5m (£64.5m at 31 March 2022) a net decrease of £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 £2.8m 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	£2.069m
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 113. 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

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. These assets amounted to a value of £0.491m. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet at a carrying value of £8.971m. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made following agreement.

How are we doing?

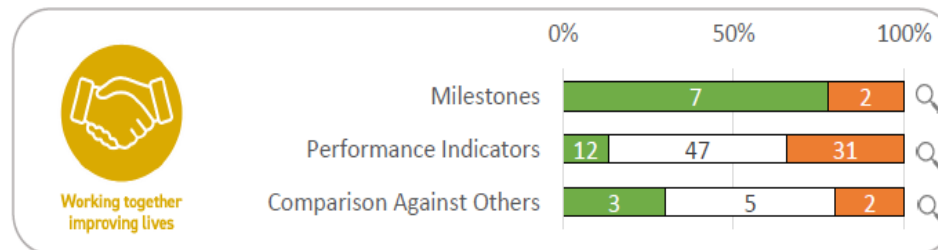
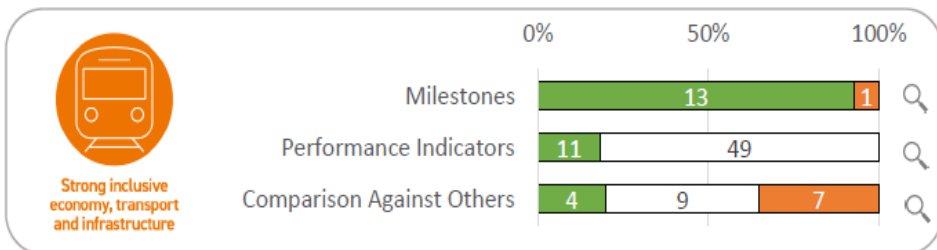
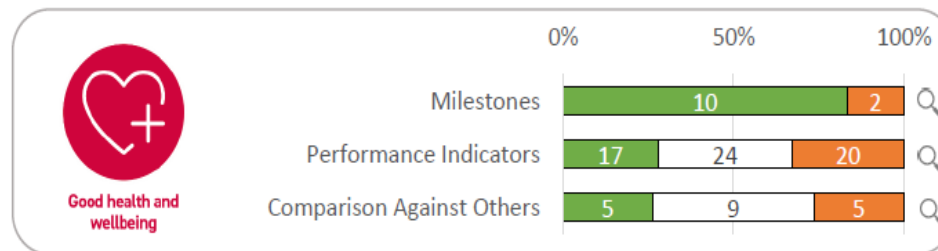
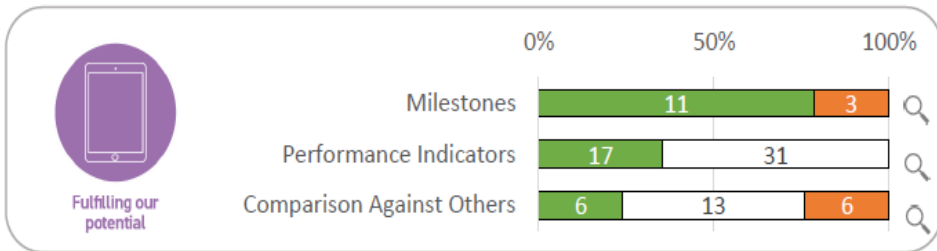
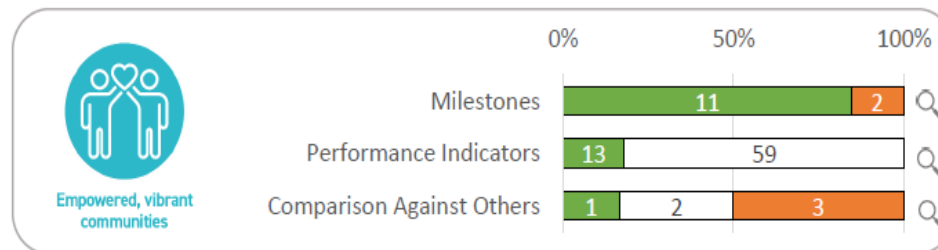
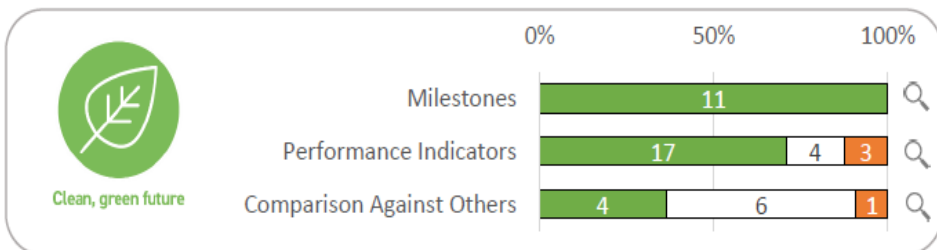
Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a quarterly basis to the Strategic Leadership Team and the Executive Committee of the Council. Below is a summary of the key performance information for 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 www.scotborders.gov.uk [Our performance as a Council: 2018-19 onwards | Scottish Borders Council \(scotborders.gov.uk\)](#)

Summary



A summary of performance against each outcome is shown by milestones achieved, 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 higher than authorities similar to us, we have a long way to go to achieve Net Zero by 2045.

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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

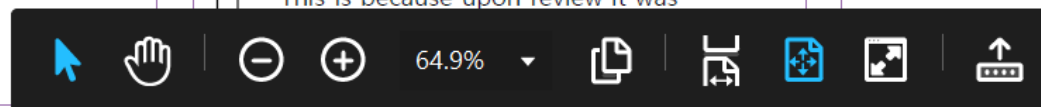
-  The majority of milestones set out to be achieved this year were met, including:
 - Identifying Nurture Bases to support primary school children
 - Supporting the development of digital skills and learning in schools and communities
 - Delivering 'Get into Summer 2022' to provide access to food, childcare 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

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.

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 in local schools than the average for authorities similar to us and Scotland.

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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:

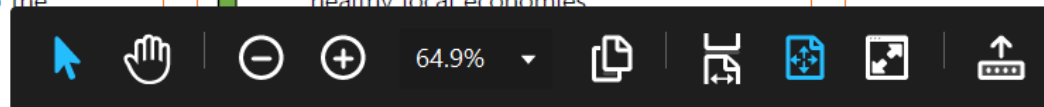
- Supporting international, national and regional events including:
 - Borders Book Festival
 - Enduro World Series
 - Jim Clark Rally
 - Melrose Rugby 7s
- Progressing Borderland Inclusive Growth Deals including the Mountain Biking Innovation Centre in Innerleithen and new business space in Coldstream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

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

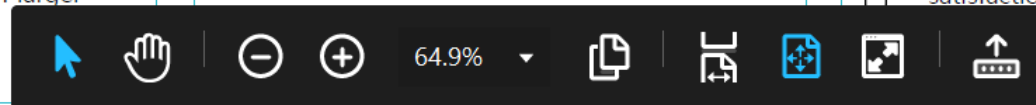
-  The majority of milestones have been achieved. Activity has included:
 - Progressing investment in play areas and outdoor community spaces
 - Delivering the Anti-Poverty Strategy Action Plan
 - Continuing to work with the Area Partnerships and progress Place Making across communities
-  The review 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.

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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






Page 58


Funding & Environmental Health

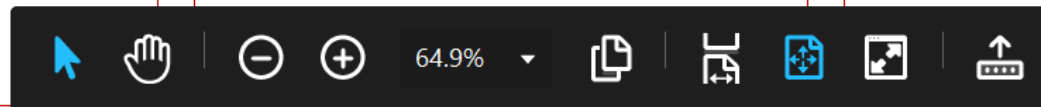
-  We have a higher percentage of Crisis Grant decisions concluded within one day than the average of authorities similar to us and the Scottish average.
-  We have spent significantly less of our Scottish Welfare Fund And Discretionary Housing Payments funding than authorities similar to us and the 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.



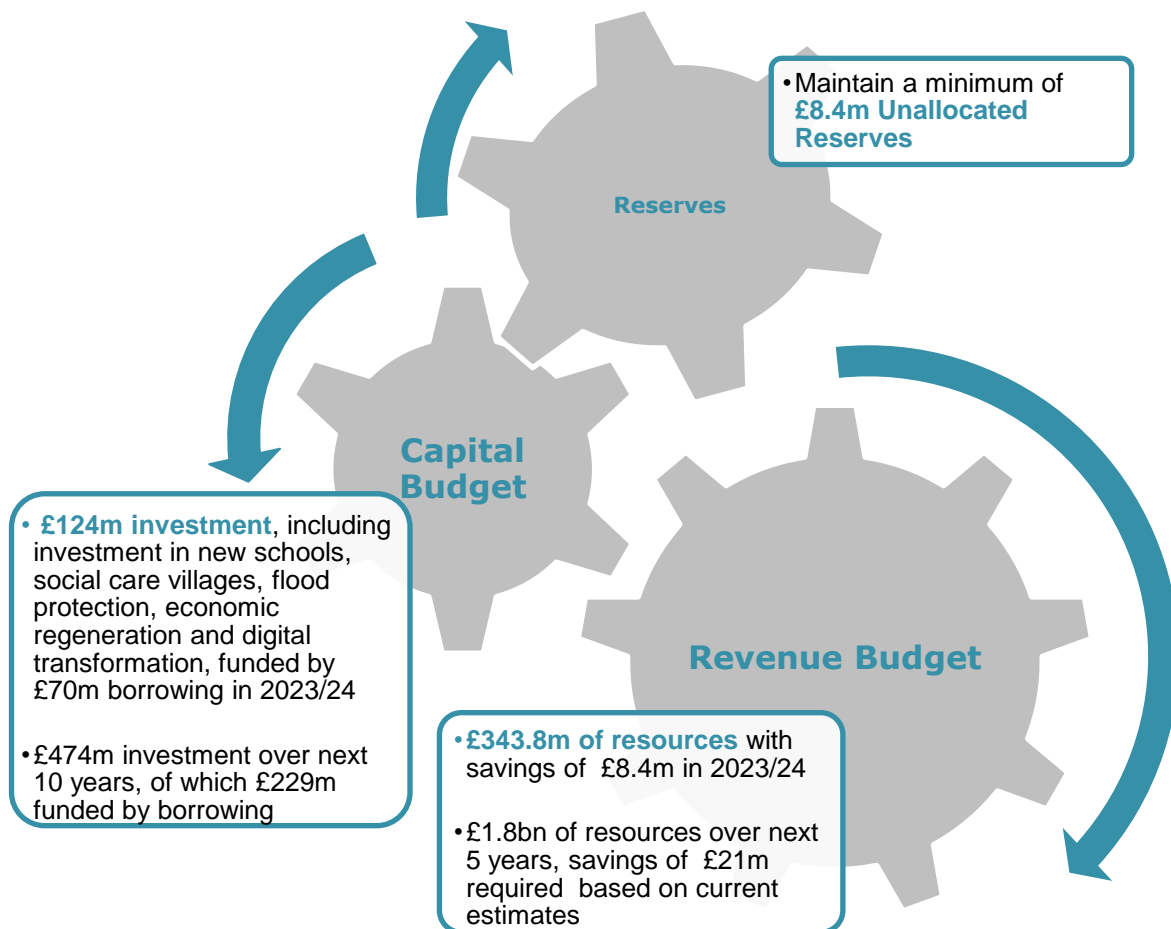
Our Plans for the Future

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 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.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 29 June 2023.

The Acting Chief Financial Officer responsibilities:-

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

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

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

The Acting Chief Financial Officer has also:-

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

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2023.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Independent Auditor's Report

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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.

Annual Governance Statement

The Governance Framework

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

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

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, 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,

Annual Governance Statement

including the Digital Strategy and the Corporate Transformation Programme, set out far-reaching programmes of change and investment in digital technology to enable the Council to respond to unprecedented social, demographic and economic challenges and still deliver high quality and improved services to its citizens 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 plans for their permanent recruitment). 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) 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.

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

Annual Governance Statement

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. 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.

Annual Governance Statement

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.

Remuneration Report

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

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

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

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 £342,524. 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 McAteer	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) 23,785	223	21,911
-	D Parker	Portfolio Holder for Health & Wellbeing from 26 May 2022	21,688 (FYE 28,000)	-	23,785
-	J Greenwell	Portfolio Holder for Roads Development & Maintenance from 26 May 2022	21,688 (FYE 25,531)	279	21,967
-	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 Thornton-Nicol	Chair of Scrutiny from 26 May 2022	18,126 (FYE 21,338)	-	18,126
305,237		Total Other Senior Councillor Remuneration	322,041	1,821	323,862
370,554		Total Senior Councillor Remuneration	386,867	2,078	388,945

Remuneration Report

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.

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)	60,180 (FYE 86,457) (FYE 93,413)	-	-	-	60,180
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		897,982	112	0	0	898,094

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	15,866
£20,001- £40,000	1	-	1	24,853
£40,001- £60,000	-	-	-	-
£60,001- £80,000	1	-	1	63,585
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	-	-	-	-
Total	4	-	4	104,303

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.

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

2021/22	Name	Post Title	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 £	
83,687	Ewan Jackson	Chief Executive Officer	87,917	-	-	87,917	15,044	15,825	Pension Lump Sum	29,348	3,870	852

Remuneration Report

Pension Benefits

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

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

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

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

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

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	2,449 -	1,074 -
W McAteer	Convener from 26th May 2022	3,349	5,020	Pension Lump Sum	3,124 -	94 -
S Haslam	Executive Member for Finance & Budget Oversight from 22 February 2022	5,843	448	Pension Lump Sum	3,621 -	51 -
D Parker	Convener to 5th May 2022. Portfolio Holder for Health & Wellbeing from 26 May 2022.	5,024	4,982	Pension Lump Sum	9,214 2,783	1,589 302
A Aitchison	Executive Member for Sustainable Development to 5th May 2022	4,400	448	Pension Lump Sum	6,696 1,826	183 77
S Bell	Chair of Audit & Scrutiny to 5th May 2022.	3,650	372	Pension Lump Sum	4,317 -	90 -
G Edgar	Executive Member for Infrastructure, Travel & Transport (also Area Partnership Chair) to 5th May 2022	4,400	448	Pension Lump Sum	4,834 -	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	11,373 17,447	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	2,449 -	814 -
G Turnbull	Executive Member for Public Protection to 5th May 2022	4,400	448	Pension Lump Sum	6,274 1,748	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	2,543 -	900 -
S Mounford	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	4,253 -	338 -
J Pirone	Portfolio Holder for Community & Culture from 26th May 2022.	-	4,103	Pension Lump Sum	- -	512 -
J Fullarton	Area Partnership Chair to 5th May 2022.	3,650	372	Pension Lump Sum	5,798 1,712	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	2,339 -	850 -
N Richards	Area Partnership Chair to 5th May 2022.	3,650	3,554	Pension Lump Sum	1,990 -	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	2,122 -	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 -
J Linehan	Portfolio Holder for Environment & transport from 26 May 2022	-	4,434	Pension Lump Sum	412 -	595 -
C Cochrane	Portfolio Holder for Community Engagement from 26 May 2022	3,349	4,812	Pension Lump Sum	1,559 -	758 -
E Thornton-Nicol	Chair of Scrutiny from 26 May 2022	3,349	3,793	Pension Lump Sum	2,172 -	693 -
Total		76,668	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)	14,857	16,397	Pension Lump Sum	34,607 34,778	5,079 3,266
NB McKinlay	Chief Legal Officer (from 1 August 2022) (2)	14,496	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		162,346	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 (when there was no longer an automatic entitlement to a lump sum). The accrued pension benefits include any transfer of benefits from another pension scheme but do not include benefits relating to additional voluntary contributions (i.e. contributions which do not require to be made by an individual under the LGPS). The in-year pension contributions represent the total contributions for the individual irrespective of the post(s) held for the year(s) that the post holder became/continued to be categorised as a Senior Employee.

Remuneration Report

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is now required to publish details of Trade Union facility time incurred during the year, both in the financial statements and also on the Council website. The regulations apply from 1 April 2017 and require relevant public sector employers to collect and publish, on an annual basis, a range of information in relation to their usage and spend on trade union (TU) facility time in respect of their employees who are TU representatives. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities as a TU representative.

The regulations require Local Authorities to collate and publish the following information:-

Scottish Borders council has 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.

Suzanne Douglas
Acting Chief Financial Officer

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	92,601	(13,192)	79,409	
44,475	(2,303)	42,172	39,420	(1,744)	37,676	
141,806	(79,852)	61,954	151,647	(81,178)	70,468	
120,890	(21,208)	99,682	112,338	(21,000)	91,338	
40,906	(24,405)	16,501	63,756	(25,623)	38,133	
25,757	(5,846)	19,911	18,203	(3,526)	14,678	
9,164	(652)	8,511	8,798	(163)	8,636	
474,228	(150,112)	324,116	486,763	(146,426)	340,338	
5,427	(5,170)	257	2,747	(2,672)	75	8
1,465	(730)	735	860	(803)	57	
10,144	-	10,144	16,454	-	16,454	29
-	(227)	(227)	-	(1,425)	(1,425)	
19,426	(14,853)	4,573	25,525	(20,899)	4,626	20
-	(211,149)	(211,149)	-	(216,297)	(216,297)	
-	(26,668)	(26,668)	-	(35,294)	(35,294)	
-	(61,023)	(61,023)	-	(63,591)	(63,591)	
-	(42,522)	(42,522)	-	(44,532)	(44,532)	28
510,691	(512,454)	(1,763)	532,350	(531,939)	411	

Comprehensive Income and 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	532,350	(531,939)	411	
		(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			(252,455)	
		(145,640)	Other Comprehensive Income and Expenditure			(256,115)	
		(147,403)	Total Comprehensive (Income)/Expenditure			(255,704)	

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	142,508	
6,725	Infrastructure	6,738	
53,247	Surplus Assets	78,984	
1,014	Assets Under Construction	1,014	13
882	Heritage Assets	715	14
1,106	Intangible Assets	1,114	29
681,633	Long Term Assets	721,612	
-	Intangible Assets - Current	-	14
1,445	Inventories	1,597	24
61,222	Short Term Debtors	51,158	30
(12,530)	less Impairment of Receivables	(13,182)	
45,918	Cash and Cash Equivalents	28,142	34
96,055	Current Assets	67,715	
-	Bank Overdrafts	-	29
(4,836)	Short Term Borrowing	(3,573)	29
(59,887)	Short Term Creditors	(51,796)	16/30
(148)	Provisions	(203)	25
(64,871)	Current Liabilities	(55,572)	
(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
(322,459)	Long Term Liabilities	(311,470)	
390,358	Net Assets excluding pension Asset/(Liability)	422,285	
(159,481)	Pension Asset/(Liability)	64,297	20
230,877	Net Assets/(Liabilities) including pension liability	486,582	

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	(216,027)	} 31
5,814	Financial Instruments Adjustment Account	5,511	
(164,118)	Revaluation Reserve	(156,796)	
159,481	Pension Reserve	(64,297)	
6,552	Employee Statutory Adjustment Account	7,269	
(230,877)	Total Reserves	(486,582)	

The draft accounts were authorised for issue on 29 June 2023.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Movement in Reserves Statement

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

Movement in reserves during 2021/22

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

Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	(1,763)	-	-	-	(1,763)	(145,640)	(147,403)	C I & E
Depreciation charges to Revaluation Reserve	(4,308)	-	-	-	(4,308)	4,308	-	
Adjustments between accounting basis & Funding basis under regulations	(9,479)	(887)	311	(91)	(14,454)	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	411	-	-	-	411	(256,115)	(255,704)	C I & E
Depreciation charges to Revaluation Reserve	(9,579)	-	-	-	(9,579)	9,579	-	
Adjustments between accounting basis & Funding basis under regulations	11,512	(394)	51	237	11,407	(11,407)	-	31
(Increase) or Decrease In 2022/23	2,345	(394)	51	237	2,239	(257,944)	(255,704)	
Balance at 31/03/2023 carried forward	(49,647)	(11,210)	0	(1,386)	(62,243)	(424,338)	(486,582)	

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		411	
(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
(34,145)	Net Cash Flows From Operating Activities		(10,616)	
	Investing Activities			
58,436	Purchase of PP&E, investment property and intangible assets	58,904		
(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	(34,406)		
5,713	Net Cash Flows from Investing Activities		23,695	
	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	2,507		
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		4,285	
(18,501)	Net (Increase) or Decrease in Cash and Cash Equivalents		17,775	
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		28,143	34
(18,501)	Movement		17,775	

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 means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners

Notes to the Core Financial Statements

and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Events after the Balance Sheet are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have been a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

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

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

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

Financial Instruments

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

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

Financial Liabilities

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

Notes to the Core Financial Statements

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

However, the 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).

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

Notes to the Core Financial Statements

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

Assets included 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.
- Surplus Assets
 - Land is not depreciated
 - Buildings are written off over their estimated life.

Notes to the Core Financial Statements

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

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

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up 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 Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

VAT

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

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

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

- IFRS 16 Leases.
- 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.

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 £223.778m as a result of estimates being revised and updating assumptions.

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		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	(12,727)	14,678	
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	17,668	340,339	
(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	(1,933)	411	
(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)	2,854	(12,727)
People, Performance & Change	-	942	14	957	266	1,222
	(4,023)	24,051	338	20,366	(2,699)	17,668
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)	2,876	(1,933)

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 67 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	2021/22 £'000	2022/23 £'000
Expenditure		
Employee Benefits Expenses	187,839	200,612
Other Service Expenses	272,247	268,842
Support Services Recharges	344	352
Depreciation, Amortisation, Impairment	39,382	21,659
Interest Payments	10,144	16,454
Loss on Disposal of Assets	735	57
Total Expenditure	510,691	507,976
Income		
Fees, Charges and Other Service Income	(150,112)	(146,426)
Interest and Investment Income	(227)	(1,425)
Income from Council Tax and Non Domestic Rates	(87,691)	(98,885)
Government Grants and Contributions	(274,424)	(260,829)
Total Income	(512,454)	(507,565)
(Surplus) or Deficit on the Provision of Services	(1,763)	411

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 £'000		2022/23 £'000	3 Year Cumulative £'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 Campus's 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 £'000	Expenditure £'000	Net Expenditure £'000	Debtor/(Creditor) £'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

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
Support Services	£0.125m	£0.128m

Notes to the Core Financial Statements

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 £0.400m (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 £55.743m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. As the IJB accounts had not been finalised at the time of submission to Scottish Borders Council Audit Committee, no further adjustments relating to 2022/23 have been incorporated into these accounts.

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

Notes to the Core Financial Statements

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 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 107-112 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 £0.308m 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).

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 *	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2022	454,863	93,324	270,645	54,174	6,741	1,014	880,761
Acquisitions & Recognition in the year	7,205	11,429	15,256	26,490	21	-	60,401
Revaluation Increase/(Decrease) To Revaluation Reserve	3,075	-	-	-	493	-	3,568
Revaluation Increase/(Decrease) To CIES	(877)	-	-	-	29	-	(848)
Transfers	415	-	189	(550)	(54)	-	-
Disposals	(472)	(3,309)	(33)	-	(492)	-	(4,306)
Gross book value (GBV) at 31 March 2023	464,209	101,444	286,057	80,114	6,738	1,014	939,576
Cumulative depreciation at 31 March 2022	(3,334)	(62,510)	(134,329)	(927)	(16)	-	(201,116)
Depreciation for the year	(19,033)	(10,881)	(8,818)	-	(88)	-	(38,820)
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)	(435)	(203)	-	-	(2,111)
Transfers	-	-	-	-	-	-	-
Disposals	92	3,309	33	-	12	-	3,446
Cumulative depreciation at 31 March 2023	(4,601)	(70,512)	(143,549)	(1,130)	1	0	(219,791)
Net book value at 31 March 2023	459,608	30,932	142,508	78,984	6,739	1,014	719,785
Net book value at 31 March 2022	451,529	30,814	136,316	53,247	6,725	1,014	679,645

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

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	101,444	286,163	80,114	10,881	1,036	882,462
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 2019	681	-	-	-	(1,155)	-	(474)
1st April 2018	1,194	-	-	-	218	-	1,412
Gross book value (GBV) at 31 March 2023	464,209	101,444	286,057	80,114	6,738	1,014	939,576

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. 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 Border artists including Tom Scott and Anne Redpath and pictures of Border subjects.

Archive Centre Collection

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

Monuments, Memorials and Statues Collection

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

Notes to the Core Financial Statements

Note 14 Intangible Assets

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

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	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'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

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.

Notes to the Core Financial Statements

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	
111,289	Land and buildings	128,947
111,289		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	
5,021	Not later than 1 year	4,674
18,523	Later than 1 year and not later than 5 years	17,791
70,592	Later than 5 years	61,967
	Finance Costs Payable in Future Years	
3,202	Not later than 1 year	3,417
13,714	Later than 1 year and not later than 5 years	13,948
45,875	Later than 5 years	38,842
156,926	Minimum Lease Payments	140,638

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 1year	308
1,407	Later than 1year 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	3,666
5,285	Total	6,806

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	63,277	
98	Intangible assets	257	63,534
	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		348,173

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)		5,392
(7,775)	Increase/(Decrease) in capital financing requirement		5,392

Note 19 Termination Benefits

During 2022/23 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 4 employees, incurring expenditure of £0.104m - see the Remuneration Report for further detail on the exit packages granted and total cost per band. These packages are attributable to various areas throughout the Council.

Note 20 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Notes to the Core Financial Statements

The Council participates in two formal pension schemes:

The Local Government Pension Scheme is a funded defined benefit career average salary pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018, as amended. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

The Teachers' Pension Scheme is a defined benefit scheme. However it is accounted for as a defined contribution scheme. Further details can be found at Note 21.

Transactions relating to retirement benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

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 as follows:-

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)
159,481	Net liability/(asset) arising from defined benefit obligation	(64,297)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance will only be required to cover discretionary benefits when the pensions are actually paid.

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

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

Notes to the Core Financial Statements

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.

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

Notes to the Core Financial Statements

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

2021/22	Fair Value of Scheme Assets	2022/23
£'000		£'000
193,542	Equity instruments: <i>By company size</i> 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.

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

Notes to the Core Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employers Liability
Adjustment to real discount rate - 0.1% decrease	2%
Adjustment to long term salary increase - 0.1% increase	0%
Adjustment to pension increase rate - 0.1% increase	2%
Adjustment to mortality rating assumption - 1year 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.

Notes to the Core Financial Statements

Note 23 Events After the Balance Sheet Date

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

Note 24 Inventories

2021/22 £'000		2022/23 £'000
1,645	Balance outstanding at start of year	1,445
(200)	Movement during year	153
1,445	Balance outstanding at year-end	1,598

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)	(115)	(202)
Over 12 months	-	-	-	(3,368)	(3,368)
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.

Notes to the Core Financial Statements

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £323,614, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £309,807 at the Balance Sheet date.
- The Council has agreed to act as guarantor for Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary has previously provided figures based on the projected bond level that would be needed to be established to reflect these pension fund liabilities with the most recent estimate being £2.937m.
- On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. However due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on Scottish Borders Council at this time.
- There has been a legal case regarding pension obligations relating to Civil Partnerships, it is too early to assess what the financial implications of this will be on Local Government Pension Schemes.
- Following a judicial review decision and the issue of a public consultation on the identification of Common Good assets in the Scottish Borders, a number of assets have been transferred from Scottish Borders Council's Balance Sheet to the Common Goods Funds as a prior period adjustment. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets are anticipated to be agreed. In the event that this process requires further asset transfers the necessary adjustments will be made when agreement has been reached. Consequently the Council considers any potential remaining transfers to be a contingent liability.

Note 27 Contingent Assets

The following Contingent Assets are noted:

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

Notes to the Core Financial Statements

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 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)		(49,411)

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 M arch 2022	31 M arch 2023	31 M arch 2022	31 M arch 2023
	£000	£000	£000	£000
Loans and Receivables				
Cash and Cash Equivalents	-	-	45,918	28,142
Debtors	1,106	1,114	48,692	37,976
Total Loans and Receivables	1,106	1,114	94,610	66,118
Borrowings				
Bank Overdraft	-	-	-	-
Financial Liabilities (principal amount)	(210,490)	(209,912)	(1,778)	-
Accrued interest	-	-	(3,058)	(3,573)
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)	(46,637)
Total Creditors	-	-	(53,538)	(46,637)

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 M arch 2022			31 M arch 2023	
£'000	%		£'000	%
(36,180)	17	Bonds and Mortgages	(34,841)	16
(174,310)	81	Public Works Loan Board	(175,071)	82
(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

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2022		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(174,310)	(291,309)	(175,071)	(184,022)
Other debt	(41,016)	(63,100)	(38,414)	(33,578)
Total debt	(215,326)	(354,409)	(213,485)	(217,600)
Creditors	(59,887)	(59,887)	(51,796)	(51,796)
Total financial liabilities	(275,213)	(414,296)	(265,282)	(269,396)

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	37,976	37,976
Total loans and receivables	94,610	94,610	66,118	66,118

All of the financial assets were of less than one year duration and therefore the fair value equates to the amortised cost on the balance sheet.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its day to day obligations to make payments
- **Re-financing risk** – the possibility that the Council may need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

Notes to the Core Financial Statements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are determined through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- By approving annually, in advance, prudential indicators for the following three years limiting:
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations

These are required to be reported and approved at or before setting the Council's annual Council Tax budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each financial year, as is a mid-year update.

These policies are implemented by a central treasury team. The Council maintains a strategy for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The annual Treasury Management Strategy for 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%

Notes to the Core Financial Statements

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 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 31M arch 2022 £'000	Actual 31M arch 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	15,337
9,109	Prepayments	2,780
34,080	Other Receivable Amounts	33,041
61,222		51,158

Creditors

2021/22 £'000		2022/23 £'000
(19,593)	Trade Payables	(16,087)
(40,294)	Other Payables	(35,709)
(59,887)		(51,796)

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

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)	1,933	411	(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)	(41,902)	-	(216,027)
Financial Instruments Adjustment Account	5,814	(303)	-	5,511
Revaluation Reserve	(164,117)	10,982	(3,660)	(156,796)
Pensions Reserve	159,481	28,677	(252,455)	(64,297)
Employee Statutory Adjustment Account	6,552	717	-	7,269
Total	(230,877)	(0)	(255,704)	(486,582)

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

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

A summary of all reserves movements are shown below:

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

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(29,948)	-	-	-	(29,948)	29,948	-	12 & 14
Impairment losses (charged to CI&ES)	(1,995)	-	-	-	(1,995)	1,995	-	
Revaluation Losses	(5,147)	-	-	-	(5,147)	5,147	-	
Capital grants and contributions applied	42,522	-	-	-	42,522	(42,522)	-	28
Employee Statutory Adjustments	135	-	-	-	135	(135)	-	
Profit/(Loss) on disposal of assets	(735)	(730)	-	-	(1,465)	1,465	-	
Revenue Exp Funded From Capital under Statute	(2,683)	-	-	-	(2,683)	2,683	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	308	-	-	-	308	(308)	-	
Net retirement charges per IAS 19	(44,981)	-	-	-	(44,981)	44,981	-	
Loans Fund principal repayments and Statutory premia	14,693	-	-	-	14,693	(14,693)	-	
Capital Expenditure charged to General Fund balance	2,015	-	-	-	2,015	(2,015)	-	
Employers contribution payable to Pension Fund	13,983	-	-	-	13,983	(13,983)	-	
Net Transfers to or (from) other reserves	2,354	(157)	311	(91)	2,417	(2,417)	-	
Total in year adjustments	(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	-	12 & 14
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	(2,876)	-	-	-	(2,876)	2,876	-	
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	11,512	(394)	51	237	11,407	(11,407)	-	

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	(4,127)
(3,096)	Social Work & Practice	(5,790)
(7,325)	Education & Lifelong Learning	(5,123)
(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	(164,117)	159,481	6,552	(166,395)
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	2,876	-	-	-	-	2,876
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 C&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	-	-	-	(252,455)	-	(252,455)
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	(216,026)	5,511	(156,796)	(64,297)	7,269	(424,338)

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	(164,117)	159,481	6,552	(166,395)

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	411
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(33,858)	Depreciation	(38,819)
(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	(12,957)
(10,705)	Net movement in creditors charged to I & E	9,913
(112)	Net movement in provisions charged to I & E	(37)
(77,454)		(55,148)
	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	(10,205)

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	Cash held by officers	14
398	Bank current accounts	1,128
45,500	Short term deposits	27,000
45,918	Total	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		781
22,694		Less: Reliefs and Other Deductions	16,358	
647		Write-offs of uncollectable debts & allowance for impairment	244	
-		Interest paid on overpaid rates	-	
	23,341			16,602
	(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	103,290

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	141	420
(1,290)	(Surplus) brought forward	(773)	(598)	(1,371)
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)	(700)	(1,512)

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 54 to 63. 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
	Income													
(3)	Donations & Legacies	-	-	-	-	-	-	-	-	-	-	-	-	-
(148)	Investments	-	(1)	-	(8)	(89)	-	(48)	(14)	(12)	(1)	(26)	(14)	(23)
(232)	Charitable Activities	-	-	(5)	-	(97)	-	-	-	(166)	-	(67)	(86)	(421)
	Unrealised Gain On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
(1308)	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	17	64
55	Other: Governance Costs	-	-	-	2	14	-	4	2	11	-	9	12	54
3	Unrealised Loss On Investments	-	2	-	20	57	-	117	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	1,608	32	892	3,909	13,660
2,902	Investments	-	15	-	141	404	-	857	249	220	14	446	228	2,574
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	14	-	16	49	(9)	5	31	91	423
	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	16,715
	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	(152)	-	-	(509)	(4,173)	(370)	(536)	(929)	(1,606)	(14)	(842)	(3,888)	(13,019)
(17,737)	Total Reserves	(274)	(19)	(6)	(822)	(4,844)	(505)	(1,515)	(1,227)	(1,827)	(51)	(1,390)	(4,235)	(16,715)

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 113 to 121.

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 109 to 111. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body.

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

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

Lowood Tweedbank Limited, has been excluded from the Group accounts in 2021/22 and 2022/23. This is in relation to the materiality threshold as agreed with Audit Scotland.

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. This is in accordance to the materiality threshold as agreed with Audit Scotland.

Joint Arrangements

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

- Scottish Borders Health and Social Care Partnership

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

As the IJB accounts had not been finalised at the time of submission to Scottish Borders Council Audit Committee, no further adjustments relating to 2022/23 have been incorporated into the Group accounts.

The financial statements for the Scottish Borders Health and Social Care Partnership will be available from the Council Headquarters when finalised.

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
14,180	(79,852)	61,954	Social Work & Practice	15,164	(81,178)	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
25,853	(6,094)	19,759	Finance & Corporate Governance	18,202	(3,522)	14,681
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	-	-	-
480,235	(162,524)	317,711	Services provided by the Council	495,435	(152,464)	342,972
480,235	(162,524)	317,711	Net Cost of Services	495,435	(152,464)	342,972
5,427	(5,170)	257	Roads Trading Operation (Surplus)/Deficit (External)	2,747	(2,672)	75
1,465	(730)	735	Other Operating Expenditure			
			(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			2,689

Group Comprehensive Income and Expenditure Statement

2021/22				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			2,689
		(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			(261,096)
		(148,754)	Other Comprehensive Income and Expenditure			(264,144)
		(157,095)	Total Comprehensive (Income)/Expenditure			(261,455)

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	142,508
6,725	Infrastructure	6,738
53,247	Surplus Assets	78,984
1,039	Assets Under Construction	1,039
882	Heritage Assets	715
3,675	Intangible Assets	4,469
14,583	Long Term Investments	13,297
1,111	Investments In Associates & Joint Ventures	1,114
	Long Term Debtors	
718,618	Long Term Assets	757,109
-	Intangible Assets - Current	-
1,507	Inventories	1,686
61,805	Short Term Debtors	51,506
(12,530)	less Impairment of Receivables	(13,182)
48,601	Cash and Cash Equivalents	30,137
99,382	Current Assets	70,147
-	Bank Overdrafts	
(4,836)	Short Term Borrowing	(3,573)
(60,952)	Short Term Creditors	(52,660)
(148)	Provisions	(203)
(65,936)	Current Liabilities	(56,436)
(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)
(321,432)	Long Term Liabilities	(310,427)
430,631	Net Assets excluding pension liability	460,393
(162,980)	Pension Liability	68,713
267,651	Net Assets/(Liabilities) including pension liability	529,106

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	(23,094)
	Unusable Reserves	
(174,125)	Capital Adjustment Account	(216,027)
5,814	Financial Instruments Adjustment Account	5,511
(164,118)	Revaluation Reserve	(156,796)
159,481	Pension Reserve	(64,297)
6,552	Employee Statutory Adjustment Account	7,269
(12,520)	Share of Group Entities Unusable Reserves	(19,430)
(267,651)	Total Reserves	(529,106)

The draft accounts were authorised for issue on 29 June 2023.

Suzanne Douglas CPFA
Acting Chief Financial Officer

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)	(64,986)	(35,209)	(10,361)	(45,570)	(110,556)

Movement in reserves during 2021/22

Total Comprehensive Income & Expenditure	(1,763)	(8,618)	(145,640)	(2,837)	(148,477)	(157,095)
Adjustments between accounting basis & funding basis under regulations	(14,454)	(15,131)	14,454	677	15,131	-
Increase or Decrease in 2021/22	(16,218)	(23,750)	(131,185)	(2,160)	(133,345)	(157,095)
Balance at 31/03/2022 carried forward	(64,483)	(88,736)	(166,394)	(12,521)	(178,915)	(267,651)
	(64,483)	(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)	(88,736)	(166,394)	(12,521)	(178,915)	(267,651)

Movement in reserves during 2022/23

Total Comprehensive Income & Expenditure	411	2,576	(256,115)	(7,916)	(264,031)	(261,455)
Adjustments between accounting basis & funding basis under regulations	1,828	822	(1,828)	1,006	(822)	0
Increase or Decrease in 2022/23	2,239	3,398	(257,943)	(6,910)	(264,853)	(261,455)
Balance at 31/03/2023 carried forward	(62,244)	(85,338)	(424,338)	(19,431)	(443,770)	(529,106)

Group Cash Flow Statement

Restated 2021/22 £'000		2022/23	
		£'000	£'000
(8,341)	Net (Surplus) or deficit on the provision of services		2,689
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	-	
(79,507)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(57,243)	
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		(10,022)
	Investing Activities		
58,731	Purchase of PP&E, investment property and intangible assets	59,278	
(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	(34,406)	
6,168	Net Cash Flows from Investing Activities		24,200
	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	2,507	
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		4,285
(18,517)	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		30,138
(18,516)	Movement		18,463

Notes to the Group Accounts

Note 1 Group Accounting Policies

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

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

Note 2 Group Cash Flow

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

Restated 2021/22 £'000		2022/23 £'000
	Reconciliation to General Fund Surplus	
(8,341)	Net (Surplus) or deficit on the provision of services	2,689
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	-
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(34,924)	Depreciation	(40,183)
(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	(13,247)
(10,845)	Net movement in creditors charged to I & E	10,169
(12)	Net movement in provisions charged to I & E	(37)
(79,507)		(57,243)
	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
(44,539)	Net Cash Outflow / (Inflow) from Operating Activities	(10,022)

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 £0.411m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £2.689m. The net asset position of the Council's single entity Balance Sheet of £486.583m becomes £529.106m on group consolidation. Overall, the Group Balance Sheet position has increased by £261.455m from 2021/22 largely as a result of the decrease in pension liability and increase in fixed asset valuations

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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



ANNUAL REPORT AND FINANCIAL STATEMENTS

SCOTTISH BORDERS COUNCIL WELFARE TRUST

Charity Registration Number: SC044765

FOR THE YEAR TO 31 MARCH 2023

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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity Regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Welfare Trust, the "Trust", which was established for the purpose of:

- a) The prevention or relief of poverty;
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage; or
- c) The advancement of health, including the advancement of education in health.

By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

During 2017/18 further work on the reorganisation of charity funds continued and on 21st December 2017, Scottish Borders Council approved the reorganisation, in consultation with OSCR, for a number of funds to be amalgamated into this Trust on 1st April 2018.

This fund is administered by the Communities & Partnership Team, and features on the Scottish Borders Council website and each of the 5 Area Partnership Funding Information Tables in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to communities.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2023.

Structure

Scottish Borders Council has delegated authority to the Director, Resilient Communities, for the following:

1. Approve applications for funding up to the value of £500 from the SBC Community Enhancement Trust and SBC Welfare Trust;
2. Approve applications for grants from £501 to £2,500 to the SBC Welfare Trust, subject to the agreement of at least 50% of the Members in the relevant Wards; and
3. Approve applications for grants from £501 to £5,000 to the SBC Community Enhancement Trust, subject to the agreement of at least 50% of the Members in the relevant Wards.

Grants over £5,000 require approval by the Executive Committee of Scottish Borders Council.

Charitable Purpose

- The prevention or relief of poverty
- The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- The advancement of health, including the advancement of education in health
- By among other things, the payment of grants and/or loans to such charities or other organisations or to such individuals who are deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purposes of either the prevention or relief of poverty or the relief of those in need or the advancement of health, as appropriate.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made 15 donations totalling £13,707 during the financial year to 31 March 2023.
- There is varied success in disportion of the Trust - in some areas nearly all of the available funding has been awarded, and in others around 25%, despite ongoing promotion of the Trust.

Plans for the Future

- This fund is administered by the Communities & Partnership Team, and features on the SBC website and each of the 5 Area Partnership Funding Information Tables in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to our communities:
 - https://www.scotborders.gov.uk/info/20076/community_grants_and_funding
- The Trust is also promoted at each of the 5 Area Partnerships held quarterly across the Scottish Borders.
- It is anticipated that due to the current cost of living crisis, that there may be more applications and awards made during 2023/24.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the newly established Charity.
- b) In terms of the Trustee's governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.

The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2023, the reserves of the SBC Welfare Trust amounted to:

- Restricted Income Funds - £749,387

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Welfare Trust

Charity registration number SC044765

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the period 1 April to 5 May 2022 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Due to Local Government elections on 5 May 2022, the Trustees for the remainder of the year to 31 March 2023 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

James Anderson	Drummond Begg	Pam Brown
Caroline Cochrane	Jane Cox	Leagh Douglas
Marshall Douglas	John Greenwell	Carol Hamilton
Scott Hamilton	Euan Jardine	Jenny Linehan
Watson McAteer	Neil McKinnon	Stuart Marshall
Donald Moffat	Simon Mountford	Aileen Orr
David Parker	John Paton-Day	Julie Pirone
Clare Ramage	Neil Richards	Euan Robson
Mark Rowley	Sandy Scott	Fay Sinclair
Eric Small	Annette Smart	Hannah Steel
Robin Tatler	Viv Thomson	Elaine Thornton-Nicol
Tom Weatherston		

- Chief Executive**
- During the period of these financial statements, the Chief Executive of Scottish Borders Council were:
 - Netta Meadows 1 April to 11 July 2022
 - David Robertson 12 July to 31 March 2023 (on an interim basis from 12 July to 17 January 2023)

Auditor Audit Scotland
 102 West Port
 Edinburgh
 EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Welfare Trust. All financial transactions go through the Council's books of account and their Bankers are the Royal Bank of Scotland, Galashiels.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Euan Jardine
Trustee
Scottish Borders Council Welfare Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2023

2021/22 £		2022/23 £	Notes
	Income From:		
500	Donations and legacies	833	3
33,337	Investments	35,962	1
33,837	Total Income	36,795	
	Expenditure on:		
0	Raising funds	0	
(15,174)	Charitable activities	(13,707)	2
(500)	Other: Governance costs	(833)	3
(15,674)	Total Expenditure	(14,540)	
(636)	Gain / (loss) on investment assets	(76,931)	
17,527	Net Income / (Expenditure)	(54,676)	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
17,527	Net Movement in Funds	(54,676)	
	Reconciliation of Funds		
786,536	Total funds brought forward	804,063	
804,063	Total Funds Carried Forward	749,387	8

BALANCE SHEET as at 31 March 2023

as at 31 March 2022			as at 31 March 2023		Notes
£	£		£	£	
626,205	626,205	Fixed Assets			
		Investments	549,991		4
				549,991	
2,972	177,858	Current Assets			
		Debtors	1,725		5
174,886		Short term investment in SBC loans fund	197,671		6
				199,396	
		Current Liabilities			
		Creditors:			
	0	Amounts falling due within 1 year		0	7
	804,063	Net Current Assets		749,387	
	804,063	Total Net Assets		749,387	
		The Funds of the Charity			
(804,063)		Restricted income funds	(749,387)		8
	(804,063)	Total Charity Funds		(749,387)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14, form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2023.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Welfare Trust

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2021/22 £		2022/23 £
87	Bank Interest Receivable	3,388
33,250	Income from Investment Portfolio	32,574
33,337		35,962

Following a drop in the income from the Aegon Investment Fund due to the impact of Covid-19 in 2020/21, dividend income returned to pre-pandemic levels in 2021/22 and remained at a similar level in 2022/23.

2 Charitable Activities

The charitable activities during 2022/23 are shown in note 8 by individual fund within the charity.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Welfare Trust, recognised under Governance Costs. This fee amounted to £833 in 2022/23. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2023 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is an unrealised loss for the 12 month period of these accounts.

5 Debtors

2021/22 £		2022/23 £
2,972	Prepayments and accrued income	1,725
2,972		1,725

6 Short Term Investments in SBC Loans Fund

All surplus cash is invested on behalf of the charity with Scottish Borders Council

7 Creditors: amounts falling due within 1 year

2021/22 £		2022/23 £
0	Grants payable	0
0		0

8 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both.

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) The prevention or relief of poverty
- b) The relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage or
- c) The advancement of health, including the advancement of education in health

2021/22 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Unrealised Gain/(Loss)	2022/23 Balance
£	£		£	£	£	£
249,275	Berwickshire	a&b	10,664	(1022)	(23,623)	235,293
137,000	Galashiels & District	a&b	6,230	(541)	(14,548)	128,141
24,405	Hawick, Denholm & Hermitage	a&b	1,052	(604)	(2,348)	22,505
48,401	Jedburgh & District	a&b	2,069	(1,345)	(4,580)	44,545
10,240	Leaderdale & Melrose	a&b	435	(409)	(956)	9,310
8,423	Tweeddale East & West	a&b	358	(337)	(788)	7,656
858	Tweeddale East & West	Unrestrict'd	37	(1)	(80)	814
65,348	Mid & East Berwickshire	a&b	2,696	(2,085)	(5,888)	60,071
29,121	Hawick & Hermitage	c	1,260	(29)	(2,822)	27,530
655	Hawick & Hermitage	a&b	29	(1)	(62)	621
8,014	Hawick Denholm	a&b	343	(8)	(758)	7,591
24,102	Jedburgh & District	c	1,231	(28)	(2,223)	23,082
7,848	Kelso & District	a&b	340	(325)	(760)	7,103
99,895	Selkirkshire	a&b	4,233	(3,316)	(9,370)	91,442
18,263	Lauder	a&b	797	(770)	(1,800)	16,490
8,679	Melrose & District	a&b	372	(8)	(825)	8,218
63,170	Tweeddale	a&b	4,634	(3,711)	(5,466)	58,626
366	Bowden	a&b	16	(0)	(34)	348
804,063			36,795	(14,540)	(76,931)	749,387

9 Related Party Transactions

Due to the nature of the operations and composition of the SBC Welfare Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	3,388

INDEPENDENT AUDITOR'S REPORT

**to the trustees of Scottish Borders Welfare Trust and the Accounts
Commission for Scotland**

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ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Education Trust, please contact:

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Acting Chief Financial Officer	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA



**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL
EDUCATION TRUST**

Charity Registration Number: SC044762

FOR THE YEAR TO 31 MARCH 2023

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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity Regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Education Trust, the “Trust”, in 2014/15. Investigative work commenced in 2015/16 to identify further “Educational” trusts which could be integrated into this Charity. This work has been ongoing throughout the year and will continue into 2023/24 around the possible amalgamation of educational based trusts and bequests into the SBC Education Trust.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2023.

Structure

Following the establishment of the Trust, Scottish Borders Council on 21 May 2015 approved the delegation of authority to the Director, Education & Lifelong Learning, for the following:

1. Make payments to individuals from educational trusts and SBC Education Trust according to set criteria.

Charitable Purpose

- To advance and/or promote cultural exchange by, among other things, the payment of grants and/or loans, the award of bursaries, the award of prizes, payment towards cultural exchanges that further an educational purpose both within Scottish Borders area and further afield (including abroad), to such educational institutions, charities or other organisations or to such individuals deserving of benefit as the Trustees shall, in their sole and unfettered discretion, select as suitable recipients of such benefit, to be applied by such recipients for the charitable purpose of the advancement of education and/or promotion of cultural exchange.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity has not made any donations during the year to 31 March 2023.

Plans for the Future

- The fund will be promoted via Scottish Borders Council web site and continue to grant awards to recipients who may be eligible for disbursement of funds under the eligibility restrictions of the funds.
- The ongoing reorganisation work undertaken by Scottish Borders Council and led by Director, Education & Lifelong Learning, including further refinement of existing disbursement criteria, will result in submissions to OSCR for approval to amalgamate other registered and non-registered trusts and bequests into the SBC Education Trust.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the Charity.
- b) In terms of the Trustees' governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs

At 31 March 2023, the reserves of the SBC Education Trust amounted to:

- Restricted Income Funds - £8,410

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Education Trust

Charity registration number SC044762

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the period 1 April to 5 May 2022 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Due to Local Government elections on 5 May 2022, the Trustees for the remainder of the year to 31 March 2023 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

James Anderson	Drummond Begg	Pam Brown
Caroline Cochrane	Jane Cox	Leagh Douglas
Marshall Douglas	John Greenwell	Carol Hamilton
Scott Hamilton	Euan Jardine	Jenny Linehan
Watson McAteer	Neil McKinnon	Stuart Marshall
Donald Moffat	Simon Mountford	Aileen Orr
David Parker	John Paton-Day	Julie Pirone
Clare Ramage	Neil Richards	Euan Robson
Mark Rowley	Sandy Scott	Fay Sinclair
Eric Small	Annette Smart	Hannah Steel
Robin Tatler	Viv Thomson	Elaine Thornton-Nicol
Tom Weatherston		

- Chief Executive**
- During the period of these financial statements, the Chief Executive of Scottish Borders Council were:
 - Netta Meadows 1 April to 11 July 2022
 - David Robertson 12 July to 31 March 2023 (on an interim basis from 12 July to 17 January 2023)

Auditor Audit Scotland
 102 West Port
 Edinburgh
 EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Education Trust. All financial transactions go through the Council's books of account and their Bankers are the Royal Bank of Scotland, Galashiels.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Euan Jardine
Trustee
Scottish Borders Council Education Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2023

2021/22 £		2022/23 £	Notes
	Income from:		
500	Donations and legacies	833	3
556	Investments	531	1
1,056	Total Income	1,364	
	Expenditure on:		
0	Raising funds	0	
0	Charitable activities	0	2
(500)	Other : Governance costs	(833)	3
(500)	Total Expenditure	(833)	
(5)	Gain / (loss) on investment assets - unrealised	(623)	
551	Net Income / (Expenditure)	(93)	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
551	Net Movement in Funds	(93)	
	Reconciliation of Funds		
7,952	Total funds brought forward	8,503	
8,503	Total Funds Carried Forward	8,410	7

BALANCE SHEET as at 31 March 2023

as at 31 March 2022			as at 31 March 2023		Notes
£	£		£	£	
5,074	5,074	Fixed Assets			
		Investments	4,456	4,456	4
		Current Assets			
24		Debtors	14		5
3,405		Short term investment in SBC loans fund.	3,940		6
	3,429	Total Current Assets		3,954	
	8,503	Total Net Assets		8,410	
	(8,503)	The Funds of the Charity			
		Restricted income funds		(8,410)	7
	(8,503)	Total Charity Funds		(8,410)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2023.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Education Trust

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when it is receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2021/22 £		2022/23 £
2	Bank Interest Receivable	67
554	Income from Investment Portfolio	463
556		531

Following a drop in the income from the Aegon Investment Fund due to the impact of Covid-19 in 2020/21, dividend income returned to pre-pandemic levels in 2021/22 and remained at a similar level in 2022/23.

2 Charitable Activities

The charity has not provided any grants to eligible beneficiaries during the year to 31 March 2023.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Education Trust, recognised under Governance Costs. This fee amounted to £833 in 2022/23. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2023 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is an unrealised loss for the 12 month period of these accounts.

5 Debtors

2021/22 £		2022/23 £
24	Prepayments and accrued income	624
24		624

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

7 Restricted Income Funds

The funds held with the Charity are restricted by area, purpose or both.

2021/22 Balance	Restricted by Area	Income	Expendi- ture	Unrealised Gain/(Loss)	2022/23 Balance
£	£	£	£	£	£
2,562	Borders Wide	469	(286)	(190)	2,554
5,941	Peeblesshire	895	(547)	(434)	5,856
8,503		1,364	(833)	(624)	8,410

8 Related Party Transactions

Due to the nature of the operations and composition of the SBC Education Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	67

INDEPENDENT AUDITOR'S REPORT

**to the trustees of Scottish Borders Council Education Trust and the
Accounts Commission for Scotland**

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ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Education Trust, please contact:

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Acting Chief Financial Officer	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA



ANNUAL REPORT AND FINANCIAL STATEMENTS

SCOTTISH BORDERS COUNCIL COMMUNITY ENHANCEMENT TRUST

Charity Registration Number: SC044764

FOR THE YEAR TO 31 MARCH 2023

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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Working with OSCR, Scottish Borders Council completed the first step of the re-organisation of a number of trusts. This resulted in the establishment of the SBC Community Enhancement Trust, the "Trust", which was established from 10 funds held by Scottish Borders Council. The purpose of the trust is as follows:

- a) The advancement of community development;
- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- c) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- d) The advancement of environmental protection or improvement.

During 2017/18 further work on the reorganisation of charity funds continued and on 21st December 2017, Scottish Borders Council approved the reorganisation, in consultation with OSCR, for a number of funds to be amalgamated into this Trust on 1st April 2018.

This fund is administered by the Communities & Partnership Team, and features on the Scottish Borders Council website and in each of the 5 Area Partnership Funding Information Tables in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to communities.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and the audited Financial Statements for the year ended 31 March 2023.

Structure

Scottish Borders Council has delegated authority to the Director, Resilient Communities, for the following:

1. Approve applications for funding up to the value of £500 from the SBC Community Enhancement Trust and SBC Welfare Trust;
2. Approve applications for grants from £501 to £2,500 to the SBC Welfare Trust, subject to the agreement of at least 50% of the Members in the relevant Wards; and
3. Approve applications for grants from £501 to £5,000 to the SBC Community Enhancement Trust, subject to the agreement of at least 50% of the Members in the relevant Wards.

Grants over £5,000 require approval by the Executive Committee of Scottish Borders Council.

Charitable Purpose

- The advancement of Community Development;
- The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets;
- The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended; or
- The advancement of environmental protection or improvement.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for. The charity made 8 donations totalling £4,805 during the financial year to 31 March 2023.
- There is varied success in the dispersion of this Trust across the Borders. In some areas all of the funding has been awarded, and in other areas there have been only a few applications - despite ongoing promotion of the Trust.

Plans for the Future

- This fund is administered by the Communities & Partnership Team, and features on the SBC website and in each of the Area Partnership Funding Information Tables in order to raise awareness of the fund, and to support openness, transparency and equality regarding funding that is available to our communities:
- https://www.scotborders.gov.uk/info/20076/community_grants_and_funding
- The Fund is also promoted at each of the 5 Area Partnerships held quarterly across the Scottish Borders.
- It is anticipated that due to the current cost of living crisis, there may be more demand across all of the Borders during 2023/24.

Governance and Management

Type of Governing Documents

- a) A Trust Deed has been established and approved by OSCR detailing the purpose and structure of the Community Enhancement Trust.
- b) In terms of the Trustees' governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The codes covering the governance of the Charity comprise of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs are covered

At 31 March 2023, the reserves of the SBC Community Enhancement Trust amounted to:

- Restricted Income Funds - £195,573.

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Community Enhancement Trust

Charity registration number SC044764

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the period 1 April to 5 May 2022 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Due to Local Government elections on 5 May 2022, the Trustees for the remainder of the year to 31 March 2023 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

James Anderson	Drummond Begg	Pam Brown
Caroline Cochrane	Jane Cox	Leagh Douglas
Marshall Douglas	John Greenwell	Carol Hamilton
Scott Hamilton	Euan Jardine	Jenny Linehan
Watson McAteer	Neil McKinnon	Stuart Marshall
Donald Moffat	Simon Mountford	Aileen Orr
David Parker	John Paton-Day	Julie Pirone
Clare Ramage	Neil Richards	Euan Robson
Mark Rowley	Sandy Scott	Fay Sinclair
Eric Small	Annette Smart	Hannah Steel
Robin Tatler	Viv Thomson	Elaine Thornton-Nicol
Tom Weatherston		

- Chief Executive**
- During the period of these financial statements, the Chief Executives of Scottish Borders Council were:
 - Netta Meadows 1 April to 11 July 2022
 - David Robertson 12 July to 31 March 2023 (on an interim basis from 12 July to 17 January 2023)

Auditor Audit Scotland
 102 West Port
 Edinburgh
 EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Community Enhancement Trust. All financial transactions go through the Council's books of account and their Bankers are the Royal Bank of Scotland, Galashiels.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Euan Jardine
Trustee
Scottish Borders Council Community Enhancement Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2023

2021/22 £		2022/23 £	Notes
	Income from:		
500	Donations and legacies	833	3
9,181	Investments	10,069	1
40	Charitable activities	30	
9,721	Total Income	10,932	
	Expenditure on:		
0	Raising funds	0	
(4,105)	Charitable activities	(4,805)	2
(500)	Other : Governance Costs	(833)	3
(4,605)	Total Expenditure	(5,638)	
(181)	Gain / (loss) on investment assets - unrealised	(21,869)	
4,935	Net Income / (Expenditure)	(16,575)	
	Other Recognised Gains / (Losses)		
0	Recognition of Investments	0	
4,935	Net Movement in Funds	(16,575)	
	Reconciliation of Funds		
207,213	Total funds brought forward	212,148	
212,148	Total Funds Carried Forward	195,573	7

BALANCE SHEET as at 31 March 2023

as at 31 March 2022			as at 31 March 2023		Notes
£	£		£	£	
178,009	178,009	Fixed Assets			
		Investments	156,344		4
				156,344	
845	34,139	Current Assets			
33,294		Debtors	490		5
		Short term investment in SBC loans fund	38,739		6
				39,229	
	212,148	Total Net Assets		195,573	
(212,148)		The Funds of the Charity			
		Restricted income funds	(195,573)		7
	(212,148)	Total Charity Funds		(195,573)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2023

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Community
Enhancement Trust

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds.

Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2021/22 £		2022/23 £
23	Bank Interest Receivable	626
7,596	Income from Investment Portfolio	9,443
7,619		10,069

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income returned to pre-pandemic levels in 2021/22 and remained at a similar level in 2022/23.

2 Charitable Activities

The charitable activities during 2022/23 are included in note 7 by individual fund within the charity. All expenditure incurred was for direct charitable activities.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Community Enhancement Trust, recognised under Governance Costs. This fee amounted to £833 in 2022/23. A notional grant from SBC to cover the full cost is recognised under Donations and legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2023 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is an unrealised loss for the 12 month period of these accounts.

5 Debtors

2021/22 £		2022/23 £
845	Prepayments and accrued income	490
845		490

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

7 Restricted Income Funds

The funds held with the Charity are restricted by area, purpose or both.

The restrictions for each are shown in the table below. The purpose of these funds are:

- a) Advancement of Community Development
- b) The advancement of the arts, heritage, culture or science, including the upkeep of heritage assets
- c) The provision of recreational facilities, or the organisation of recreational activities are primarily intended, or
- d) Advancement of environmental protection or improvement

2021/22 Balance	Restricted by Area	Restricted by Purpose	Income	Expenditure	Unrealised Gain / (Loss)	2022/23 Balance
£			£	£	£	£
1,916	Cheviot	Allerley Well Park	86	(7)	(179)	1,816
1,729	Borders Wide	b	78	(6)	(165)	1,636
23,738	Hawick, Denholm & Hermitage	b	1068	(1,022)	(2,252)	21,532
37,938	Mid & East Berwickshire	b	1,915	(146)	(4,390)	35,317
8,180	Hawick, Denholm & Hermitage	b&d	1,195	(411)	(767)	8,197
16,744	Berwickshire	Unrestricted	766	(58)	(1,619)	15,833
633	Berwickshire	Henderson Park & War Memorial	22	(2)	(67)	586
1,794	Selkirk	Unrestricted	86	(7)	(190)	1,683
19,235	Earlston	Unrestricted	878	(537)	(1,858)	17,718
1,249	Earlston	b	81	(6)	(119)	1,205
8,778	Galashiels & District	b	416	(32)	(905)	8,257
504	Hawick, Denholm & Hermitage	c	24	(2)	(51)	475
23,874	Hawick, Denholm & Hermitage	Unrestricted	1,174	(1,179)	(2,537)	21,332
266	Hawick Denholm	b	13	(12)	(27)	240
477	Hawick & Hermitage	b	22	(22)	(49)	428
1,971	Jedburgh & District	b	90	(7)	(191)	1,863
977	Kelso & District	b	46	(4)	(100)	919
1,730	Melrose	b	82	(6)	(177)	1,629
12,377	Selkirk & District	b	586	(45)	(1,276)	11,642
3,473	Selkirkshire	b	134	(10)	(104)	3,493
7,089	Tweeddale	b	331	(274)	(721)	6,425
403	Berwickshire	c	19	(1)	(41)	380
37,073	Lauder & District	b	1,820	(1,842)	(4,084)	32,967
212,148			10,932	(5,638)	(21,869)	195,573

8 Related Party Transactions

Due to the nature of the operations and composition of the SBC Community Enhancement Trust (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	626

INDEPENDENT AUDITOR'S REPORT

to the trustees of Scottish Borders Council Community Enhancement Trust and the Accounts Commission for Scotland

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ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Acting Chief Financial Officer	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA



ANNUAL REPORT AND FINANCIAL STATEMENTS

SCOTTISH BORDERS COUNCIL ORMISTON TRUST FOR INSTITUTE

Charity Registration Number: SC019162

FOR THE YEAR TO 31 MARCH 2023

Contents

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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity Regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

Due to the Ormiston Institute containing heritable assets it has not been included in the new Charities recently established by Scottish Borders Council following a reorganisation of a number of trusts, in consultation with OSCR. The Ormiston Institute remains a single registered charity.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2023.

Structure

The Charity is a single standalone charity for the Ormiston Institute in Melrose and is registered with OSCR.

Charitable Purpose

- The fund is to be used to provide and maintain the property known as the Ormiston Institute in Melrose to provide recreational and educational rooms in the town for the inhabitants of the Town and district.

Summary of the Main Activities

- The Charity has taken steps to ensure that the assets of the funds are properly managed and accounted for.
- The funds generated during 2022/23 have been fully utilised during the year. The funds are expended on behalf of the Charity by Live Borders who manages the facility on behalf of the Trustees.

Plans for the Future

- Scottish Borders Council will continue to manage the service on behalf of Trustees ensuring access to the services and building is provided.

Governance and Management

Type of Governing Documents

- a) The charity came to be administered by the Council during local government reorganisation in 1996. A Trust Disposition and settlement by the late Charles Walker Ormiston was requested with the books of Council and Session 13 February 1882. The present Council are the statutory successors to that body.
- a) The funds are governed by Trustee's in line with the Local Code of Corporate Governance of Scottish Borders Council, consideration being given to:

Financial
Regulations

Code of
Corporate
Governance

Procedural
Standing
Orders

Scheme of
Administration

Scheme of
Delegation

- c) When considering any action in connection with the Charity the Trustees must act in the interest of the Charity Funds.
- b) The financial statements comply with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council and the relevant ward, i.e. those wards covering former Burgh areas and in terms of the Council's Code of Governance.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs

At 31 March 2023, the reserves of the Ormiston Trust for Institute amounted to:

- Restricted Income Funds - £346,509

Investments

Per the Council's Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Ormiston Trust for Institute

Charity registration number SC019162

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the period 1 April to 5 May 2022 were the duly elected members of the Leaderdale and Melrose ward of Scottish Borders Council (the Council) at that time. These were:

David Parker

Jenny Linehan

Tom Miers

Due to Local Government elections on 5 May 2022, the Trustees for the remainder of the year to 31 March 2023 were the duly elected members of the Leaderdale and Melrose ward of Scottish Borders Council (the Council) at that time. These were:

David Parker

Jenny Linehan

John Paton-Day

Chief Executive - During the period of these financial statements, the Chief Executives of Scottish Borders Council were:

- Netta Meadows 1 April to 11 July 2022;
- David Robertson 12 July to 31 March 2023 (on an interim basis from 12 July to 17 January 2023).

Auditor Audit Scotland
102 West Port
Edinburgh
EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Ormiston Trust for Institute. All financial transactions go through the Council's books of account and their Bankers are the Royal Bank of Scotland, Galashiels.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2023

2021/22 £		2022/23 £	Notes
	Income from:		
500	Donations and legacies	833	4
504	Investments	487	1
1,004	Total Income	1,320	
	Expenditure on:		
(128,333)	Raising funds	(192,500)	2
(504)	Charitable activities	(486)	3
(500)	Other : Governance costs	(833)	4
(129,337)	Total Expenditure	(193,819)	
	Other Recognised Gains/(Losses)		
349,333	Gains on Revaluation of Fixed Assets	0	
(10)	Gain / (loss) on investment assets - unrealised	(1,208)	
220,990	Net Movement in Funds	(193,707)	
	Reconciliation of Funds		
319,226	Total funds brought forward	540,216	
540,216	Total Funds Carried Forward	346,509	10, 11

BALANCE SHEET as at 31 March 2023

as at 31 March 2022			as at 31 March 2023		Notes
£	£		£	£	
		Fixed Assets			
530,000		Tangible assets	337,500		5
9,833		Investments	8,636		6
	539,833			346,136	
		Current Assets			
46		Debtors	27		7
532		Short term investment in SBC loans fund.	541		8
	578	Total Current Assets		568	
		Current Liabilities			
		Creditors:			
	(195)	Amounts falling due within 1 year		(195)	9
	383	Net Current Assets		373	
	540,216	Total Net Assets		346,509	
		The Funds of the Charity			
(61,814)		Restricted income funds	(60,607)		10
(478,402)		Revaluation reserve	(285,902)		11
	(540,216)	Total Charity Funds		(346,509)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 10 and 11 and the Notes on pages 12 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2023

Suzanne Douglas CPFA
Acting Chief Financial Officer

David Parker
Trustee
Scottish Borders Council Ormiston Trust for Institute

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of raising funds and governance costs. Charitable activities include all direct costs and other support costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets, with a value greater than £5,000, having a value to the business greater than one year, other than those acquired for the purpose of specific projects, are capitalised.

Land is held at current valuation and is not depreciated. All tangible fixed assets are subject to revaluation every five years, with the last revaluation being undertaken in 2021/22. Depreciation is charged on all tangible fixed assets other than land at a rate which will reduce the current value of the asset to its residual value over the remaining effective life of the asset.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2021/22 £		2022/23 £
0	Bank Interest Receivable	10
504	Income from Investment Portfolio	476
504		486

Following a prior year drop in the income from the Aegon Investment Fund due to the impact of Covid-19, dividend income returned to pre-pandemic levels in 2021/22 and remained at a similar level in 2022/23.

2 Expenditure on Raising Funds

Expenditure on Raising Funds includes a depreciation charge for the use of the asset and is funded from the Restricted Funds. This is not a cash transaction.

3 Charitable Activities during 2022/23

A single grant is made to Live Borders to maintain the property and provide the services required under the Charity terms.

4 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the Ormiston Institute, recognised under Governance Costs. This fee amounted to £833 in 2022/23. A notional grant from SBC to cover the full cost is recognised under Donations and Legacies. No Trustee remuneration or other expenses were incurred.

5 Tangible Fixed Assets

The charity has a fixed asset of the Ormiston Institute building and land at Greenyards in Melrose. At 31 March 2022 the value of the Ormiston Institute building was deemed to be £385,000 with a 2 year life. The building has been depreciated accordingly. The site is valued at £26,000.

The movement in the value of Tangible Fixed Assets has been driven by the following movements:

	Ormiston Trust Institute £	Greenyards Trust £	Total £
Opening Balance at 1 April 2022	411,000	119,000	530,000
Depreciation for year	(192,500)	0	(192,500)
Closing Balance at 31 March 2023	218,500	119,000	337,500

6 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2023 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is an unrealised loss for the 12 month period of these accounts.

7 Debtors

2021/22 £		2022/23 £
46	Prepayments and accrued income	27
46		27

8 Short term investment in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council.

9 Creditors: amounts falling due within 1 year

2021/22 £		2022/23 £
195	Grants payable	195
195		195

10 Restricted income funds

The funds held with the Charity are restricted by area, purpose or both.

2021/22 Balance £	Trust Fund £	Income £	Expendi- ture £	Unrealised movement on investment assets £	2022/23 Balance £
55,786	Ormiston Trust Institute	529	(529)	(466)	55,320
6,028	Greenyards Trust	791	(790)	(742)	5,287
61,814		1,320	(1,319)	(1,208)	60,607

11 Revaluation reserve

The movement in the value of the revaluation reserve has been driven by the following movements:

	Ormiston Trust Institute £	Greenyards Trust £	Total £
Opening Balance at 1 April 2022	359,402	119,000	478,402
Depreciation for year	(192,500)	0	(192,500)
Closing Balance at 31 March 2023	166,902	119,000	285,902

12 Related Party Transactions

Due to the nature of the operations and composition of the SBC Ormiston Trust for Institute (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	10

INDEPENDENT AUDITOR'S REPORT

**to the trustees of Scottish Borders Council Ormiston Trust for Institute
and the Accounts Commission for Scotland**

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ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Community Enhancement Trust, please contact:

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Acting Chief Financial Officer	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA



UNAUDITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**SCOTTISH BORDERS COUNCIL
CHARITABLE TRUSTS**

Charity Registration Number: SC043896

FOR THE YEAR TO 31 MARCH 2023

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FOREWORD

The implementation of the audit and reporting requirements of the Office of the Scottish Charity regulator (OSCR) now requires that full audited accounts for this Charity are prepared.

In late 2012/13 the charitable status of 76 various funds was formally recognised under a single Charity registration.

Work commenced in 2014/15 to re-organise a number of the other registered Charities managed by Scottish Borders Council into three new Charities covering Welfare, Community Enhancement and Education. Following public consultation meetings and discussion with OSCR during 2017 a report was presented to Scottish Borders Council on 21 December 2017 recommending the transfer of a number of the restricted funds to the Scottish Borders Council Welfare Trust and Scottish Borders Council Community Enhancement Trust. The formal submission requests were submitted to OSCR during February 2018 for approval; following receipt of this approval from OSCR, the transfer took place on 1 April 2018 leaving 32 various funds remaining within this Charity. The next step of reorganisation work to be undertaken is being led by Director, Education & Lifelong Learning, in relation to the Education related Trusts/Bequests. This will include further refinement of existing disbursement criteria and will result in submissions to OSCR for approval to amalgamate into Scottish Borders Council Education Trust. A further report will be submitted to Scottish Borders Council for the remaining Funds.

TRUSTEES' ANNUAL REPORT

The Trustees present their Annual Report and Financial Statements for the year ended 31 March 2023.

Structure

The Charity currently comprises 32 charitable funds originally established for a variety of purposes - their charitable status was regulated by OSCR at the end of 2012/13.

Charitable Purpose

- The charitable purpose of this charity is to hold funds for each Trust, Endowment or Bequest comprising the Charity. Each of these funds have their own purpose related to the general purpose of the prevention or relief of poverty by reason of age, ill-health, disability, financial hardship or other disadvantage.

Summary of the Main Activities

- A number of the funds have made donations to eligible beneficiaries during the year to 31 March 2023. 38 donations totalling £17,909 were made including contributions through area based Education Trusts for Further Education including course fees, residential trips and living expenses. This expenditure is included within the Charitable activities figure in the Statement of Financial Activities, which is detailed further in Notes 2 and 8 to the Financial Statements.

Plans for the Future

- Reorganisation work to be undertaken and led by Director, Education & Lifelong Learning, in relation to the Education related Trusts/Bequests. This will include further refinement of existing disbursement criteria and will result in submissions to OSCR for approval to amalgamate into Scottish Borders Council Education Trust.

Governance and Management

Type of Governing Documents

- a) Since this Charity was originally formed as a holding charity for some 76 individual funds there is no overall governance document. 44 of these funds have now been successfully amalgamated into other SBC Trusts. An ongoing review is being undertaken into each of the remaining constituent funds with a view to further amalgamation into existing SBC Trusts.
- b) In terms of the Trustees' governance of the fund, these have been approved by Scottish Borders Council at its meeting on 21 May 2015 and have been reflected in its governance codes. The Local Code of Corporate Governance of Scottish Borders Council covers the governance of the Charity and is comprised of the following:



- c) When considering any action in connection with the Charity the Trustees have to act in the interest of the Charity Funds.
- d) The financial statements comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Recruitment and Appointment of Trustees

There is no recruitment process. Appointment is by virtue of election to the Council.

Financial Review

These financial statements have been prepared in accordance with current statutory requirements and the charity's governing document.

The applications of the Funds are detailed in the Notes to the Accounts.

Reserves

The charity has considered the reserves required and have taken into account its current and future liabilities, ensuring reserves will be maintained at a level sufficient to respond to:

- all approved applications for grants
- all support and governance costs

At 31 March 2023, the reserves of the SBC Charitable Trust Funds amounted to:

- Restricted Income Funds - £303,366

Investments

Per the Councils Common Good and Trust Fund investment strategy, the main balance of funds are invested with Aegon Asset Management in a diversified income fund.

Reference and Administrative Information

Charity Name Scottish Borders Council Charitable Trusts

Charity registration number SC043896

Business Address Council HQ
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Trustees

The Trustees of this charity for the period 1 April to 5 May 2022 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

Sandy Aitchison	Andy Anderson	Heather Anderson
Stuart Bell	Jim Brown	Kris Chapman
Caroline Cochrane	Gordon Edgar	Jim Fullarton
John Greenwell	Carol Hamilton	Scott Hamilton
Shona Haslam	Euan Jardine	Helen Laing
Jenny Linehan	Stuart Marshall	Watson McAteer
Tom Miers	Donald Moffat	Simon Mountford
David Parker	David Paterson	Clair Ramage
Neil Richards	Euan Robson	Mark Rowley
Harry Scott	Sandy Scott	Eric Small
Robin Tatler	Elaine Thornton-Nicol	George Turnbull
Tom Weatherston		

Due to Local Government elections on 5 May 2022, the Trustees for the remainder of the year to 31 March 2023 were the duly elected members of Scottish Borders Council (the Council) at that time. These were:

James Anderson	Drummond Begg	Pam Brown
Caroline Cochrane	Jane Cox	Leagh Douglas
Marshall Douglas	John Greenwell	Carol Hamilton
Scott Hamilton	Euan Jardine	Jenny Linehan
Watson McAteer	Neil McKinnon	Stuart Marshall
Donald Moffat	Simon Mountford	Aileen Orr
David Parker	John Paton-Day	Julie Pirone
Clare Ramage	Neil Richards	Euan Robson
Mark Rowley	Sandy Scott	Fay Sinclair
Eric Small	Annette Smart	Hannah Steel
Robin Tatler	Viv Thomson	Elaine Thornton-Nicol
Tom Weatherston		

- Chief Executive**
- During the period of these financial statements, the Chief Executive of Scottish Borders Council were:
 - Netta Meadows 1 April to 11 July 2022
 - David Robertson 12 July to 31 March 2023 (on an interim basis from 12 July to 17 January 2023)

Auditor Audit Scotland
 102 West Port
 Edinburgh
 EH3 9DN

Professional support

The Council provides the Administrative, Legal and Financial support and advice to the Charitable Trusts. All financial transactions go through the Council's books of account and their Bankers are the Royal Bank of Scotland, Galashiels.

Parent Entity

Scottish Borders Council is a local authority, constituted under the Local Government (Scotland) Act 1994, whose principal purpose is to provide a range of public services such as education, housing and planning, social care, roads and transport, economic development, environmental protection, and waste management. A copy of the group financial statements can be obtained from the Council's website www.scotborders.gov.uk.

Euan Jardine
Trustee
Scottish Borders Council Charitable Trusts

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- **Select suitable accounting policies and then apply them consistently;**
- **Make judgements and estimates that are reasonable and prudent;**
- **State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;**
- **State where applicable, whether the financial statements comply with the trust deeds and rules, subject to any material departures disclosed and explained in the financial statements; and**
- **Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.**

The trustees are required to act in accordance with the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under that Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the charity's information/section on the Scottish Borders Council website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2023

2021/22 £		2022/23 £	Notes
	Income from:		
500	Donations and legacies	833	3
35,514	Investments	29,039	1
36,014	Total Income	29,872	
	Expenditure on:		
(13,208)	Charitable activities	(17,909)	2
0	Raising funds	0	
(500)	Other : Governance Costs	(833)	3
(13,708)	Total Expenditure	(18,742)	
(206)	Gain / (loss) on investment assets - unrealised	(24,967)	
22,100	Net Movement in Funds	(13,837)	
	Reconciliation of Funds		
295,103	Total funds brought forward	317,203	
317,203	Total Funds Carried Forward	303,366	8

BALANCE SHEET as at 31 March 2023

as at 31 March 2022			as at 31 March 2023		Notes
£	£		£	£	
203,230		Fixed Assets			
		Investments	178,496		4
	203,230			178,496	
		Current Assets			
964		Debtors	560		5
113,009		Short term Investment in SBC loans fund	124,310		6
	113,973	Total Current Assets		124,870	
		Current Liabilities			
		Creditors:			
	0	Amounts falling due within 1 year		0	7
	113,973	Net Current Assets		124,870	
	317,203	Total Net Assets		303,366	
		The Funds of the Charity			
(317,203)		Restricted income funds	(303,366)		8
	(317,203)	Total Charity Funds		(303,366)	

All income and expenditure transactions derive from continuing activities.

The Accounting Policies on pages 11 and 12 and the Notes on pages 13 to 14 form part of these Financial Statements.

The unaudited accounts were issued on 29 June 2023.

Suzanne Douglas CPFA
Acting Chief Financial Officer

Euan Jardine
Trustee
Scottish Borders Council Charitable Trusts

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The accounts (financial statements) have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

Funds Structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include the designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed.

Income Recognition

Under FRS102, income is recognised when its receipt is “probable”, rather than “virtually certain”, which was the case under the previous Charities SORP 2005.

Full recognition criteria are:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity
- Probable – it is more likely than not that the economic benefits will flow to the charity
- Measurement – the monetary value or amount of the income and the costs to complete the transactions can be measured reliably

Accruals of Income and Expenditure

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

- Donations and grants are recorded as expenditure when they are approved or if approved in principle only, when final confirmation of amount is received by the applying body.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

Donations & Legacies

All donations and gifts are included within incoming resources under Restricted Funds. Donations and Gifts in Kind are brought into the financial statements at their market value to the charity.

Resources Expended

Resources expended are analysed between charitable activities, costs of generating funds and governance costs. Charitable activities include all direct costs and other support costs.

Investments

Investments are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using closing quoted market price.

Unrealised gains and losses represent the difference between market value at the beginning and the end of the financial year, or if purchased in the year the difference between cost and market value at the end of the financial year. Realised gains and losses represent the difference between the proceeds and cost.

Short Term Investments

Short Term Investments are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Short Term Investments comprise of call deposits with the Council.

NOTES TO THE FINANCIAL STATEMENTS

1 Investment Income

2021/22 £		2022/23 £
48	Bank Interest Receivable from SBC Loans Fund	2,119
35,466	Income from Investment Portfolio	26,920
35,514		29,039

Following a drop in the income from the Aegon Investment Fund due to the impact of Covid-19 in 2020/21, dividend income returned to pre-pandemic levels in 2021/22 and remained at a similar level in 2022/23.

2 Charitable Activities

The charitable activities during 2022/23 are included in note 8 by individual fund within the charity. All expenditure incurred was for direct charitable activities.

3 Governance Costs

The fee for the external audit of the charity is charged against Scottish Borders Council General Fund and notionally recharged to the SBC Charitable Trust, recognised under Governance Costs. This fee amounted to £833 in 2022/23. A notional grant from SBC to cover the full cost is recognised under Donations and Legacies. No Trustee remuneration or other expenses were incurred.

4 Investments

All investments are through regulated funds or are traded on a recognised investment exchange.

At 31 March 2023 all investments were with the Aegon Asset Management Diversified Monthly Income Fund; while the market value of the funds invested continues to exceed the book value, there is an unrealised loss for the 12 month period of these accounts.

5 Debtors

2021/22 £		2022/23 £
964	Prepayments and accrued income	560
964		560

6 Short Term Investments in SBC Loans Fund

All surplus cash invested on behalf of the charity with Scottish Borders Council

7 Creditors: amounts falling due within 1 year

2021/22 £		2022/23 £
0	Grants payable	0
0		0

8 Restricted Funds

The funds held with the Charity are restricted by area, purpose or both.

2021/22 Balance	Fund	Income	Expendi- ture	Unrealised Gain/(Loss)	2022/23 Balance
£		£	£	£	£
1,249	Andrew, Agnes & John Kyle	101	(3)	(92)	1,255
9,725	Berwickshire Educational Trust	803	(1,222)	(667)	8,639
404	C W Dunnet Award	32	(290)	(33)	113
1,122	Campbell Calderhead Prize	72	(2)	(77)	1,115
4,158	Col. Jem Richard Prize Fund	258	(7)	(295)	4,114
1,235	Coldstream Guards Prize	103	(3)	(103)	1,232
1,925	Dr Milne Memorial Fund	117	(3)	(139)	1,900
25,158	Geoffrey Simpson Bequest	2,154	(60)	(1,835)	25,417
732	Hans D Langmack Prize Fund	56	(2)	(64)	722
3,298	J Purves Bequest	253	(321)	(313)	2,917
26,304	J A S Henderson Memorial Scholarship	3,266	(3,091)	(1,675)	24,804
1,459	James Robertson Trust	94	(3)	(100)	1,450
1,893	Jane Grieve Endowment	120	(3)	(132)	1,878
2,445	Jean Kincaid Grieve Endowment	150	(4)	(175)	2,416
1,802	Jedburgh Public Library Fund	77	(2)	(169)	1,708
891	John Jamieson Prize Fund	54	(2)	(65)	878
733	Kelso Library Book Fund	31	(1)	(69)	694
864	Kennedy Medal Fund	55	(2)	(59)	858
1,971	Kenneth Cochrane Library Fund	84	(2)	(185)	1,868
5,449	F W Dobson VC	470	(13)	(537)	5,369
1,218	Mary Dickson Prize Fund	85	(2)	(88)	1,213
1,104	Mr & Mrs W F Johnstone Fund	64	(2)	(83)	1,083
1,315	Mrs Clelland Memorial Prize	80	(2)	(95)	1,298
4,248	Murray Medal Fund	291	(8)	(313)	4,218
311	Peebles Public Library	14	(0)	(31)	294
30,664	Peeblesshire Educational Trust	2,915	(2,756)	(2,559)	28,264
146,059	Roxburghshire Educational Trust	13,050	(5,792)	(11,305)	142,012
1,593	Special Air Service Reg. Fund	122	(3)	(139)	1,573
4,224	Selkirk Library Fund	181	(5)	(396)	4,004
13,522	Selkirkshire Educational Trust	1,534	(1,447)	(1,365)	12,244
18,405	Sir Walter Leitch Scholarship	3,083	(3,686)	(1,682)	16,120
1,723	Walter Geddes Prize Fund	103	(3)	(127)	1,696
317,203		29,872	(18,742)	(24,967)	303,366

9 Related Party Transactions

Due to the nature of the operations and composition of the SBC Charitable Trusts (Trustees are comprised of Elected Council Members of Scottish Borders Council), Scottish Borders Council is registered as a related party. Transactions with Scottish Borders Council for the year under review are listed below:

	£
Interest received on funds invested in SBC Loans Fund	2,119

INDEPENDENT AUDITOR'S REPORT

**to the trustees of Scottish Borders Council Charitable Trusts and the
Accounts Commission for Scotland**

ADDITIONAL INFORMATION

Contact Details

For further information on the SBC Charitable Trusts, please contact:

Suzy Douglas	Telephone: 01835 824000 Ext 5881
Financial Services Manager	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

UNAUDITED MEMBERS' REPORT AND FINANCIAL STATEMENTS

BRIDGE HOMES LLP

Registration Number: SO304775

FOR THE YEAR TO 31 MARCH 2023

Contents

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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
29th 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 Council as it's meeting on 29th 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.

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

David Robertson CPFA
 Designated Member
 Scottish Borders Council
 29th June 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

**MEMBERS' REPORT AND FINANCIAL STATEMENTS
LOWOOD TWEEDBANK LTD**

Charity Registration Number: SC615148

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 29th June 2023.

Suzy Douglas CPFA
Designated Member
Scottish Borders Council
29th June 2022

Company Registered Number: SC615148

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Preparation

The financial statements have been prepared under historic cost accounting rules modified for the revaluation of certain fixed assets and in accordance with FRS 102 1A, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (effective 2017) issued by the CCAB (Consultative Committee of Accountancy Bodies).

Accruals of Income and Expenditure

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

- Fees, charges and rents due from tenants are accounted for as income at the date the relevant service is provided.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the revenue account, unless they properly represent capital receipts or capital expenditure.

Turnover

Turnover represents invoiced rental income from tenanted residential properties.

Cash and Liquid Assets

Cash comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover

	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

Financial Services Manager

Scottish Borders Council

Telephone: 01835 – 825881

E-mail: sdouglas@scotborders.gov.uk

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
Acting Chief Financial Officer
Scottish Borders Council
29 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.

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 micro entity provisions.

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	

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
Acting Chief Financial Officer
Scottish Borders Council
29 June 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

For further information on SB Inspires LLP, please contact

Suzy Douglas	Telephone: 01835 – 825881
Acting Chief Financial Officer	E-mail: sdouglas@scotborders.gov.uk
Scottish Borders Council	Council Headquarters Newtown St Boswells MELROSE TD6 0SA

SCOTTISH BORDERS COUNCIL PENSION FUND

UNAUDITED ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR TO 31 MARCH 2023

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SECTION 1

INTRODUCTION

CHAIRMAN'S REPORT

Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund (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. Members fully engaged successfully with new ways of working online, including meeting their individual training requirements.

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 2 years, despite uncertainties arising from Court cases, such as the McCloud judgement and the LGPS cost cap mechanism. The Fund continues to monitor this position and the effect of the changes required to resolve the judgements. 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 -4.8% and assets fell by £43.4m. 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.

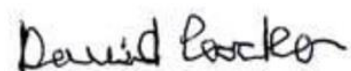
Pensions Administration

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.

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As required within the Local Government Pension Scheme (Scotland) Regulations 2014 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 GMP 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 SJC 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.

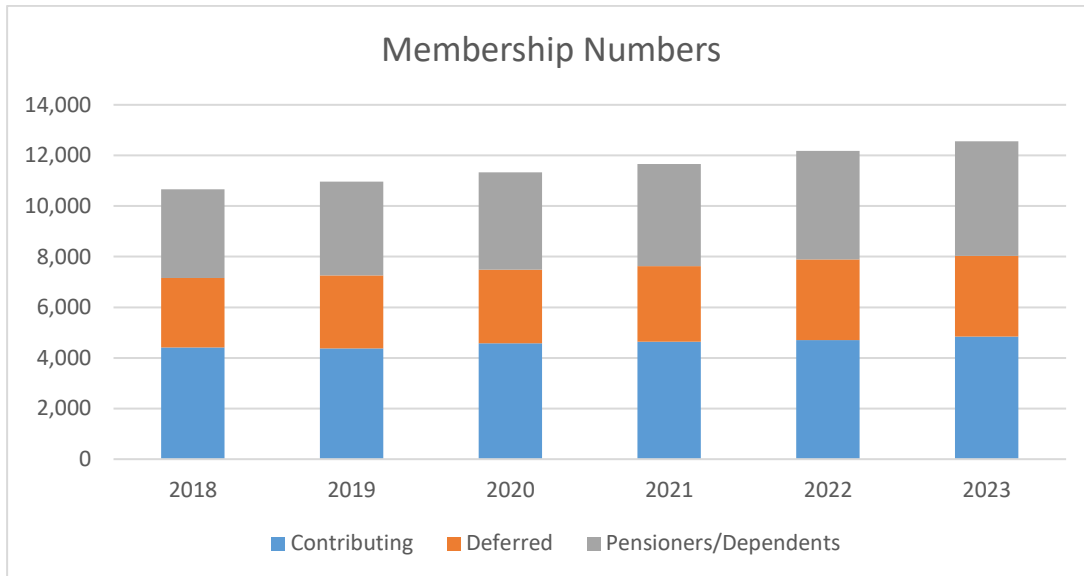
A full risk register is maintained by the Fund in line with CIPFA guidance and the Council's approach to risk management. Each risk identified is assessed for likelihood and impact with no controls in place and after controls are applied. Further controls are identified and progress monitored and reported 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 recategorising the risks and reducing the number. Further information on risk management and risks can be found on page 166.

ADMINISTRATION AND MEMBERSHIP

The Pension Administration Strategy sets out the performance standards required by both Scottish Borders Council, as the administering 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

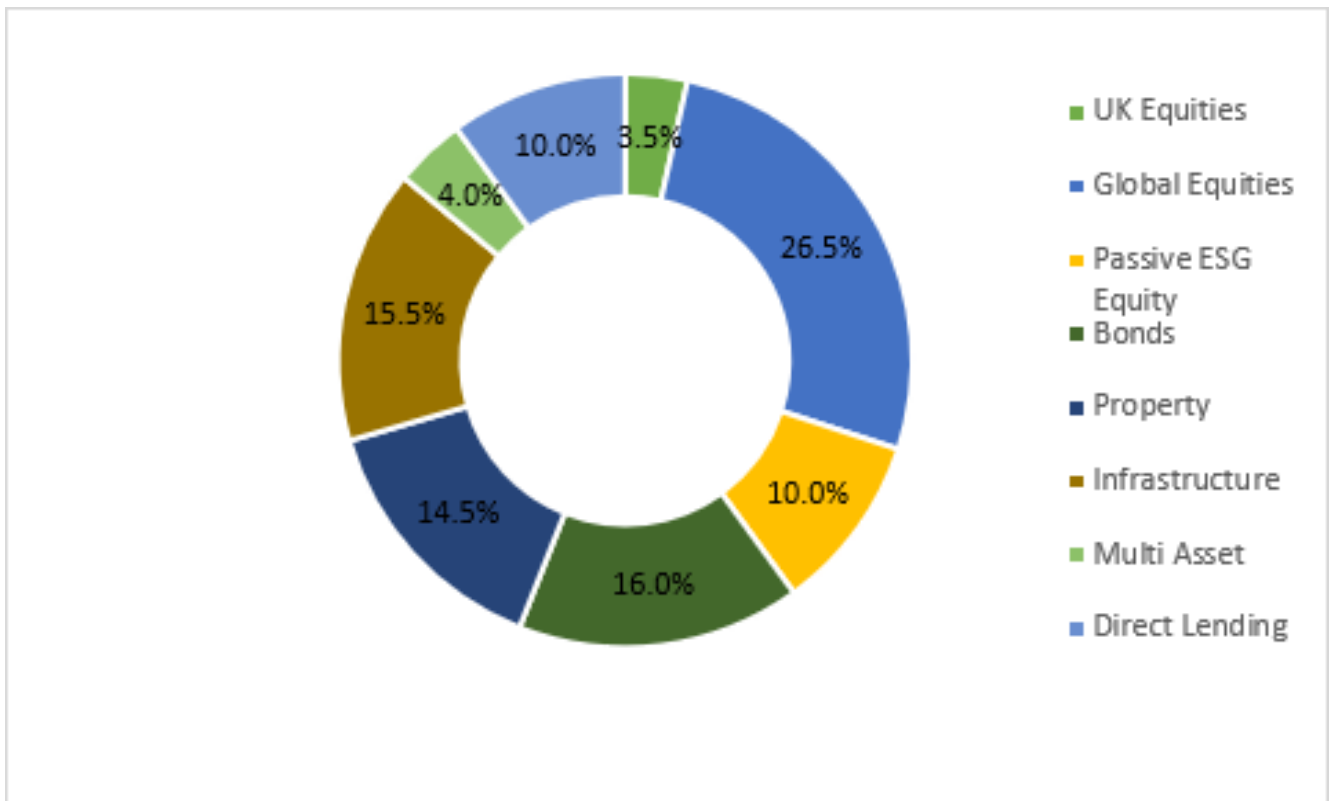
The three yearly Actuarial Valuation for 31 March 2020 was completed in March 2021 which resulted in a funding position of 110% (114% at 31 March 2017) for the Fund. The next formal valuation of the Fund as at 31 March 2023 is currently underway. Interim monitoring has been undertaken between the 2020 valuation and 31 March 2022. Monitoring of the funding position is undertaken on a quarterly basis and reported to the Pension Fund Committee.

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

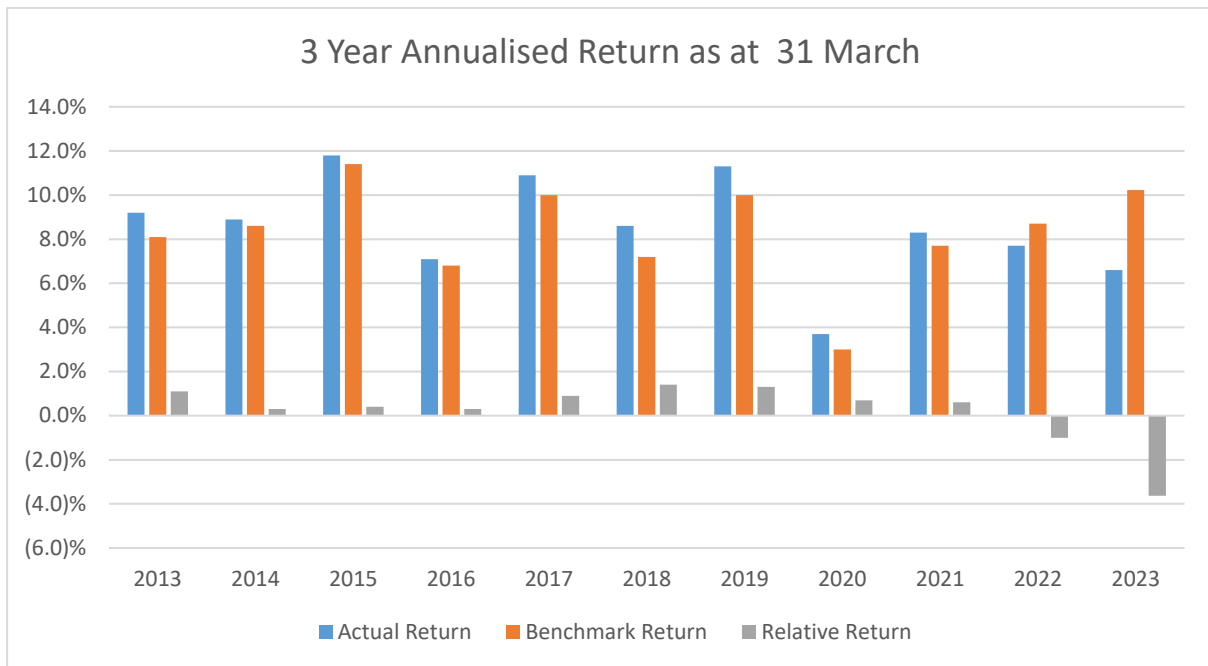
The Funding Strategy Statement approved on 17 March 2022 sets out the approach to funding. Further detail can be found in section 5 of the report and the full version of the Funding Strategy Statement is available via the Fund's website.

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 3 year 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

Pension Fund Committee

David Robertson
Chief Executive

Scottish Borders Council

Suzanne Douglas CPFA
Acting Chief Financial Officer
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).

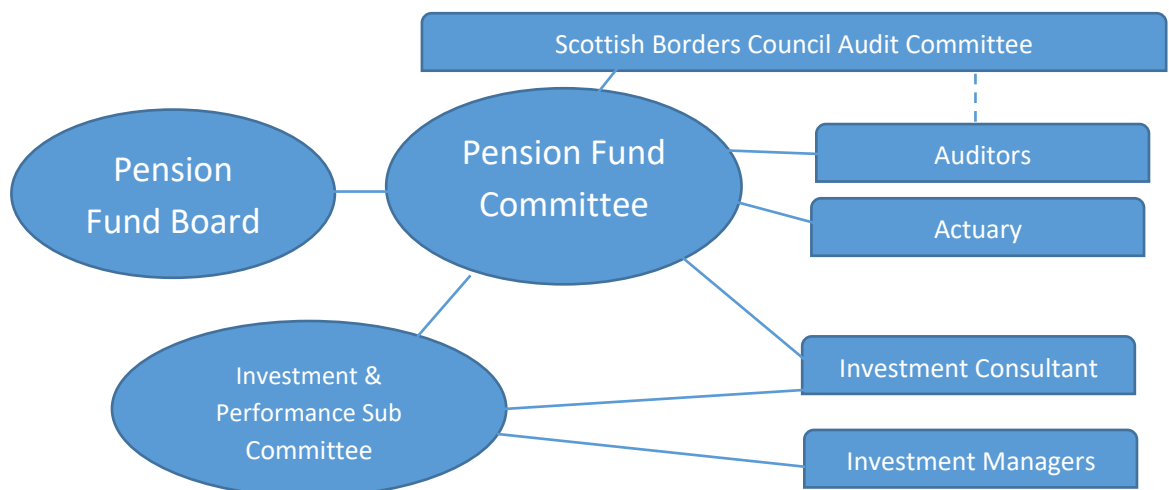
The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Scotland) Regulations 2014. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conducts and register of interests.

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

SCHEME GOVERNANCE

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

Scottish Borders Council Pension Fund Governance:



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

Pension 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 Hyman Robertson.

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

Investment Managers – manage the investment portfolios.

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



Councillor Watson McAteer



Councillor Carol Hamilton



Councillor Sandy Scott



Councillor Donald Moffat

PENSION FUND BOARD

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

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

As at 31 March 2023 the Pension Fund Board membership comprised the following:

Employer Representatives:

- Councillor Julie Pirone
- Kirsty Robb – Borders College
- Laura Steven - Live Borders
- Anthony Daye – South of Scotland Enterprise

Employee Representatives:

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

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

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

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

RED -Very High (15-25)

AMBER – High (6-12)

GREEN – Low (1-5)

The one risk remaining as a red assessment ‘After Controls’, as at 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.

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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 at 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 2014 requires Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The key document summarising the governance arrangements for the 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](#)

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 Acting Chief Financial Officer (Section 95 Officer) for the Council 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 (page 24-29).

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.

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 meeting of 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 9 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.

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.

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 TPRs General Code of Practice
- Comprehensive review of Risk Register
- Complete actions outlined from the UK Stewardship Code and the independent review carried out.

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 (pages 24-29).

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 16 June 2016).

The Local Government Pension Scheme (Scotland) Regulations 2014 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.

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</p>

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Principle		Full Compliance	Comments
			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.
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Committee for approval. Two members from the Board and all Members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members), (iii) where appropriate, independent professional observers, and	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.

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Principle		Full Compliance	Comments
	(iv) expert advisors (on an ad-hoc basis)		
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 process, with or without voting rights.	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 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. In addition, the Fund's Training Policy provides for an annual training needs assessment, and an annual programme of training to be made available to all members of the Committee and Board. All new members of the Committee and Board are also required, within six months of joining, to complete the Pension Regulator Trustee Toolkit.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Yes	Part of the Council's Code of Governance requires the declaration of Members' interests for all committees as a standard agenda item.
Voting			
A	The policy of individual administering authorities on voting rights is clear and transparent, including	Yes	This is set out in the Council's Scheme of Administration and the Board's Constitution

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Principle		Full Compliance	Comments
	justification for not extending voting rights to each body or group represented on main LGPS committees.		
Training/Facility time/Expenses			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	Members' expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of training related expenses.
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.
Principle		Full Compliance	Comments
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	Yes	The joint meetings of the Committee and Board are quarterly.

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Principle		Full Compliance	Comments
	committees meet at least quarterly		
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment Sub-Committee meets every four months between the joint Committee/Board meetings.
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	The Board formally provides for stakeholders' engagement.
Access			
A	Subject to any rules in the Council's Constitution, all members of main and secondary committees or 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.

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Principle		Full Compliance	Comments
Publicity			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest if wanting to be part of those arrangements.	Yes	Scottish Borders Council Pension Fund has a standalone website with all governance documents and Fund information. A link is provided to Minutes and public papers available via the Council's website.

SECTION 3

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITIES

COUNCIL'S RESPONSIBILITIES

Scottish Borders Council as the administering authority for Scottish Borders Council Pension Fund (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 Chief Financial Officer.
- 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.

CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Chief Financial Officer 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 Acting Chief Financial Officer has:

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

The Acting Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2023 and the transactions of the Fund for the year then ended.

Councillor David Parker
Chair
Pension Fund Committee

Suzanne Douglas CPFA
Acting Chief Financial Officer
Scottish Borders Council

FUND ACCOUNT for year ending 31 March 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	(6,470)	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)	14
(387)	Taxes on Income	(25)	
57,978	Net Return on Investments	(33,339)	
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	

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

NET ASSETS STATEMENT as at 31 March 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	

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

Suzanne Douglas CPFA
Acting Chief Financial Officer
Scottish Borders Council

NOTES TO THE ACCOUNTS

1 DESCRIPTION OF THE FUND

A) General

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

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

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

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

Organisations participating in the Fund include:

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

B) Funding

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

The 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 2014 in line with the updated LGPS Scheme.

C) Benefits

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

The table below gives a summary of the scheme benefits:

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

Further details can be found on the Fund's website.

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 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. In addition, consideration has been given to the *Local Government Pension Scheme Fund Accounts 2020/21 - example accounts and disclosure checklist* published by the Chartered Institute of Public Finance Accountants (CIPFA).

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

The accounts have been prepared on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account

Accruals Basis

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

Contributions Income

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

Transfers to and from other schemes

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

Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Benefits Payable

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

Taxation

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

Administration Expenses

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

Investment Management Expenses

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

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

Net Assets Statement

Valuation of Investments

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

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

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

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

Foreign Currency Transactions

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

Derivatives

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

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

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

Cash and Cash Equivalents

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

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme Actuary in accordance with the requirements of International Accounting Standards (IAS) 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20, page 598).

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.

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

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 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised on page 57. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The items in the financial statements at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial Present Value of Promised Retirement Benefits (Note 20, page 58).	Estimation of the net liability to pay pensions in the future depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension	The effects on the net pension liability of changes in individual assumptions can be measured. - A 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £12m

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	<p>fund assets. Hymans Robertson is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<ul style="list-style-type: none"> - A 0.1% increase in the Consumer Price Index assumption for inflation would increase the value of the liabilities by £11m - 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><i>Source – IAS26 report 2023</i></p>
<p>Portfolio of Level 3 assets held</p>	<p>Level 3 assets are those which do not have observable market data. The valuations are provided by administrators of the funds and are validated by independent administrators. Such valuations are prepared in accordance with the valuation principles of IFRS and GAAP. There is, however a degree of estimation involved in the valuations.</p>	<p>The total assets held in Level 3 £344.4m and include Private Credit, Property, Infrastructure and Alternatives. There is a risk that this investment may be under or overstated in the accounts. Based on historical data and current market trends actual valuation could be between £378.9m and £310.0m</p>

6 EVENTS AFTER THE REPORTING DATE

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
9890	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	5,682
349	Oversight and governance costs	338
6,395	Total	6,470

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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	1,318	1,126	192
Property	770	465	305
Total	5,609	4,388	1,221
Custody fees	73		
Total	5,682		
	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	20,423	(20,124)	(6,717)	134,074
Pooled Investments	513,040	36,992	(47,757)	(34,511)	467,764
Pooled Property Investments	139,927	-	(3,430)	(21,748)	114,749

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Private Equity/Infrastructure	86,838	43,456	(1,680)	1,422	130,036
Derivative Contracts	0				
	880,297	100,871	(72,991)	(61,554)	846,623
Other Investment Balances					
Cash Deposits	28,737				18,694
Amount receivable for sales	892				55
Investment Income due	858				817
Spot FX Contract	-				
Amount Payable on Purchase	(1,403)				(178)
Net Investments	909,381			(43,370)	866,011

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:

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

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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	48,862	5.6
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	6,846	0.8
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	118,979	13.1	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
LGT Crown SBC Segregated Portfolio	67,882	7.4	38,799	5.6
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

The Fund's approach to derivatives is to allow individual managers to decide to participate in derivative contracts subject to limits set out in their investment management agreements. The Fund holds cash assets to allow for cash flow purposes. Fund managers will also, on occasions, hold forward currency contracts. There were no derivatives held at 31 March 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.
3. Level 3 - are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

16(a) Fair Value Hierarchy

Values as at 31 March 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	38,799	393,362
Pooled Property Investments	0	13,563	101,186	114,749
Private Equity/Infrastructure	0	0	204,438	204,438
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				

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Payable for investment purchase		(178)		(178)
Total	414,522	107,066	344,423	866,011

Values as at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£000's	£000's	£000's
Financial assets at fair value through profit & loss				
Equities	139,802	-	690	140,492
Pooled Investments	303,330	94,835	68,071	466,236
Pooled Property Investments	-	18,610	121,317	139,927
Private Equity/Infrastructure	-	-	133,642	133,642
Cash Deposits	28,737	-	-	28,737
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

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
	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

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 20223		
Fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000		Fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000
			Financial assets			
140,492	-	-	Equities	134,074	-	-
513,040	-	-	Pooled Investments	467,764	-	-
139,927	-	-	Pooled Property Investments	114,749	-	-
86,838	-	-	Infrastructure	130,036	-	-

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-	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	(52,092)
11	Loans & receivables	28
	Financial Liabilities	
1	Fair value through profit & Loss	0
(336)	Loans & receivables	(1)
40,765	Total	(52,065)

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 on page 166. The Market Risk and Credit Risk aspects below come under the risk category of Assets and Investment in the Risk Register, whilst Liquidity Risk is a separate category of risk. In addition, the Funding Strategy Statement and Statement of Investment Principles address risk management considerations as they apply to the particular objectives of each document.

Market Risk

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

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

Asset Type	Potential Market Movement %
UK Equities	20.5

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Global Equities	20.3
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 2021 and 31 March 2022 is set out below and includes investment and operational cash balances. These disclosures present interest rate risk based on the underlying financial assets at fair value:

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Asset Type	At 31 March 2022	At 31 March 2023
	£'000	£'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.

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 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). The Actuarial Valuation was completed during the financial year 2020/21 by the Fund's actuaries, Hyman Robertson. It has been undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2014.

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

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

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

The next detailed Actuarial Valuation will be carried out for the Fund as at 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)	(671)
Fair Value of Fund Assets* (bid value)	860	909	735
Net Asset/(Liability)	(228)	(148)	64

* 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	3.50	3.90	3.65
Pension Increases	2.80	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 2009 (SI 2009/3093), AVCs are not included in the Pension Fund balance sheet.

24 AGENCY SERVICES

There are no agency service agreements in place.

25 RELATED PARTY TRANSACTIONS

During the year, the 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

GMP Equalisation

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. The Fund recognises the potential for liabilities arising from GMP equalisation. As guidance has not yet been issued by the Treasury it is not possible to quantify the impact this will have on the Fund at this time, however, an allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 March 2023 accounts.

GMP Reconciliation

The exercise known as GMP Reconciliation to reconcile HM Revenue contracted out records with those of pension funds is reaching a conclusion. The full cost implication of this is not yet known. 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.

29 POST BALANCE SHEET EVENTS

The unaudited Statement of Accounts will be issued by the Acting Chief Financial Officer by 30 June 2023. Events taking place after this date are not reflected in the financial statements or notes.

SECTION 4

ADMINISTRATION

PENSION ADMINISTRATION STRATEGY

The Pension Administration Strategy approved in 14 December 2021 sets out the procedures and performance standards required by both Scottish Borders Council, as 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

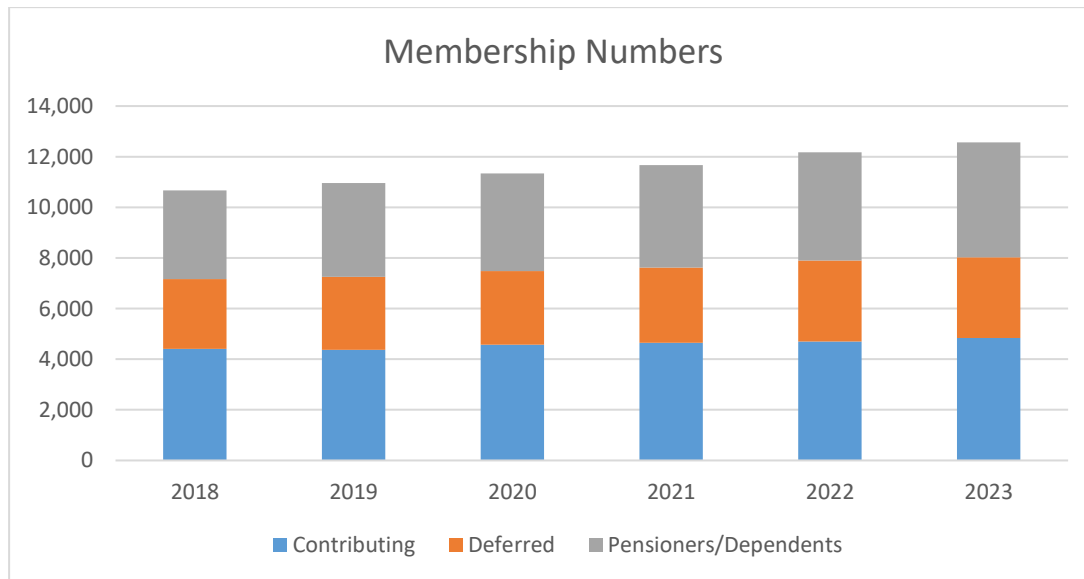
Task	Total Active	Target	% Completed in target
Active Members	4,842	100%	28.14%
Deferred Members	3,187	100%	
Benefit calculations run	16,715		

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 Pensioners	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 Tax payer 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

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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 (Administration)(Scotland) Regulations 2014. A copy of the report is available via the Council's committee papers website [Pension Fund/Board Committee papers](#)

The outcome of the 2020 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 on page 57, contains details of the outcome and assumptions used in the 2020 Valuation and the impact that it had on employer contribution rates.

A major contributing factor to the improvement in the funding level has been the strong investment performance that the Fund has achieved over the past three years.

Employer Contribution Rates

As part of the 2020 Actuarial Valuation, the Actuary certified the primary rate at 21.9%. However, in agreement with the Actuary a secondary rate of 3.9% 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%

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Scottish Borders Housing Association – Individual	20.3%	20.8%
CGI	22.0% plus £16,500	22.0% plus £16,500
South of Scotland Enterprise	21.1%	21.1%

Valuation for Statutory Accounts at 31 March 2023

Note 20 to the Financial Statement on page 58, contains the present Actuarial Valuation for the Fund as required by the International Accounting Standard (IAS) 26. This shows a net asset position of £64m and the reason this has changes from a new liability position of £148m as at 31 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 £671m.

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: [Pension Fund](#)

SECTION 6

INVESTMENTS

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 latest approved document, approved on 21 March 2023, can be found at [Statement of Investment Principles](#).

The Local Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 1998 as amended, require administering authorities to prepare, maintain and publish a 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.

These objectives are reflected in the underlying investment principles, which are considered in the development and agreement of the Fund's Investment Strategy. The key principles are shown below:

- **Long term perspective** – by the nature of the Fund's liabilities and employers, the Fund is able to take a long-term view and position its Investment Strategy on this basis.
- **Diversification** – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns and to manage risk.
- **Maturing nature** – the contributions received are less than the benefits currently paid to pensioners meaning the Fund is a maturing Fund. Income generation is therefore required.
- **Stewardship** – the Fund is a responsible investor and adopts policies and practices which acknowledge the importance of Environmental, Social and Governance (ESG) issues.

INVESTMENT STRATEGY

The 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.

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 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.

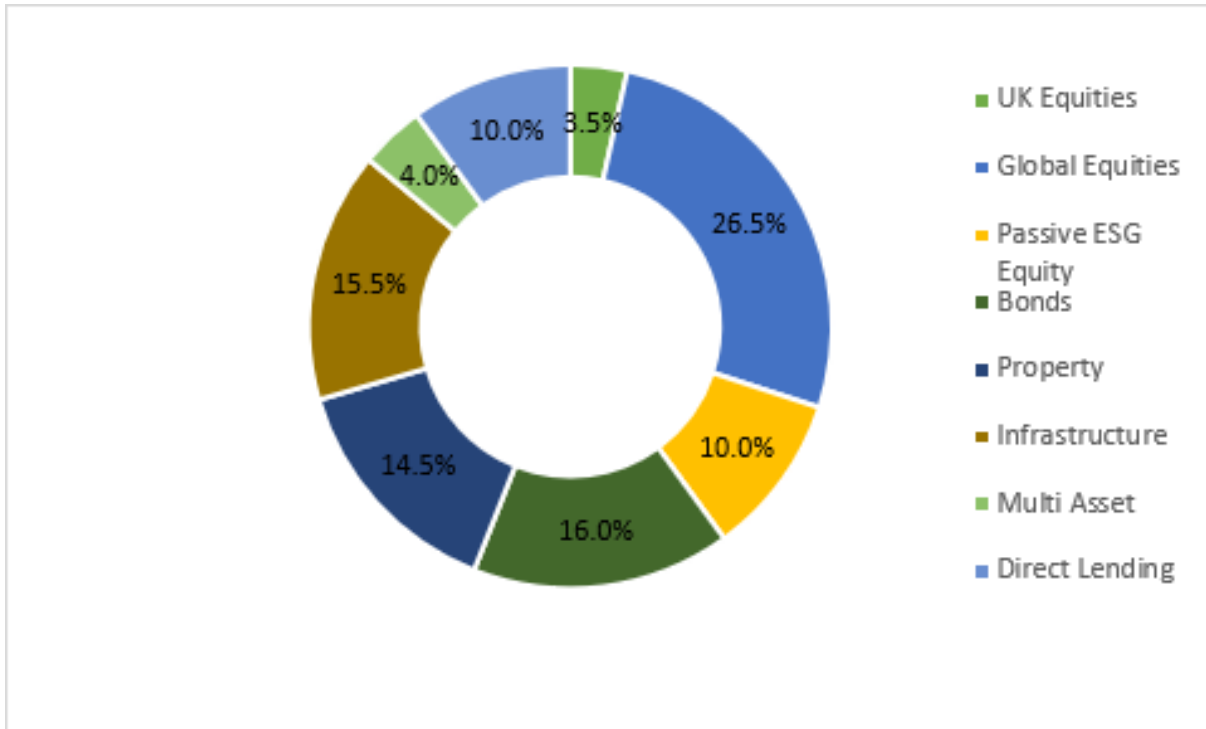
The Fund is categorised as a maturing fund and this is reflected in the Investment Strategy with a move towards a greater focus on income producing assets. The main focus of the Fund however is to continue to seek capital growth to meet future liabilities.

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 strategic asset allocation approved maintained the allocation for equities but approved the movement of the passive equities into a ESG focused passive fund and the movement of Baillie Gifford Global equities into their Paris Aligned Global Equity fund. The review also introduced and allocation to 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

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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:



OAKTREE



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	3.6	3.5
Global Equity	36.0	34.2	36.5
Bonds	20.3	19.4	16.0

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Alternatives	12.7	13.2	14.0
Property	16.3	13.4	14.5
Infrastructure	9.5	15.2	15.5
Cash	2.0	1.0	0.0
Total	100.0	100.0	100.0

Investment Manager Allocation

Each external investment manager is appointed to manage a specified % allocation of 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 excludes the managers used through the collaboration with the Lothian Pension Fund ('LPF')):

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	11.7
LGT	Pooled Fund - Alternatives	7.4	5.6
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	2.4	0.8

Holdings

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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”.

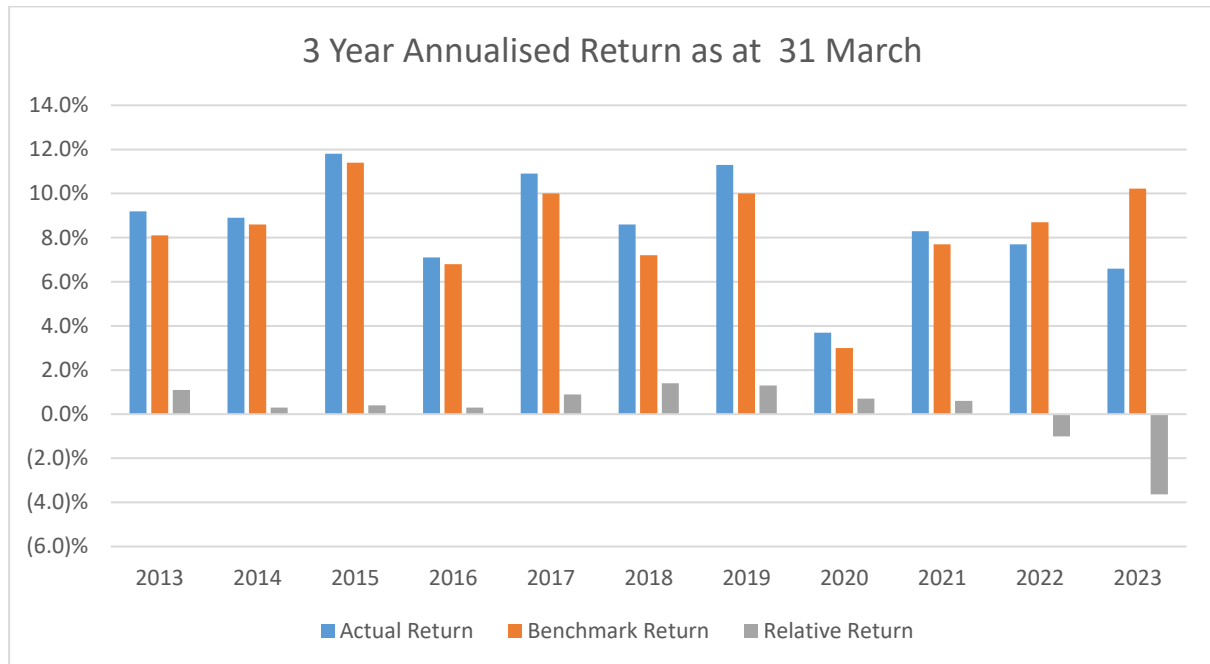
Property

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

Scottish Borders Council Pension Fund Annual Report and Accounts for the year to 31 March 2023

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 2023. 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
Alternatives	2.7	8.3	6.8	5.8

**Scottish Borders Council Pension Fund
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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 £94m investment with LGIM in their Global ESG Passive Equity fund and the transition of £114m from the Baillie Gifford Global Equity Fund to their Global Paris Aligned Fund.



Climate Change is a global challenge, which will have a significant impact on the global economy, corporations and society as a whole. The Paris Agreement of the United Nations Framework Convention on Climate Change sets three main aims:

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



The 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.

CONTACT DETAILS

For further information and advice on administration, benefits and scheme membership please contact:

Pensions Team

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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

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Acting Chief Financial Officer

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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.

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