

Scottish Borders Council

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025



SCOTTISH BORDERS COUNCIL PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

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PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 1 - MANAGEMENT COMMENTARY

CHAIRMAN'S REPORT

Introduction

Welcome to the Annual Report and Accounts for the Scottish Borders Council Pension Fund (the 'Fund') for the year ended 31 March 2025. 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 2024/25.

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. The Fund continued with a third successful application as a signatory of the UK Stewardship Code and demonstrated strong levels of Compliance with The Pensions Regulator General Code March 2024. Conflicts of Interest, Escalation and Breaches Policies were approved by the Pension Fund Committee and Pension Board. In addition, 2024/25 brought the approval of a new Investment Strategy which will be implemented in 2025/26. The Pension Fund Committee approved the appointment of an Independent Professional Observer to strengthen governance and provide independent observations to the Pension Fund Committee and Board.

The Joint meetings of the Committee and Board are hybrid in nature, facilitating face-to-face interaction and flexibility of virtual meeting options in 2024/25 ensuring all necessary governance and decision making continued. The Investment and Performance Sub-Committee met in person 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

Markets reflected wider volatility during 2023, impacting on investment returns achieved by the Fund's assets. However, asset performance improved in 2024 and early 2025. The recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however generally lower than expected asset returns were experienced in the month immediately prior to this. Continued high levels of inflation in the UK also resulted in a higher-than-expected LGPS benefit increase of 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025. Overall, the funding level of the Fund is likely to be slightly higher than reported at the previous formal valuation at 31 March 2023 (134%). The next actuarial valuation will be carried out as at 31 March 2026. The Funding Strategy Statement will also be reviewed at that time.

The positive result from the triennial revaluation enabled the Scottish Borders Council employer pool, which includes Borders College and Live Borders, to reduce the employer contribution rate from 18.5% to 17% in 2024/25 through to 2027/28.

Investments

Over the 12-month period the Fund posted a positive return of 2.9% and net investments increased by £22m. The Fund's value on 31st March 2025 of £958m was impacted by volatile market conditions. Inflation has eased marginally over the last 12 months, with central banks starting their rate-cutting cycles in response, although the number and pace of expected interest rate cuts has been pared back significantly as core inflation remained persistent. Against this backdrop the value of the Fund's liabilities has fallen marginally.

Statement of Responsible Investment

The Fund Officers have undertaken significant work to integrate Environmental, Social and Governance ('ESG') into many of the Fund's allocations. The Fund continues to monitor and work with all its managers to ensure ESG is fully integrated into all their investment decisions. The Committee acknowledges that climate change poses a financial risk to the Fund in the long-term, but it can also present new opportunities. Climate change is anticipated to have significant impacts on our members, financial markets, and society as a whole over the coming years. Therefore, the Committee recognises that it is our fiduciary responsibility to manage these risks and seize opportunities. To fulfil this duty, we have implemented measures to ensure that climate considerations are thoroughly incorporated and embedded into our processes, procedures, and decision-making.

Pensions Administration

Key targets have been met by the Pension Administration team with all payments processed on time, annual benefit statements issued within the required timescales and the GMP reconciliation project completed. 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.

Progress continued with delivery of actions set out in the Fund's Business Plan. Updates were made to the Communication Policy, and a review of the Pensions Internal Dispute Resolution Procedure was completed. The second Annual Newsletter was issued in March 2025, in addition to regular communications issued by the Fund, with topics relevant to all categories of fund members.

The contract for the Pensions Administration system was renewed for a further 5-year period, with the introduction of Mortality Screening to enhance the checks already in place and contracts signed for the upcoming Pensions Dashboard requirements. The contract for the Fund Actuary was reviewed and tendered using the Norfolk Framework; Hymans-Robertson were successful in retaining their appointment on a 5 plus 5-year contract basis.

Awards

The Fund is delighted to announce it was declared winner of the Small Fund of the year (Assets under £5 billion) at the LGC Investment Awards 2024. The judges felt the Fund demonstrated good performance across key criteria, including areas of collaboration and administrative quality.

The Fund was also short-listed for LAPF Investment Awards 2024 in the LGPS Fund of the Year (Assets under £2.5 Billion) category. Whilst the Fund was not declared winners on the day, it is testament to the status of the Fund to be shortlisted.

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.

Councillor David Parker

Councillor David Parker
Chairman, Pension Fund Committee
Scottish Borders Council

25 September 2025

MANAGEMENT COMMENTARY

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 dependents. Contributions to the Fund are made by employee members and by participating employers. The Fund also receives income from its investments, which include equities, bonds, property, infrastructure, private credit and diversified alternatives.

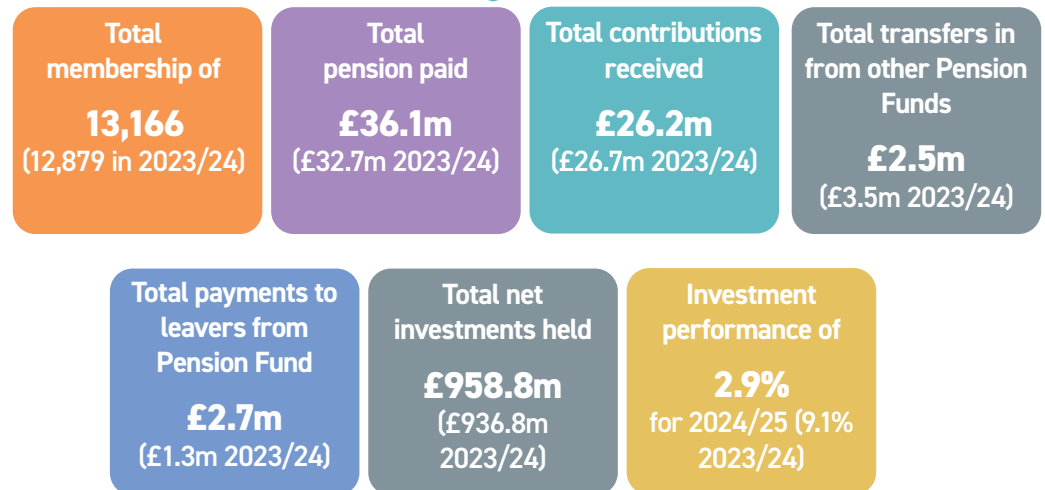
The Fund operates under the regulations of the LGPS, which is a public-sector pension arrangement. Scheme membership is made up of active, deferred and pensioner members. To be able to join the Fund, a person must be employed by a relevant employer and not eligible to join another public-sector pension 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 dependents, 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 is provided by the Pension Fund Board. All key policies and strategies are located on the Fund's website.

KEY NUMBERS OF THE FUND



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 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 Board. The report outlined several recommendations which concerned matters related to: Governance Structure and Decision Making; Objectives and Planning; Outcomes and Oversight; Risk Management; and Audit. A Governance action plan was developed and presented to the Pension Fund Committee and Board for approval at the December 2023 Pension Fund Committee and Board meeting. The Pension Fund Committee are responsible for the approval of all decisions presented to them at the Joint meeting of the Committee and Board. The Pension Board will meet separately following the joint meeting to review decisions made and ensure the Pension Fund is well managed, sustainable and aligned with long-term obligations to members.

Completed actions from the Governance Plan for 2024/25 can be read in more detail in Section 2 of this report. All remaining required actions within the Governance Plan have been addressed and acknowledged in 2024/25. Ongoing items are now reflected in the General Code Compliance Tracker.

The Pensions Regulator (TPR) General Code of Practice was introduced on 28th March 2024. The General Code of Practice consolidates ten existing codes of practice and provides guidance to those running occupational, personal, and public service pension schemes. The code contains new governance requirements and sets out TPR's expectations of how occupational pension schemes should be managed, and the policies, practices and procedures that should be in place. All schemes should continually monitor and assess actions required to ensure compliance with The General Code.

Pension Fund officers completed a General Code Compliance Tracker obtained from Hymans Robertson. It is positive to report that Scottish Borders Council Pension Fund demonstrates good Governance and follows best practice guidelines set out in the new code. Initial observations prompted the introduction of 3 new policies for the Pension Fund; Conflicts of Interest Policy, Escalation Policy and Breaches Policy which were approved by the Pension Fund Committee in December 2024. The Best Practice items already adopted will remain in place with regular review through the General Code Compliance Tracker to ensure the Pension Fund continues to maintain high standards of governance.

The Fund, annually, agrees a three-year Business Plan which sets out the action plan to deliver the key 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 Board. The key actions completed in 2024/25 are noted in Section 2 – Governance.

As required within the Local Government Pension Scheme (Scotland) Regulations 2018 the Fund has an established Pension Board which meets jointly with the Pension Fund Committee. The Pension Board meet independently of the Committee on a quarterly basis at a meeting which directly follows the joint meeting of the Committee and Board. The Pension 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 constitution of the Pension Board is defined within Scottish Borders Council's Scheme of Administration to have 4 members representing the employers and 4 trade union members representing the employees.

Risks and Uncertainties

The Pension Fund faces a wide range of risks in the delivery of its functions. Appropriate and effective risk management practice will be embraced by the Pension Fund as an enabler of success to deliver its primary aim, which is 'to provide for members, pension and lump sum benefits on their retirement or for their dependents, benefits on death before or after retirement, on a defined benefits basis'.

The Pension Fund recognises that risk management should be aligned with its objectives and will therefore be considered within the business planning process. This ensures that the strategic and operational risks to achieving these objectives are identified and prioritised.

The Pension Fund will continue to systematically identify, analyse, evaluate, control and monitor those risks where there is exposure to significant financial, strategic, and reputational damage in relation to the achievement of its objectives, whether related to funding from scheme employers, investment practices, administrative processes, governance arrangements or regulatory obligations. Within these 5 categories of Risk, there are 17 Principal Risks (none of which are red rated), each with specific internal controls to mitigate/minimise the risk. During the formal Risk Review cycle, the effectiveness of internal controls is assessed, any new mitigations are identified, and a forward look is considered relating to future risks and uncertainties - the summary Risk Register is in Section 2.

The Pension Fund purposefully seeks to promote an environment that is risk 'aware'. This means that the Pension Fund can take an effective approach to managing risk in a way that both addresses significant current and future challenges and enables positive outcomes. It will increase success in the achievement of objectives and targets set in the associated Pension Fund Business Plan and Strategies.

A new Risk Management Policy and Risk Management Strategy were approved by the Pension Fund Committee in March 2024. This supports the appropriate application of good risk management practices which assists in the prevention or mitigation / minimisation of negative impacts and increases success in the achievement of objectives and targets set out in the associated Pension Fund Business Plan and Strategies, ensuring decision-makers are risk aware.

The Pension Fund champions a culture where those supporting the function of the Pension Fund (SBC Senior Officers and external advisers) are encouraged to develop new initiatives, improve performance and achieve objectives safely, effectively and efficiently by appropriate application of good risk management practices.

The Pension Fund promotes the pursuit of opportunities that will benefit the delivery of its primary aim. As such, the Pension Fund acknowledges that risks may need to be taken to capitalise on opportunities, but these must be carefully evaluated in the context of the anticipated benefits versus any potential negative impacts.

Further information on the application of risk management practices can be found in Section 2 – Governance and within the summary Risk Register.

Administration and Membership

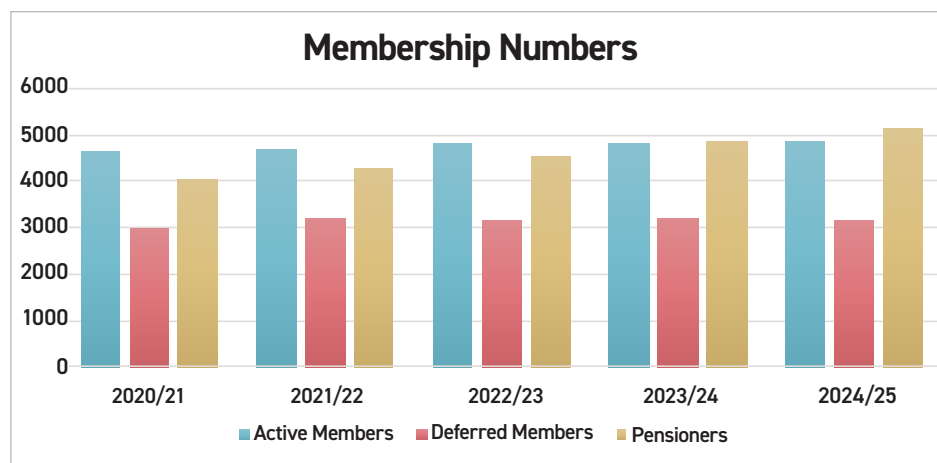
The Pension Administration Strategy sets out the performance standards required by both Scottish Borders Council, as the administering authority, and all employers of the Fund. The performance of the Fund against these standards is reported on an annual basis to the Joint Pension Fund Committee and Pension Board. The continuation of hybrid working has enabled the administration function to maintain strong performance and consistent delivery.

Performance against key performance indicators was strong, with the majority of targets met, the exception being transfers. There were a number of late payments during the year from Jedburgh Leisure Facilities Trust. This employer has now entered administration and had been reminded of their obligation to ensure payments were made to the Pension Fund during discussion with Scottish Borders Council. There was also late payment from Live Borders, this is the first instance that there has been a late payment, officers will continue to monitor this employer going forward and take appropriate action should this occur again in the future.

There was one regulatory breach reported to the Pensions Regulator, this related to the requirement to include McCloud information within the Annual Benefit Statements by 31 August 2024. There was no follow up from the Pensions Regulator to the reporting of this breach. The Breaches Policy for the Fund was approved by the Pension Fund Committee on 12 December 2024.

The Fund has pensions expenditure (including pension fund pension payments and payments to leavers from the pension fund) of £38.8m during the year (£34.0m in 2023/24) and pensions income received (including contributions and transfers in) of £28.7m (£30.2m in 2023/24). Following the 2023 valuation there was a reduction in the Employer contribution rate, for those in the SBC Pool this saw a reduction from 18.50% to 17.00%, with Scottish Borders Housing Association going to 0.00%. This had a direct impact on the level of contributions received which are in line with the triennial valuation carried out in 2023. The Fund had a net withdrawal of £10m (£3.8m in 2023/24) during the year which was funded by investment income. Pensions have been paid on time and contributions have been collected in accordance with scheme regulations in all instances. Further information on the performance of Pension Administration and the Pension Administration Strategy can be found in Section 4 – Administration.

The maturing nature of the Fund is reflected in the membership numbers, which are shown in the table opposite. Overall members at 31 March 2025 increased during the year to 13,166 but active contribution members now only represent 37% of the membership compared to 40% at 31 March 2021. The continued decrease in active members was considered during the investment strategy review to ensure there is the correct balance of investments, including income-generating investments to provide sufficient cash to pay the pensions when they are due.



Communication

The Fund's Communication Policy seeks to ensure communication in an efficient manner for all stakeholders. Communication is undertaken in several 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 2023 was completed in March 2024 which resulted in a funding position of 134% (110% 31 March 2020) for the Fund. The next formal valuation of the Fund will be 31 March 2026. Monitoring the funding position is undertaken on an annual basis and reported to the Pension Fund Committee.

The approved Funding Strategy Statement 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.

[Funding Strategy Statement - 2023](#)

Investment Returns

The Fund's investment objective is to provide for members' pension and lump sum benefits on their retirement or for their dependents' benefits on death before or after retirement, on a defined benefit basis; to set levels of employer contributions that will build up assets that will be sufficient to meet all future benefit payments from the Fund and to build up the required assets in a way that produces employer contributions, which are as stable as possible.

Following the 2023 Actuarial Valuation, the Fund has seen a material improvement in its funding position since the last valuation, increasing from 110% 31 March 2020 to 134% 31 March 2023. The changing market landscape has also driven a shift in the relative attractiveness of different asset classes. The Fund's investment strategy was set at a time when market conditions were significantly different to what they are now. The Committee reviewed the investment strategy and asset allocation in

September 2024, where they agreed to further evolve and refine the strategy. The first phase of implementing the new strategy was undertaken in Q4 2024, with the remaining revisions expected to be carried out over 2025/26.

The Fund's investments delivered a return of **2.9%** (9.1% 2023/24) against a benchmark of **5.9%** (12.3% 2023/24) for the year to 31 March 2025. The value of the fund was volatile during the year, with a net increase of **£22m** during the year to **£959m** as at 31 March 2025.

The positive absolute performance over the past 12 months was driven by the majority of the Fund's equity mandates, which benefitted from the wider equity market rally over the period as a result of strong corporate earnings growth and a rally in AI and technology stocks. The Long Lease Property and Diversified Credit mandates with BlackRock and M&G were also notable contributors to the Fund's absolute return.

The majority of the Fund's assets underperformed their performance objectives over the 12-month period, with the largest detractor to relative performance being the Fund's equity mandates with Baillie Gifford, due to their significant weighting within the strategy relative to the Fund's other mandates. Other notable detractors to relative performance include the Fund's infrastructure equity mandate, which is invested in conjunction with Lothian, and the Junior Infrastructure Debt mandate with Macquarie.

Our investment consultants reported the Fund's funding position improved, as the value of the Fund's assets increased, whilst the value placed on the Fund's liabilities fell marginally as real gilt yields fell over the period.

Equities

Over the 12 months to 31 March 2025, global equities delivered mixed but positive performance, with strong gains driven by robust earnings growth, AI advancements, and Chinese stimulus, but tempered by trade policy concerns, geopolitical tensions, and regional fiscal pressures.

UK equities outperformed their global counterparts, benefiting from the trade tensions and uncertainty in the US in the latter half of the period, with investors rotating out of the US and into financials, defence and energy sectors. Emerging market equities also performed strongly buoyed by Chinese stimulus measures announced earlier in the 12-month period to reverse the region's recent slowdown, increased optimism around AI advancements.

Bonds

Credit markets benefitted from interest rate cuts early in the year but faced headwinds later as inflation concerns persisted. Investors scaled back their expectations on the number of interest rate cuts through 2025 as a result. Against this backdrop, nominal and index-linked gilt yields rose, resulting in both delivering negative returns. Both Investment Grade and High Yield Credit continued to benefit from tightening credit spreads. High Yield Credit outperformed Investment Grade Credit over the period due to its lower sensitivity to interest rates.

Property

The UK property market rebounded, delivering positive returns over the period, with lower interest rates benefitting underlying asset values and spurring activity.

Fund Activity

The Pension Fund Committee reviewed the Fund's investment strategy in September 2024. The overall strategy remains appropriate for the Fund's objectives, and the changes agreed as part of the review were to evolve the portfolio rather than to make any wholesale changes.

Notable changes include the introduction of a formal allocation to impact assets. The Fund had previously invested in two impact assets (Timberland and Renewable Infrastructure) which were temporarily housed within the infrastructure portfolio, before being scaled up and formally categorised as "Impact" as part of the recent review.

The Committee and Officers agreed a formal allocation to impact investing was appropriate as it aims to combine the delivery of strong financial returns for members whilst making a positive impact on the world around us. The Committee and Officers are considering suitable opportunities to build out the remaining impact allocation and expect to introduce a third mandate to the portfolio over the next reporting period.

In addition to the impact allocation, the strategy review resulted in several refinements to the portfolio, including the termination of the Diversified Alternatives portfolio, a reduction in the allocation to commercial property and an increase in the liquid credit portfolio, namely the index-linked gilt and diversified credit mandates.

Since 31st March 2024 investments have been made in the following mandates:

£48m into M&G UK Index Linked Fund (£12m April 2024 and £36m December 2024)

£9.3m Permira (£4m May 2024, £1.8m December 2024 and £3.5m March 2025)

£22m CBRE May 2024

£20m commitment to Quinbrook II LP with £4m drawn January 2025 and

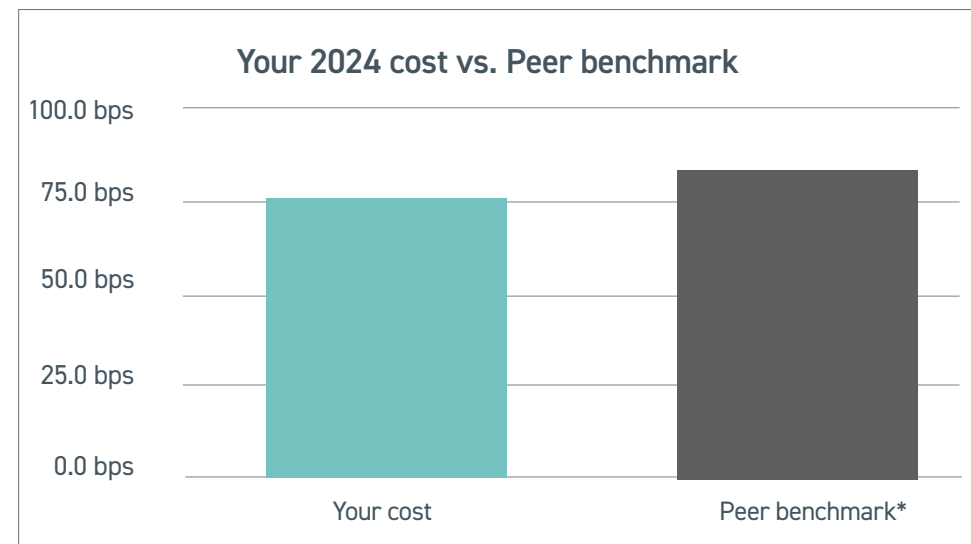
£10m into Nuveen Global Timberland February 2025

(£44m) disinvestment from LGT, proceeds received April 2025

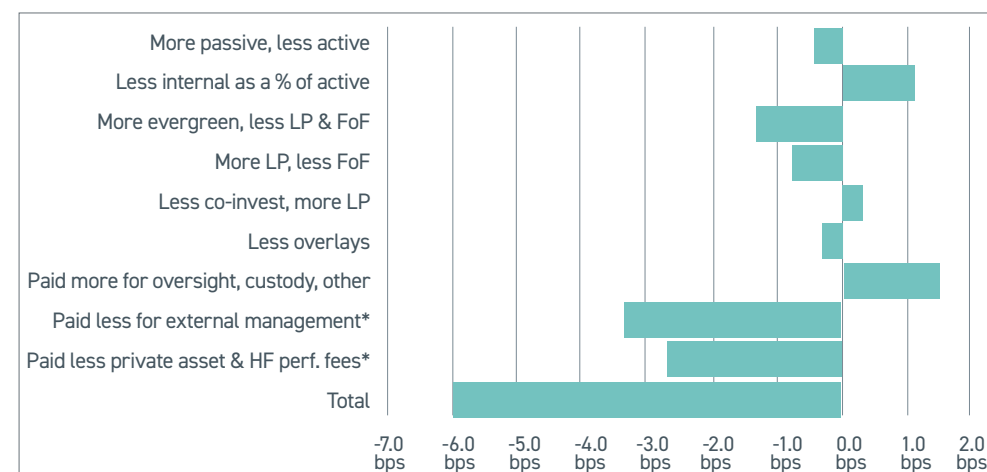
(£95m) disinvestment from BlackRock, **£10.5m** proceeds received July 2025 and remaining proceeds to be received by June 2027

Scottish Borders Council Pension Fund Investment Benchmarking

The Fund appointed CEM Benchmarking to compare our costs with other pension funds, inside and outside the LGPS. The Fund's costs at 31 March 2024 were compared with 56 global peer funds ranging from £0.1bn to £3.6bn. The Fund is pleased to report costs of 76.9 basis points were below Peer benchmark costs of 82.9 basis points. The main driver for this was that we paid less for external fund management compared to our peers.



Reasons why Scottish Borders Council Pension Fund was 6.0 bps below the Peer benchmark



* LP - Limited partnership; FoF - Fund of Funds, HF - Hedge Fund

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 Governance issues can positively affect the financial performance of investments. The Fund carried out its annual review of its Responsible Investment Metrics and Targets reporting over the period and continues to focus on the 6 key responsible investment objectives.

Sustainable Development Goal 13 – Climate Change

Sustainable Development Goal 7 – Affordable & Clean Energy

Sustainable Development Goal 1 – No Poverty

Sustainable Development Goal 2 – Zero Hunger

Sustainable Development Goal 3 – Good Health & Well-being

Sustainable Development Goal 10 – Reduce Inequalities

These were left unchanged throughout 2024/25. Work has commenced in the assessment and collection of data to allow reporting and monitoring of Sustainable Development Goal 13 Climate Change and Sustainable Development Goal 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 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.

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. As previously noted, the Fund ratified a formal allocation to impact

assets as part of the recent investment strategy review. This includes the two recent allocations to a Timberland Fund and a Renewable Energy Infrastructure Fund focused in the UK. The Fund is actively seeking a sustainable investment opportunity for the remaining impact allocation, with the expectation that this will be funded over the following reporting year.

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 preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C above preindustrial 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.

Acknowledgement

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 *David Robertson* *Suzanne Douglas*

Councillor David Parker
Chairman
Pension Fund Committee
25 September 2025

David Robertson
Chief Executive
Scottish Borders Council
25 September 2025

Suzanne Douglas
Director of Finance
Scottish Borders Council
25 September 2025

KEY TRENDS

Membership	2020/21	2021/22	2022/23	2023/24	2024/25
Active Members	4,647	4,703	4,842	4,836	4,859
Deferred Members	2,977	3,194	3,187	3,195	3,162
Pensioners	4,040	4,281	4,532	4,848	5,145
Total Members	11,664	12,178	12,561	12,879	13,166

Investments	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Opening Net Value	712,319	859,794	909,381	866,011	936,842
Movement in year	147,475	49,587	(43,370)	70,831	21,943
Closing Net Value	859,794	909,381	866,011	936,842	958,785
Investment Income	12,749	17,600	16,284	22,505	24,031
Investment Fees	5,310	5,668	5,209	6,627	7,308

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Administrative Costs	(352)	(378)	(450)	(452)	(621)
Oversight & Governance	(318)	(349)	(338)	(498)	(453)
Pensioners Income	21,727	25,939	25,060	30,212	28,718
Pensioners Expenditure	(28,296)	(26,071)	(30,163)	(33,986)	(38,814)
Net Pensions Cashflow	(6,569)	(132)	(5,103)	(3,774)	(10,096)

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 2 - GOVERNANCE

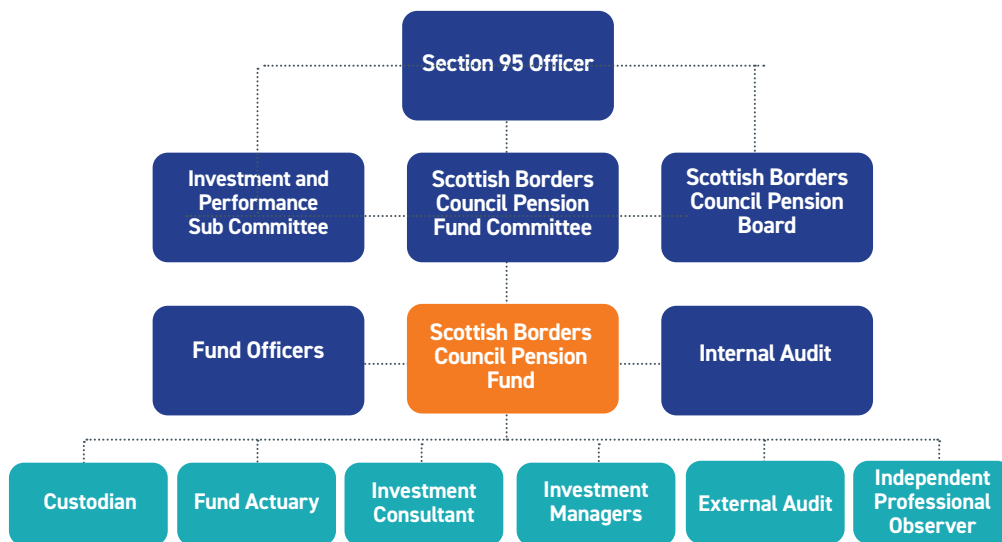
SCHEME ADMINISTRATION

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

The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Scotland) Regulations 2018. The Fund adheres to Scottish Borders Council policies for managing conflicts of interests, codes of conducts and register of interests. Following guidance from The Pension Regulator's General Code March 2024, the Pension Fund Committee approved the Conflicts of Interest Policy for the Pension Fund at the December 2024 joint meeting of the Pension Fund Committee and Board.

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 meetings.



The full Council agreed on 30 May 2024 to amend the Scheme of Administration to transfer to the Pension Fund Committee from the SBC Audit Committee the function to Review the Pension Fund's audited Statement of Accounts and the Annual Report from the External Auditor to members and the Controller of Audit, prior to submission to Council.

Scottish Borders Council Pension Fund Governance:

Pension Fund Committee – is the main decision-making body for the Fund and is comprised of seven members of the Council. The Scheme of Administration previously provided that the Constitution of the Pension Fund Committee shall be: "Seven Members of the Council comprising – one member of the Executive, three other Members of the Administration, two members from the Opposition and one other Elected Member".

It was considered that it would be beneficial to amend the Scheme to make the Constitution less prescriptive and to provide maximum flexibility. It was proposed to amend the Scheme to provide that the Constitution of the Committee shall simply be "Seven Members of the Council." This proposal was approved by Scottish Borders Council on 28th November 2024.

Pension Board – assists the Committee in securing compliance with the regulations, other legislation and requirements of the Pensions Regulator. The Pension Board consists of four employer representatives and four employee Union representatives. However, there is a current vacancy for Live Borders which will be filled by September 2025.

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 Board.

Independent Professional Observer – strengthens governance by providing independent observations to the Pension Fund Committee and Pension Board. The role also aims to enhance the scrutiny of the decision making and provide the Committee and Board with additional experience and knowledge impartial from the Scottish Borders Council Pension Fund's Officers.

Actuary – provides advice on funding. This role is currently undertaken by Hymans Robertson.

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

Investment Managers – manage the investment portfolios.

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

The external audit function is conducted by Audit Scotland and they will provide an independent audit opinion on the true and fair view of the financial statements in accordance with applicable standards and legal requirements.

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. As at 31 March 2025, 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 Donald Moffat



Councillor Sandy Scott



Councillor Carol Hamilton



Councillor Leigh Douglas



Councillor Tom Weatherston
from November 2024
replacement for Councillor
Marshall Douglas

Pension Board

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

The Pension Board comprises four employee and four employer representatives appointed by relevant trade unions and scheme employers.

During the year to 31 March 2025, the Pension Board membership comprised the following:

Employer Representatives:

- Councillor Julie Pirone - Chairperson. Scottish Borders Council
- Kirsty Robb - Borders College
- Vacancy - Live Borders (to be filled September 2025)
- Nicola McArthur - South of Scotland Enterprise

Employee Representatives:

- David Bell - Vice chair. UNITE
- Malcolm Drysdale - GMB
- Kay Marie Hughes - UNISON
- Alistair Stavert - UNISON from January 2025
- Marc Everett - UNISON March 2024 to December 2024

In accordance with the regulations the Pension 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 Board has no voting rights at the joint meeting but meets 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 Board. The Sub-Committee meets three to four times a year.

RISK MANAGEMENT

Effective Risk Management is one of the foundations of effective governance of the Pension Fund. It requires a coherent approach to the management of risks that it faces every day through identification, analysis, evaluation, control and monitoring of risks linked to the business plans and activities.

The Pension Fund’s Risk Management Policy and Strategy 2024-2026 were approved at the joint meeting of the Pension Fund Committee and Pension Board on 4 March 2024. The development of the Policy and Strategy ensures that there is a relevant Risk Management Framework in place for the Pension Fund aligned to its objectives, governance and administration.

The Risk Management Policy defines risk and risk management, outlines the vision, states the roles and responsibilities in managing the risks, and highlights its importance as a key control associated with strategic and operational activities. The Pension Fund is committed to a strong control environment to ensure that risks are identified, evaluated, managed and monitored appropriately, with the outcome that better and more assured risk management will bring many benefits to its stakeholders.

The Risk Management Strategy is based upon the professional standards in the Management of Risk (MoR) Guide and CIPFA guidance “Managing Risk in the Local Government Pension Scheme”. The strategy is underpinned by:

- A clear and widely understood structure to secure implementation
- A commitment to achievement
- Appropriate training arrangements
- Regular monitoring and reporting arrangements

The Risk Management Strategy 2024-2026 states that “The SBC Chief Officer Audit & Risk will deliver a quarterly Risk Register Update Report to the joint meetings of the Pension Fund Committee and Pension Board, ensuring they have adequate oversight to fulfil their roles and responsibilities with regard to the management of risk.” The Risk Management Strategy also contains the following table which illustrates the Quarterly Meeting Cycle by Risk Category to enable the Members of the Committee and Board to focus on specific risks at each meeting which are broadly aligned to the established business reporting cycle:




















Risk Category	Quarterly Meeting Cycle
Investment	March
Administration	June
Governance	September
National Policy / Regulations	September
Funding	December

It is essential for the Pension Fund to maintain strong risk management practices. Without integrating risk considerations into the definition of its objectives, there is a significant likelihood that the Fund could lose strategic direction if those risks were to materialise. Knowledge of the strategic risks faced by the Pension Fund and associated mitigations will enable Committee and Board Members to be more informed when making business decisions.

As the management of risk is an iterative process, the Pension Fund Risk Register is not a static document and will continue to evolve over time to reflect new and emerging threats, opportunities and objectives associated with the business plans and activities of the Pension Fund.

In line with the schedule of risk review activity set out in the Risk Management Strategy 2024-2026, SBC Officers who support the Pension Fund carried out the review of risks in the following categories: Funding; Investment; Administration; Governance; and National Policy / Regulations. The output of this activity was then presented at the quarterly Joint meetings of the Pension Fund Committee and Pension Board. This provides a focus on a more manageable number of risks at each meeting and aligns Risk Management to the business planning and performance management process.

The quarterly Pension Fund Risk Register Update Reports can be found on Modern.gov. [Pension Fund Committee and Pension Board - Scottish Borders Council](https://modern.gov/pension-fund-committee-and-pension-board-scottish-borders-council) (scotborders.gov.uk)

Category	Risk Title	Risk Score & Rating
Funding	Investment Strategy	6 Moderate-Unlikely 
	Scheme Employers	6 Moderate-Unlikely 
	Differences between Actuarial Assumptions in the Triennial Valuation Reports & Reality	6 Moderate-Unlikely 
Investment	Target Investment Returns	8 Major-Unlikely 
	Market/Economic Conditions	8 Major-Unlikely 
	Failure to Manage Liquidity	3 Moderate-Remote 
Administration	Over-Reliance on Key Officers	6 Moderate-Unlikely 
	Failure to Process Payments on Time	6 Moderate-Unlikely 
	Failure to Collect and Account for Contributions	6 Moderate-Unlikely 
	Failure to Manage Data and Information	6 Moderate-Unlikely 
	Cyber Security	10 Critical-Unlikely 
Governance	Engagement with Scheme Employers	6 Moderate-Unlikely 
	Roles and Responsibilities	8 Major-Unlikely 
	Failure of the Fund's Governance Arrangements	8 Major-Unlikely 
National Policy/ Regulations	Failure to Administer and Manage the Fund in line with Requirements	8 Major-Unlikely 
	Changes in Legislation/Regulatory Frameworks	8 Major-Unlikely 
	Fiduciary Duties and ESG Responsibilities	8 Major-Unlikely 
Total: 17 Risks		
Red (Score 15-25)  Amber (Score 6-12)  Green (Score 1-5) 		

The table above summarises the Pension Fund Risk Register as at March 2025.

Furthermore, to support the implementation of the new Pension Fund Risk Management Policy and Strategy, the SBC Chief Officer Audit & Risk and the SBC Corporate Risk Officer prepared and delivered a Risk Management Development Session for the Members of the Committee and Board, and Officers, as part of a Development Day on 27th November 2024. This was designed to ensure clarity of roles and responsibilities, processes, oversight and monitoring.

In conclusion, the Pension Fund believes that appropriate application of good risk management practices will assist in the prevention or mitigation/minimisation of negative impacts and will increase success in the achievement of objectives and targets set in the associated SBC Pension Fund Business Plan and Strategies, ensuring that decision-makers are risk aware.

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 Board is provided to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

The approved Training Policy adopts the key recommendations of the Myners Principles, LGPS regulations 2010 and 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 (TPR) General Code of Practice concerning skills and knowledge requirements.

The Training Policy applies to members of the Pension Fund Committee and the Pension Board. It requires all members to complete the Pensions Regulator's Toolkit within six months of joining the Pension Board and to attend at least two training events a year. The Training Policy also requires an annual training plan to be agreed. The Training Plan for 2024/25 was formally agreed by the Pension Fund Committee at the Special Joint meeting of the Pension Fund Committee and Pension Board held on 2 September 2024.

On 27th November 2024 an in-person Training Day was organised for members of the Pension Fund Committee, Pension Board and Officers of the Council involved in the management of the Fund. The following areas were covered:

- **Risk Management** - Presented by SBC Chief Officer Audit and Risk.
- **General Code** - Presented by Hymans-Robertson.
- **Financial Markets and Investment Products, Benchmarks & Performance** - Presented by Isio.
- **Investment** - understanding Responsible Investments - presented by Isio.
- **Administration** - Presented by HR Shared Service Manager.

All members are required to attend, as a minimum, two meetings of the joint Pension Fund Committee and Pension Board a year. The tables following table evidences that all seven Members of the Pension Fund Committee, and all seven members of the Pension Board have met the training and attendance requirements for 2024/25.

Attendance 2024/25	Pension Fund Committee and Board Meeting	Pension Fund Board Meetings	Investment Sub-Committee Meetings	Training
Councillor David Parker	5/5		2/3	8/8
Councillor Simon Mountford	3/5		2/3	8/8
Councillor Carol Hamilton	5/5		3/3	4/8
Councillor Sandy Scott	5/5		3/3	7/8
Councillor Donald Moffat	5/5		2/3	6/8
Councillor Leigh Douglas	4/5		2/3	2/8
Councillor Marshall Douglas (left October 2024)	3/5		1/3	0/8
Councillor Tom Weatherston (from November 2024)	2/5		0/3	2/8
Councillor Julie Pirone	3/5	3/4	0/3	2/8
David Bell	5/5	4/4	0/3	5/8
Nicola McArthur	2/5	2/4	0/3	3/8
Kirsty Robb	2/5	3/4	2/3	2/8
Malcolm Drysdale	5/5	3/4	0/3	3/8
Kay Marie Hughes	3/5	4/4	3/3	4/8
Alistair Stavert (from January 2025)	1/5	1/4	0/3	2/8
Marc Everett (left December 2024)	1/5	1/4	0/3	0/8

ANNUAL GOVERNANCE STATEMENT

The Local Government Pension Scheme (Scotland) Regulations 2018 requires Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles.

The key document summarising the governance arrangements for the Fund is the Governance Policy and Compliance Statement (as amended on 24 June 2025) which is available on the Scottish Borders Council Pension Fund website:

[Governance Policy and Compliance Statement 2025 | Scottish Borders Council](#)

Annual due diligence on all fund managers has been completed, including a comprehensive review of operational, compliance, and investment processes. As part of this process, any qualified opinions or exceptions identified in internal control reports (for example ISAE 3402 or SOC1) were carefully evaluated. Alinda and Macquarie (MSIG) asset managers had qualified controls reports and KKR and Infrared do not provide controls reports. Follow-up actions were taken to assess the potential impact and ensure appropriate remediation steps were implemented by the managers. Ongoing monitoring procedures have been updated accordingly to mitigate identified risks and maintain oversight.

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 for ensuring there is a sound system of governance remains with the Chief Executive.
- c) The Pension 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 Board are covered equally by the Training Policy to give them full opportunity to contribute effectively.
- d) The approval of the Pension Fund Business & Governance Plan covering the period 2024/25 – 2026/27, 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, which sets out required development and improvement actions, 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. Progress on actions is subject to monitoring by the Pension Fund Committee and Pension Board.
- 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. Sound investment practices are in place which follow approved investment principles, an appropriate investment strategy, and effective governance over investment decisions. These systems and procedures are consistent with Scottish Borders Council's counter fraud policy and strategy, which are based on the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'.
- g) The Fund follows a systematic approach to the management of risks in accordance with its standalone Risk Management Policy and Strategy (approved in March 2024). The Pension Fund Risk Register clearly focuses on the most significant risks with quarterly updates to the Pension Fund Committee.

- h) The Director of Finance 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’s (Chief Audit Executive for the SBC Pension Fund) independent and objective opinion is that the systems of governance, risk management and internal control operating within the Scottish Borders Council Pension Fund during 2024/25 are appropriate and effective, 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 Pension Fund Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

The Global Internal Audit Standards for the UK Public Sector, effective from 1 April 2025, will have implications for the remit of the Pension Fund Committee. A joint Development Session was held on 26 May 2025 with SBC Audit Committee, IJB Audit Committee and Pension Fund Committee members to outline the requirements for the governance of Internal Audit, and determine any steps required to demonstrate conformance. These will be considered and updates reported in 2025/26.

Review of Framework

The annual review of the effectiveness of the Fund's governance framework is informed by:

- The work of an officer assessment of the Fund's compliance with the best practice principles, General Code 2024, details of which are set out in the Governance Compliance Statement 2024/25:

- The work of professional accountancy staff within the Council,
- The assurances arising from the work of Internal Audit, the details of which are set out in the Chief Officer Audit & Risk's Internal Audit Annual Assurance Report 2024/25 [Scottish Borders Council Pension Fund Internal Audit Annual Plan 2024-25](#) that is presented to the Pension Fund Committee, and the external auditor's reports.

Improved Areas of Governance

The Pension Fund Committee agreed to a three-year Business Plan 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 time scales for each. The progress of the action is reported mid-year to the Pension Fund Committee. The actions completed from the 2024/25 Business Plan can be observed in detail on the Pension Fund website [Scottish Borders Council Pension Fund-Business-Plan-2025-26-to-2027-28](#)

Highlights of actions completed within the year are:



Pension Administration

- Completed GMP Reconciliation Project.
- Recalculation of Pension Benefits following delayed implementation of Pay Award for SBC scheme members.
- Revised Communications Strategy reviewed and approved September 2024.
- Pension Administration Strategy approved By Pension Fund Committee March 2024.
- Annual Employer Liaison Meeting held and Issued Scheme's 2nd annual Newsletter March 2025.



Pension Funding and Investment

- 1 year performance of 2.9% against benchmark of 5.9%, in volatile market conditions.
- Review and improvement to Responsible investment including completion of 2024 Responsible Investment Metrics and Targets reporting.
- Investment Strategy for asset allocation reviewed and approved by Pension Fund Committee September 2024.



Pension Fund Governance

- Development of the standalone Pension Fund Risk Management Policy and Strategy 2024-2026 (approved in March 2024). Quarterly review and reporting cycle of refreshed Risk Register by Risk Category.
- Completion of Annual Report and Accounts 2023/24 – Unqualified audit opinion following External Audit of the Annual Report & Accounts 2023/24.
- Completion of General Code (March 2024) compliance checker; results used to determine level of compliance and actions required for 2025/26.
- Produced Conflicts of Interest Policy, Breaches Policy and Escalation Policy for the Pension Fund. These were approved by the Pension Fund Committee 12 December 2024.
- Reviewed the Internal Dispute Resolution Procedure which was approved by Pension Fund Committee 6 March 2025.
- Pension Fund Website continuously reviewed and updated to add content relevant for member and interested parties.

The Fund has agreed key areas of consideration within its 2025/26 Business Plan which can be observed online [Scottish Borders Council Pension Fund Business-Plan-2025-26-to-2027-28](#) and highlights include:

- Approval and implementation of Triennial Valuation employer contribution results, including update of Funding Strategy Statement.
- Review Communication Strategy and Action Plan in line with best practice and technological advancements.
- Consider the implications of the McCloud and Goodwin cases.
- Review information requirements for Dashboard and implement by connections date.

The Scottish Borders Council Pension Fund Business Plan 2025/26 was approved at the Joint Pension Fund Committee and Pension Board meeting 24 June 2025

In addition to the Business Plan, a Governance action plan was developed and approved following the recommendations from the Independent Advisor Report, 'Review of Governance of the Scottish Borders Council Pension Fund' and was first presented to the Pension Fund Committee and Board at the December 2023 Pension Fund Committee and Board meeting.

During 2024/25 the following actions were taken to meet the required recommendations set out within the Governance plan:

- Revision of Scheme of Administration to update constitution of Pension Fund Committee to include seven members of the Council (Removing political nature of the Committee).
- Risk Register updates continued on a quarterly basis.
- Fund's Internal Audit team continued to provide independent appraisal of governance arrangements and internal controls.
- Continued monitoring & reporting to align with Responsible Investment Policy objectives; TCFD reporting reviewed September 2024 and Responsible Investment Metrics and Targets reporting reviewed December 2024.
- Pension Fund Training Day for Fund Officers, Pension Fund Committee and Pension Board held 27 November 2024.
- Independent Professional Observer Role approved by Pension Fund Committee December 2024.
- Fund officers completed a General Code Compliance tracker to document compliance and risk of non-compliance with the TPR General Code.

The Pensions Regulator General Code of Practice was introduced on 28th March 2024. The General Code of Practice consolidates ten existing codes of practice and provides guidance to those running occupational, personal, and public service pension schemes. The code contains new governance requirements and sets out TPR's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place. All schemes should continually monitor and assess actions required to ensure compliance with the single code.

Pension Fund officers completed a General Code Compliance Tracker obtained from Hymans Robertson. It is positive to report that Scottish Borders Council Pension Fund demonstrates good Governance and follows best practice guidelines set out in the new code. The Best Practice items already adopted will remain in place with regular review through the new General Code Compliance Tracker to ensure we continue to maintain high standards of governance of the Pension Fund.

Actions noted from The Independent Review which formulated the Governance Plan have now been acknowledged. Completed actions will continue to be monitored annually and all ongoing actions will now be captured by the General Code Compliance Tracker and aligned to the Business Plan. Completed Governance actions and areas for development will continue to be reported to the Pension Fund Committee and Board on a quarterly basis. Implementation of all governance actions will continue to be closely monitored, with progress formally reviewed as part of the next annual governance review cycle. This commitment ensures continuous improvement and alignment with regulatory expectations and strategic objectives.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Fund's systems of internal control, governance and risk management. The annual review demonstrates sufficient evidence that the Fund's Governance Policy is operating effectively and that the Fund fully complies with the best practice principles as demonstrated in the Governance Policy and Compliance Statement.

Councillor David Parker
Councillor David Parker
Chairman
25 September 2025

David Robertson
Chief Executive
25 September 2025

ANNUAL GOVERNANCE COMPLIANCE STATEMENT

The Fund sets out its governance arrangements within the Governance Policy and Compliance Statement (as amended 24 June 2025).

The Local Government Pension Scheme (Scotland) Regulations 2018 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via a number of best practice principles. The following table contains an assessment of the Fund's compliance with these principles and reflects the changes following the introduction of the Pension Fund Board.

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	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'). The Committee comprises 7 elected Members. The Council's Scheme of Administration sets out the Committee's remit.
B	LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are represented by members of either the main or secondary committee established to underpin the work of the main committee.	Yes Please note there is a Live Borders vacancy which will be filled by September 2025	The Pension Board (the 'Board') formalises the involvement of the employers and trade unions representing the membership. The Fund's Board consists of eight members (four employer representatives and four trade union representatives) covering all pension fund members.

Principle		Full Compliance	Comments
			<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 Board meet independently of the Committee on a quarterly basis. This meeting takes place directly after the Joint meeting of the Committee and Board.</p> <p>The Investment and Performance Sub-Committee (the 'Sub-Committee') established under the Committee and its remit is set out in the Scheme of Administration. Membership of the Sub-Committee is seven elected Members from the Committee and two (non-voting) members from the Board.</p>
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	<p>Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Committee for approval.</p> <p>Two members from the Board and all Members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.</p>

Principle		Full Compliance	Comments
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 Council's 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	<p>All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> (i) Employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) where appropriate, independent professional observers, and, (iv) expert advisors (on an ad-hoc basis) 	Yes	<p>The Pension Board and the Pension Committee meet jointly ensuring employer and member (trade union) representation at meetings.</p> <p>The Investment and Performance Sub-Committee has two non-voting members from the Board.</p> <p>The Independent Investment Consultant, Finance Officers, and, Chief Officer Audit & Risk and HR Officers also attend in an advisory capacity.</p>
B	Where non-elected 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).

Principle		Full Compliance	Comments
			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 non-elected 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 Pension Fund Code of Conduct along with the Pension Fund 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. Non-elected members will follow SBC Employee Conflicts of Interest Policy. Elected members should adhere to the Code of Conduct for Councillors.

Principle		Full Compliance	Comments
			Conflicts of Interest Policy introduced for the Pension Fund and approved by Committee at the joint meeting of Pension Fund Committee and Board in December 2024. This policy aims to identify, manage, and mitigate any conflicts of interest that could arise in the governance, management and administration of the Pension Fund to ensure that decisions are made in the best interests of scheme members.
Voting			
A	The policy of individual administrating authoritie on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This is set out in the Council's Scheme of Administration and the Board's Constitution. Only members of the Pension Fund Committee have the right to vote. The Pension Board have the right to challenge any decisions made by the Pension Fund Committee.
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.

Principle	Full Compliance	Comments
B Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	The training policy for all members of the Board and Committee is approved annually.
C The administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Annual Training Plan was produced and implemented with logs of training attendance maintained.
Meetings (frequency/quorum)		
A An administering authority's main committee or committees meet at least once a quarter.	Yes	The joint meetings of the Pension Fund Committee and Pension Board are quarterly.
B An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment and Performance Sub-Committee meets three to four times per year separate to the joint Committee/ Board meetings.
C An administering authority who does not include non-elected members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Yes	The Pension Board formally provides for stakeholders' engagement as it includes both elected and non-elected members. Annual employee liaison meeting, annual newsletter and online portal.

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

Councillor David Parker

Councillor David Parker
Chairman - Pension Fund Committee
25 September 2025

David Robertson

David Robertson
Chief Executive - Scottish Borders Council
25 September 2025

STATEMENT OF RESPONSIBILITIES

COUNCIL'S RESPONSIBILITIES

Scottish Borders Council as the administering authority for Scottish Borders Council Pension Fund (the 'Fund') is required to:

- Make arrangements for the proper administration of the Fund's financial affairs and to ensure that the proper officer of the authority has responsibility for the administration of those affairs in relation to the Fund. That officer is the Director of Finance.
- 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.

I certify that the Annual Report and Accounts have been approved to be submitted for Officer signature and Council approval by the Pension Fund Committee at the Joint meeting of the Pension Fund Committee and Pension Board on 22 September 2025. The Council approved on 25 September 2025.

Councillor David Parker

Councillor David Parker
Chair, Pension Fund Committee

25 September 2025

DIRECTOR OF FINANCE RESPONSIBILITIES

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

In preparing the Annual Accounts, the Director of Finance has:

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

The Director of Finance 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 2025 and the transactions of the Fund for the year then ended.

Suzy Douglas

Suzanne Douglas CPFA
Director of Finance, Scottish Borders Council

25 September 2025

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 3 - FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDING 31 March 2025

2023/2024 £000		2024/2025 £000	Notes
	Dealings with members, employers and others directly involved in the scheme:		
26,732	Contributions	26,173	7
3,480	Transfers in from other pension funds	2,545	8
(32,654)	Benefits	(36,088)	9
(1,332)	Payments to and on account of leavers	(2,726)	10
(3,774)	Net Additions/(Withdrawals) from Dealings with Members	(10,096)	
(7,577)	Management expenses	(8,382)	11
	Return on Investments:		
22,505	Investment Income	24,031	12
60,716	Profits and (Losses) on Disposal of Investments and Changes in the Market Value of Investments	14,659	17a
147	Taxes on Income	(91)	
83,368	Net Return on Investments	38,599	
72,017	Net Increase/(Decrease) in the Fund during the Year	20,121	
866,233	Opening Net Assets of the Scheme	938,250	
938,250	Closing Net Assets of the Scheme	958,371	

Note 1-28 form part of the Financial Statements

NET ASSETS STATEMENT as of 31 March 2025

2023/2024 £000		2024/2025 £000	Notes
937,098	Investment Assets	959,499	14
(256)	Investment Liabilities	(714)	14
936,842	Total Net Investment	958,785	
	Current Assets & Liabilities		
4,364	Current Assets	2,371	21
(2,956)	Current Liabilities	(2,785)	22
938,250	Net Assets of the Fund available to fund benefits at the period end	958,371	

Note 1 to 28 form part of these financial statements

The unaudited accounts were authorised for issue 24 June 2025 and the audited financial statements were authorised for issue by Suzanne Douglas on 25 September 2025

Suzanne Douglas

Suzanne Douglas CPFA
Director of Finance, Scottish Borders Council

25 September 2025

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 organization.

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 2024/25 this was based on the valuation undertaken as at the 31 March 2023, as amended by specific changes, agreed by the Committee relating to an individual employer. The overall contribution rate was 17% for the Fund as a whole; however, employers' contribution rates during 2024/25 ranged from 17% to 21.3%.

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 2025. From 1 April 2015 these contributions are based on the LGPS Regulations 2018 in line with the updated LGPS Scheme.

C) Benefits

The Local Government Pension Scheme is a defined benefit scheme. From 1st April 2015 benefits are accrued at a rate of 1/49th of pensionable pay on a career average basis. Before that date, benefits were accrued on a final salary. 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 years/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		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.
[Scottish Borders Council Pension Fund \(scotborders.gov.uk\)](https://scotborders.gov.uk)

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

D) Membership

Breakdown of membership per the Council and other bodies for employees, pensioners and deferred pensioners can be found in Section 4 - Administration.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements summarise the Fund's transactions for the 2024/25 financial year and its position as at the 31 March 2025. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements also present the net assets available to pay pension benefits. These do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. Local authorities responsible for administering a Pension Fund that forms part of the LGPS are required by The Local Government Pension Scheme (Scotland) Regulations 2018 to publish a Pension Fund Annual Report, which is required to include a Fund Account and Net Assets Statement prepared in accordance with proper accounting practices.

The accounts have been prepared on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account

Accruals Basis

In accordance with the Code, the Fund's Financial Statements are generally prepared on an accruals basis. The Net Assets Statement does not include liabilities to pay pensions and benefits after the end of the Fund year and the accruals concept is applied accordingly.

Contributions Income

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

Transfers to and from other schemes

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

Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Benefits Payable

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

Taxation

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

Administration Expenses

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

Investment Management Expenses

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

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

Oversight and Governance Expenses

All oversight and governance expenses are accounted for on an accruals basis. These expenses include Investment Consultant costs, Fund Actuarial expenses, Benchmarking fees and External Audit Services.

Net Assets Statement

Valuation of Investments

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

- Market-quoted investments – Investments listed on recognised Stock Exchanges are valued at the bid price on the close of business on 31 March.
- Unquoted investments – directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Pooled investment vehicles – holdings in pooled investment vehicles, which are not traded on active markets are stated at bid price for funds with bid/offer spreads, or single price values where there are no bid/offer spreads, as at 31 March. Shares in other pooled arrangements have been valued at the latest available net asset value ('NAV'), determined in accordance with fair value principles.
- Private equity/debt and infrastructure assets are independently valued by the appointed Fund Manager and General Partners. Fair value is calculated by applying Private Equity and Venture Capital Valuation Guidelines.

The valuation processes of the fund managers, who are listed in Note 14b, are subject to 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.

Contingent Assets and Contingent Liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it isn't possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities aren't recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

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 The code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

Additional Voluntary Contributions ('AVCs')

The Fund provides an additional voluntary contributions ('AVC') scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Standard Life to act as the AVC provider. AVCs are paid to the AVC provider by employees and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and investment Funds) (Scotland) Regulations 2010 (SSI 2010/233) but are disclosed as a note only (Note 23).

Accounting Standards that were issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2024/25 Code:

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.

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

There were no critical judgements used in applying accounting policies.

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 2025 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 Benefits (Note 20)	<p>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 of which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Hymans Robertson is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>The effects on net pension liability of changes in individual assumptions can be measured.</p> <ul style="list-style-type: none"> • A 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £11m. • A 0.1% increase in the Consumer Price Index assumption for inflation would increase the value of liabilities by £11m. • A 0.1% increase in the long-term rate of salary increase would increase value of liabilities by £1m, and • A 1-year increase in assumed life expectancy would increase the liability by £28m. <p>Source- IAS26 report 2025</p>
Portfolio of Level 3 assets held	<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.</p> <p>There is, however, a degree of estimation involved in the valuations.</p>	<p>The total assets held in Level 3 £338.51m and include Private Equity Funds, UK Property Funds, Overseas Venture Capital and UK Venture Capital. Assurance has been obtained over the year end values.</p> <p>The value could move materially over the next few months depending on the market. Based on historical data and current market trends actual valuations could be between £374.96m and £302.06m.</p>

6 EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the annual accounts are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period - the annual accounts are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events are disclosed in the notes.

Following year end 31st March 2025, LGT disinvestment proceeds £44m were received April 2025 and disinvestment proceeds from Blackrock £95m are to be received over next 24 months. Under IAS (International Accounting Standard) 10 this would not be classed as an adjusting event.

7 CONTRIBUTIONS RECEIVABLE

2023/2024				2024/2025		
Employers	Members	Total		Employers	Members	Total
£000	£000	£000		£000	£000	£000
20,301	6,409	26,710	Normal	19,338	6,812	26,150
13	0	13	Special/Pension Fund Strain	16	0	16
0	9	9	Additional	0	7	7
20,314	6,418	26,732	Total	19,354	6,819	26,173

2023/2024		2024/2025
£000		£000
22,443	Administering Authority	22,322
958	Scheduled Bodies	1,076
3,331	Admitted Bodies	2,775
26,732	Total	26,173

8 TRANSFERS IN

2023/2024		2024/2025
£000		£000
0	Group Transfers into the scheme	0
3,480	Individual Transfers into the scheme	2,545
3,480	Total	2,545

9 BENEFITS PAYABLE

2023/2024 £000		2024/2025 £000
24,851	Pension Payments	27,560
7,239	Commutation and lump sum retirement benefits	6,874
564	Lump Sums death benefits	1,654
32,654	Total	36,088

2023/2024 £000		2024/2025 £000
28,722	Administering Authority	31,634
1,015	Scheduled Bodies	853
2,917	Admitted Bodies	3,601
32,654	Total	36,088

10 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2023/2024 £000		2024/2025 £000
75	Refunds to members leaving service	65
0	Individual Transfers	0
1,257	Group Transfers	2,661
1,332	Total	2,726

11 MANAGEMENT EXPENSES

2023/2024 £000		2024/2025 £000
452	Administrative costs	621
6,627	Investment management expenses	7,308
498	Oversight and governance costs	453
7,577	Total	8,382

11(a) Investment Management Expenses

2024/2025	Total £000	Management fees £000	Transaction costs £000
Equities	710	523	187
Pooled investments	3,179	2,902	277
Private Equity/Infrastructure	2,113	1,822	291
Property	1,238	1,122	116
Total	7,240	6,369	871
Custody fees	68		
Total	7,308		

2023/2024	Total £000	Management fees £000	Transaction costs £000
Equities	715	481	234
Pooled investments	2,638	2,378	260
Private Equity/Infrastructure	2,056	2,054	2
Property	1,167	1,167	0
Total	6,576	6,080	496
Custody fees	51		
Total	6,627		

12 INVESTMENT INCOME

2023/24 Restated £000		2024/25 £000
1,878	Dividends from equities	2,272
9,119	Income from Pooled Investment vehicles	11,275
6,948	Incomes from Pooled Property Investment vehicles	6,899
3,002	Income from Private Equity/Infrastructure	1,993
1,558	Interest on Cash Deposits	1,592
22,505	Total	24,031

N.B. The 2023/24 totals remains the same as in the signed 2023/24 annual report and accounts. Income from pooled investment vehicles has been split between pooled investment vehicles and private equity/infrastructure

13 OTHER FUND ACCOUNT DISCLOSURES

13(a) External Audit Costs

In 2024/25 the agreed audit fee for the year was £26,870 (2023/24 £26,370). The external auditor is Audit Scotland

14 INVESTMENTS

Market Value at 31 March 2024 £000		Market Value at 31 March 2025 £000
	Investment Assets	
152,237	Equities	153,777
265,741	Pooled Equities	269,950
130,849	Pooled Bonds	177,721
77,439	Pooled Other	70,448
104,604	Pooled Property Investments	120,385
146,193	Private Equity/Infrastructure	151,987
58,835	Cash Deposits	14,429
626	Investment Income Due	461
574	Accounts receivable for sales	340
937,098	Total Investment Assets	959,499
(256)	Amounts payable for purchases	(714)
936,842	Net Investment Assets	958,785

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 2024 £000	Purchases & Derivative Payments £000	Sales & Derivative Receipts £000	Change to Market Value during year £000	Closing Market Value 31 March 2025 £000
Equities	152,237	35,101	(32,623)	(938)	153,777
Pooled Investments	474,029	61,427	(24,568)	7,232	518,120
Pooled Property Investments	104,604	22,000	(7,854)	1,635	120,385
Private Equity/Infrastructure	146,193	15,966	(11,314)	1,142	151,987
Other Investment Balances					
Cash Deposits	58,835			(39)	14,429
Amount receivable for sales	574			1	340
Investment Income due	626			0	461
Spot FX				(39)	
Amount Payable on Purchases	(256)			(2)	(714)
Net Investments	936,842			8,992	958,785

As per CIPFA disclosures, the change to market value during year intentionally does not balance opening/closing market values.

Significant Transactions during the year:

Since 31st March 2024 investments have been made in the following mandates: £48m into M&G UK Index Linked Fund (£12m April 2024 and £36m December 2024); £9.3m Permira (£4m May 2024, £1.8m December 2024 and £3.5m March 2025); £22m CBRE May 2024, £20m commitment to Quinbrook II LP with £4m drawn January 2025 and £10m into Nuveen Global Timberland February 2025. Disinvestments were instructed in LGT and BlackRock. LGT disinvestment proceeds £44m received April 2025 and disinvestment proceeds from Blackrock £95m to be received over next 24 months.

14(b) Investment Analysed by Fund Managers

Investment management was undertaken on behalf of the Fund during the financial year by 14 firms of investment managers (this excludes the managers used through the collaboration with the Lothian Pension Fund ('LPF')) and these are shown below. Details of new investments are detailed above in the Significant Transactions section.

The benchmarks and performance targets for each manager are contained in the Statement of Investment Principles published on the Fund's website.

<https://www.scottishborderscouncilpensionfund.org/resources/statement-of-investment-principles-2024/>

As at 31 March 2025 the market value of the assets under management, broken down by manager and mandate (including cash held) was:

2023/2024 £000	%	Fund Managers	Asset Class	2024/2025 £000	%
33,628	3.5	Baillie Gifford	UK Equities	35,687	3.7
118,609	12.7	Baillie Gifford	Global Equities	118,090	12.3
112,728	12.0	Morgan Stanley	Global Equities	118,267	12.3
111,050	11.9	LGIM	Passive Global Equities	107,716	11.2
87,115	9.3	M&G Alpha	Pooled Fund-Diversified	94,256	9.8
43,734	4.7	M&G Index Linked	Pooled Fund-Bonds	83,466	8.7
0	0.0	CBRE	Pooled Fund-Property	20,777	2.2
12,339	1.3	UBS	Pooled Fund-Property	4,310	0.5
92,265	9.8	Blackrock	Pooled Fund-Property	95,298	9.9
41,963	4.5	LGT	Pooled Fund-Alternatives	43,967	4.6
49,309	5.3	Partners Group	Pooled Fund-Private Credit	33,827	3.5
28,130	3.0	Permira	Pooled Fund-Private Credit	36,621	3.8
49,764	5.3	Lothian Pension Fund	Infrastructure Equity	44,043	4.6
45,478	4.8	Macquarie	Pooled Fund-Infrastructure	38,747	4.1
32,200	3.4	IFM	Pooled Fund-Infrastructure Debt	34,944	3.7
9,727	1.0	Nuveen Global	Infrastructure	19,847	2.1
9,024	1.0	Quinbrook	Infrastructure	14,406	1.5
59,779	6.4	Internal	Internally Managed Cash & Investments	14,516	1.5
936,842				958,785	

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 2025. Each of the investments comprises units in a managed fund.

	31 March 2024		31 March 2025	
	£000	% of Fund	£000	% of Fund
Morgan Stanley Global Brands Fund	112,728	12.0	118,267	12.3
Baillie Gifford Global Alpha	118,609	12.7	118,090	12.3
LGIM-Future World Global Equity Index	111,050	11.9	107,716	11.2
BlackRock Long Lease Property Fund	92,490	9.9	95,298	9.9
M&G Alpha Opportunities	87,125	9.3	94,256	9.8
M&G Index Linked	55,741	5.9	83,466	8.7

Fund Performance

The total Fund return for the year was 2.9% with a relative return under benchmark of -3%. Over three years the Fund has generated an annualised return of 2.3% per annum, with a relative return under benchmark of -4.5% 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 2025 stock with a market value of £2.1m (£5.5m 31 March 2024) was on loan.

14(d) Property Holdings

The Fund's investment in its property portfolio comprises of pooled investments with UBS, Blackrock and CBRE. There are no directly owned properties.

15 ANALYSIS OF DERIVATIVES

There were no derivatives held at 31 March 2025 or 31 March 2024.

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 at 31 March 2025	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit & loss				
Equities	153,777	0	0	153,777
Pooled Investments	118,267	329,405	70,448	518,120
Pooled Property Investments	0	4,310	116,075	120,385
Private Equity/Infrastructure	0	0	151,987	151,987
Net Investment Assets	272,044	333,715	338,510	944,269

Restated

Values at 31 March 2024	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value through profit & loss				
Equities	152,237	0	0	152,237
Pooled Investments	112,728	283,862*	77,439*	474,029
Pooled Property Investments	0	12,339	92,265	104,604
Private Equity/Infrastructure	0	0	146,193	146,193
Net Investment Assets	264,965	296,201	315,897	877,063

*2023/2024 restated to reflect fair value hierarchy reclassification per CIPFA guidance of LGT Investments from Level 3 to Level 2 in the year.

16(b) Transfers between Levels 1 and 2

There have been no funds transferred from level 1 to level 2 during the year

16(c) Reconciliation of Fair Value Measurements within level 3.

	Market Value 31 March 2024	Transfer in/(out) Level 3	Purchases during year & derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market Value 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
Overseas Venture Capital	32,892	0	10,532	(2,566)	(79)	757	41,536
Overseas Equity Funds	0						0
Private Equity Funds	77,439	0	9,939	(14,568)	(2,362)	0	70,448
UK Property	92,265	0	22,000	0	1,810	0	116,075
UK Venture Capital	113,300	0	5,435	(8,748)	(1,455)	1,919	110,451
Total	315,896	0	47,906	(25,882)	(2,086)	2,676	338,510

Restated

	Market Value 31 March 2023	Transfer in/(out) Level 3	Purchases during year & derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market Value 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
Overseas Venture Capital	21,583	0	10,519	(828)	1,569	49	32,892
Overseas Equity Funds	38,800	(28,367)*	0	0	(10,433)*	0	0
Private Equity Funds	74,402	0	14,404	(14,694)	4,013	(686)	77,439
UK Property	101,186	0	20	21	(8,962)	0	92,265
UK Venture Capital	108,452	0	9,212	(4,432)	63	5	113,300
Total	344,423	(28,367)	34,155	(19,933)	(13,750)	(632)	315,896

*2023/2024 restated to reflect fair value hierarchy reclassification per CIPFA guidance of LGT Investments from Level 3 to Level 2 in the year.

Purchases and sales during the year reflect the implementation of the revised Investment Strategy. Unrealised and realised gains and losses are recognised in the changes in value of investments line of the Fund Account.

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 2025.

	Assessed valuation range (+/-)	Value 31 March 25	Value on increase	Value on decrease
	%	£000	£000	£000
UK Property Funds	8.0	116,075	125,361	106,789
Private Equity	11.0	70,448	78,197	62,699
Overseas Venture Capital	14.3	41,536	47,476	35,596
UK Venture Capital	12.2	110,451	123,926	96,976
Total		338,510	374,960	302,060

	Assessed valuation range (+/-)	Value 31 March 24 Restated	Value on increase	Value on decrease
	%	£000	£000	£000
UK Property Funds	8.0	92,265	99,646	84,884
Private Equity	10.5	77,439	85,570	69,308
Overseas Venture Capital	15.0	32,892	37,826	27,958
UK Venture Capital	11.9	113,300	126,783	99,817
Total		315,896	349,825	281,967

*2023/2024 restated to reflect fair value hierarchy reclassification per CIPFA guidance of LGT Investments from Level 3 to Level 2 in the year.

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 2024				31 March 2025		
Fair value through profit & loss	Financial Assets at amortised cost	Financial Liabilities at amortised cost		Fair value through profit & loss	Financial Assets at amortised cost	Financial Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
152,237	0	0	Equities	153,777	0	0
474,029	0	0	Pooled Investments	518,120	0	0
104,604	0	0	Pooled Property	120,385	0	0
146,193	0	0	Infrastructure	151,987	0	0
0	58,835	0	Cash	0	14,429	0
0	626	0	Other Investment	0	461	0
0	574	0	Debtors	0	340	0
877,063	60,035			944,269	15,230	
			Financial Liabilities			
0	0	(256)	Creditors	0	0	(714)
877,063	60,035	(256)	Total	944,269	15,230	(714)
	936,842		Grand Total		958,785	

17(a) Net Gains and Losses on Financial Instruments

31 March 2024		31 March 2025
£000		£000
	Financial Assets	
60,884	Designated at fair value through profit & loss	14,739
0	Amortised cost - unrealised gains	1
	Financial Liabilities	
0	Fair value through Profit & Loss	(5)
(168)	Amortised cost - unrealised losses	(76)
60,716	Total	14,659

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for managing the Fund's risk rests with the Pension Fund Committee. A Risk Register for the Fund has been established to identify and analyse the risks that the Fund faces and the key messages from this process are covered in the Risk Management Statement. The Market Risk, Credit Risk and Liquidity Risk aspects below are considered within the Investment risk category in the Risk Register. 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.

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 March 2025 £000	+/-% Change	Potential Market Value on Increase £000	Potential Market Value on Decrease £000
UK Equities	35,687	21.0%	43,181	28,193
Global Equities	344,073	20.5%	414,608	273,538
UK Bonds	83,466	9.3%	91,228	75,704
Property	120,385	9.0%	131,220	109,550
Alternatives	360,658	13.0%	407,544	313,772
Cash	14,516	2.0%	14,806	14,226
Total Assets	958,785		1,102,587	814,983

*The percentage change for total assets includes the impact of correlation across asset classes.

Asset Type	Value as at 31 March 2024 £000	+/-% Change	Potential Market Value on Increase £000	Potential Market Value on Decrease £000
UK Equities	33,628	20.5%	40,522	26,734
Global Equities	342,387	20.5%	412,576	272,198
UK Bonds	43,734	8.3%	47,364	40,104
Property	104,604	8.6%	113,600	95,608
Alternatives	352,710	13.0%	398,562	306,858
Cash	59,779	1.6%	60,735	58,823
Total Assets	936,842		1,073,359	800,325

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 2024 and 31 March 2025 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.

Asset Type	As at 31 March 2024 £000	As at 31 March 2025 £000
Cash and Cash Equivalents	63,915	16,694

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 March 2025 £000	Effect on Asset Values	
		Favourable Rate Move +100 BPS £000	Unfavourable Rate Move -100 BPS £000
Cash and Cash Equivalents	16,694	167	(167)

Asset Type	Value as at 31 March 2024 £000	Effect on Asset Values	
		Favourable Rate Move +100 BPS £000	Unfavourable Rate Move -100 BPS £000
Cash and Cash Equivalents	63,915	639	(639)

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.

Currency risk – sensitivity analysis

Asset Type	Value as at 31 March 2025 £000	+/-% Change	Value on Increase £000	Value on Decrease £000
Overseas Equities	117,540	9.5%	128,706	106,374
Overseas Fixed Income	94,256	8.1%	101,891	86,621
Overseas Equity Funds	269,950	9.4%	295,325	244,575
Overseas Venture Capital	41,536	9.2%	45,357	37,715
Total Assets	523,282		571,279	475,285

Asset Type	Value as at 31 March 2024 £000	+/-% Change	Value on Increase £000	Value on Decrease £000
Overseas Equities	117,988	11.2%	131,203	104,773
Overseas Fixed Income	87,115	8.3%	94,346	79,884
Overseas Equity Funds	265,741	9.6%	291,252	240,230
Overseas Venture Capital	32,892	9.3%	35,951	29,833
Total Assets	503,736		552,752	454,720

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 2025, including current account cash, was £2.1m (31 March 2024: £4.1m). This was held with the following institutions:

	Rating	Balance at 31 March 2024	Balance at 31 March 2025
Bank Current Accounts			
Royal Bank of Scotland	A+	4,136	2,178
Northern Trust	AA	59,779	14,516
Total		63,915	16,694

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 2025, the Fund's illiquid assets under this definition are some of the Property fund of funds holdings and the infrastructure holdings.

19 FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Scotland) Regulations 2018, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The Actuarial Valuation assesses the health of the fund and provides a check that the Funding Strategy and assumptions used are appropriate.

The Fund's funding policy is designed to ensure that pension liabilities are met over the long term in a manner that is both affordable and sustainable for employers and taxpayers. The key aims are to achieve and maintain a stable funding level, manage contribution rate volatility, and ensure the solvency of the Fund. The policy seeks to balance prudence with flexibility by adopting actuarial assumptions that reflect long-term expectations, while also considering the financial capacity of participating employers. The Fund works closely with its actuary to monitor funding levels and adjust strategies as needed, with a focus on intergenerational fairness, risk management, and transparency in decision-making. See more details on the Funding Strategy in Section 5 - Funding.

2023 Actuarial Valuation

The 2023 Actuarial Valuation was undertaken for the Fund as at 31 March 2023 (full report available on the Fund's website) [Scottish Borders Council Pension Fund Actuarial valuation report - 2023](#) The Actuarial Valuation was completed during the financial year 2023/24 by the Fund's actuaries, Hymans Robertson. It has been undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018.

The funding level of the Fund as at the 31 March 2023 was 134%, compared to the 31 March 2020 valuation of 110% and this corresponded to a surplus of £217m. The following table summarises the funding position:

Valuation Date as at 31 March	2020 £m	2023 £m
Value of the Scheme Liabilities	(650)	(649)
Smoothed Asset Value	713	866
Surplus/(Deficit)	63	217
Funding Level	110%	134%

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 detailed Actuarial Valuation has been 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 2023) are:

Valuation Date as at 31 March	2020 Valuation % p.a	2023 Valuation % p.a
Investment Returns	3.8	5.2
Pay Increases Long Term	2.6	3.0
Pension Increases	1.9	2.3
Discount Rate	3.8	5.2

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 2020	31 March 2023
Pensioners	Male	20.9	20.6
	Female	23.5	23.3
Non-Pensioners	Male	21.9	21.2
	Female	25.4	24.9

Commutation Assumption

It is assumed that future retirees will commute pension to provide a lump sum of 65% 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 Accounts do 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.

	31 March 2023 £m	31 March 2024 £m	31 March 2025 £m
Present value of the defined benefit	(731)	(793)	(706)
Fair Value of Fund Assets (bid value)	866	937	959
Net Asset/(Liability)	135	144	253

GMP equalisation / indexation treatment (Lloyds' ruling)

The actuary allowed for the impact of full GMP indexation in the calculation of the latest funding valuation results. The Fund's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation has already been included in the accounting disclosure.

GMP equalisation – historical transfers (Further Lloyd's ruling)

This further ruling is unlikely to have a significant impact on the pension obligations of a typical employer, and the historic individual member data we would need to assess the impact is not readily available. As a result, the actuary has not made any allowance for this within their calculations at the Accounting Date.

McCloud/Sargeant treatment

The actuary allowed for the McCloud judgement in the calculation of the latest funding valuation results. The Fund's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance is included in the accounting disclosure.

Goodwin treatment

The actuary previously carried out some approximate analysis across their LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The remedy is still uncertain but the actuary estimates the potential impact of this to be very small for a typical Fund (c0.1% of obligations). They therefore do not believe it is necessary or appropriate to make an adjustment to account for this at the moment, given the level of additional work and fees that would be involved for the Fund (and indeed the highly approximate nature of applying an unknown remedy).

The allowances 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 2023	At 31 March 2024	At 31 March 2025
	% p.a	% p.a	% p.a
Discount Rate	4.75	4.85	5.80
Pay Increases-Long Term	3.65	3.45	3.45
Pension Increase	2.95	2.75	2.75

As noted above, liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2023 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	At 31 March 2024 £000	At 31 March 2025 £000
Short term debtors		
Contributions Due Employers	81	50
	81	50
Sundry Debtors	16	3
Prepayments	131	140
Total	228	193
Cash Balances	4,136	2,178
Total	4,364	2,371

22 CURRENT LIABILITIES

Current Liabilities	At 31 March 2024 £000	At 31 March 2025 £000
Transfer value payable (leavers)	349	438
Sundry Creditors	2,189	1,667
Benefits payable	418	680
Total	2,956	2,785

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 2025 was £3.571m (2024 £2.952m). During the year contributions totaled £1.273m, while payments out of the AVC fund totaled £0.816m. In accordance with regulation 4(2)(b) of the Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (SI 2010/233), AVCs are not included in the Pension Fund balance sheet.

24 AGENCY SERVICES

As is typical within the Local Government Pension Schemes (LGPS), arrangements exist whereby additional teachers' pensions and employee pensions are paid with the payment of funded pensions. In order that such are not regarded as "unauthorised payments" by HMRC, these pension payments are met by the administering authority through a general fund bank account and recharged to the body or service which granted the benefit. As "unfunded payments" are discretionary benefits, they are not relevant to the sums disclosed in the Fund accounts. As such, Scottish Borders Council Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

25 RELATED PARTY TRANSACTIONS

During the year, the Fund had an average balance of £1.1m (2024: £1.6m) of cash administered by Scottish Borders Council within separate external banking arrangements. The Council charged the Pension Fund £0.026m (2024 £0.084m) in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Fund balance due to Scottish Borders Council by the Fund at the balance sheet date and disclosed in the net assets statement was as follows:

	2024	2025
As at 31 March	£000	£000
Due (to)/from Scottish Borders Council	(216)	(469)

Governance

Five members of the Pension Fund Committee were active members of the Pension Fund as at 31 March 2025. 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 2024/25 was Scottish Borders Council Director of Finance. 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 2024 £000		31 March 2025 £000
99	Short-term benefits	105
8	Other long-term benefits	6
107	Total	111

The figures above reflect the full remuneration as reported in Scottish Borders Council Accounts. The Fund is recharged 10% of the above post.

27 CONTINGENT ASSETS

Two of the admitted body employers (Amey and CGI) within the Fund hold 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. This is still the case for these two employers.

28 CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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, updates will be made once regulatory changes have been agreed.

Investments

A £20m capital commitment was made to Quinbrook Infrastructure partners in 2024/25. £3.9m was called in January 2025 and £16.1m remains as a capital commitment.



PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 4 - ADMINISTRATION

ADMINISTRATION STRATEGY

The Pension Administration Strategy approved March 2024 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.

ADMINISTRATION PERFORMANCE

The Pension Administration Strategy approved March 2024 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 2025 is set out below.

Employer Performance Measures Service Standards

Standard – target completion 90%	Volume	% age Met
New starts notification – within 20 working days	811	99.88%
Change notification – within 20 days	909	97.14%
Retirement information – at least 20 working days before	366	100%
Early leaver notification – within 20 working days	527	100%
Death in service – within 10 working days	8	100%

Contribution Payments

The following tables compare the date contribution payments 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%
Borders College	12	-	100%
Scottish Borders Housing Association	12	-	100%
Jedburgh Leisure Facilities Trust	0	9	0%
Live Borders	11	1	91.67%
Amey Community Limited	12	-	100%
CGI	12	-	100%
South of Scotland Enterprise	13	-	100%

There were a number of late payments during the year. Each month the contributions due from Jedburgh Leisure Facilities Trust were received late throughout the year. This employer has now entered administration and had been reminded of their obligation to ensure payments were made to the Pension Fund during discussion with Scottish Borders Council. The other late payment was from Live Borders, this is the first instance that there has been a late payment, we will continue to 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	% Met
Transfer In – Completed	69	20 days	80%
Transfer Out – Completed	44	20 days	74%
Estimate - All Other	1,695	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	% Met
Phone Calls logged	45	5 days	100%
Phone Calls to team	3,491	Not measured	
Emails to pensions@scotborders.gov.uk mailbox	6,170	Not measured	
Emails to team members directly	4,844	Not measured	
Correspondence via Altair	20,177	Not measured	
Correspondence via Members Self Service	404	Not measured	
Total	35,131		

Other Measures

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	20 th March 2025
Benefit Statements	By end of August	Issued by 23 rd August 2024

The tenth liaison meeting, held virtually, with all Admitted and Scheduled Bodies was held during 2024/25 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	723
Early leavers	497
Retirements	366
Deaths in service	8
Deaths in deferment	7
Deaths in retirement	125
New Widow(ers), Child Pensions	51
Estimates	1,695
Pension credit members	0
Pay all Pensioners on 15 th of the month or prior working day when 15 th is a non-banking day	100% achieved

FUND MEMBERSHIP

Member Self Service Statistics

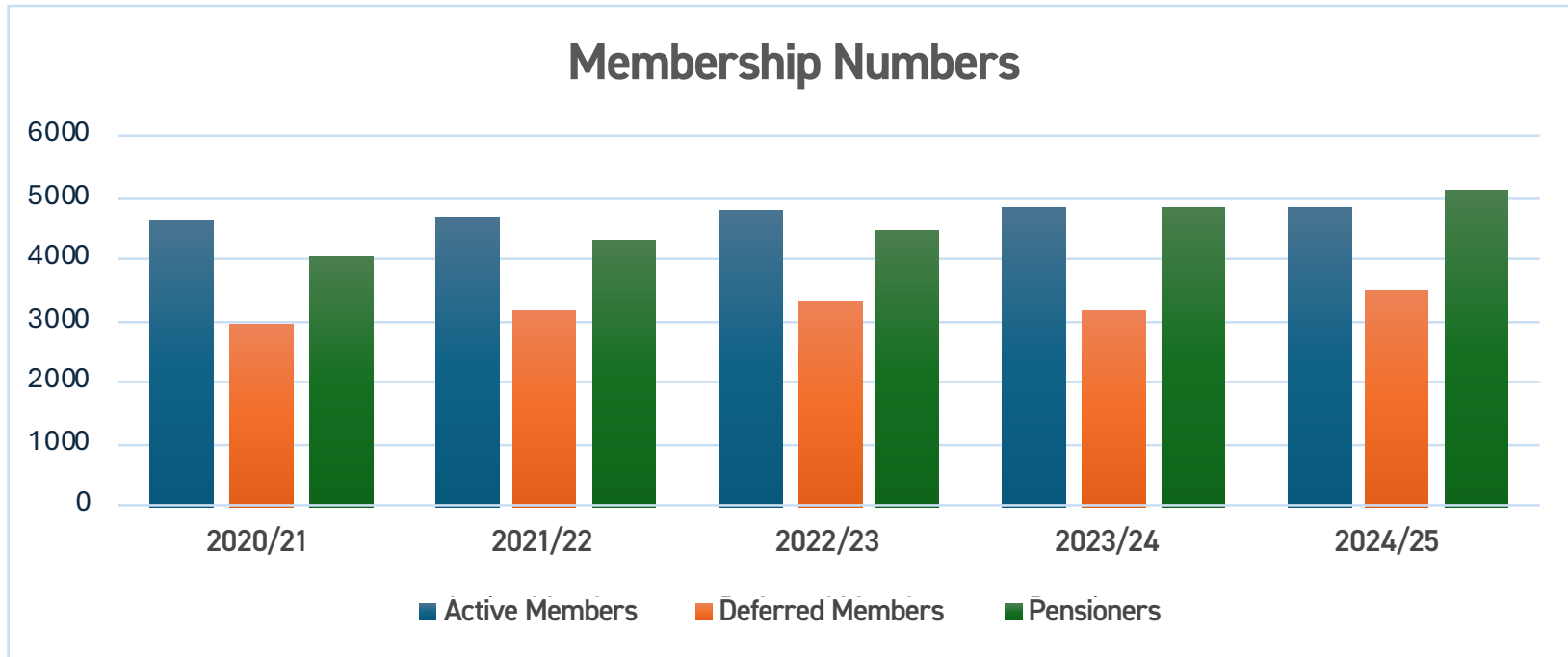
Task	Total Active	Target	% Completed in target
Active Members	4,859	100%	33.24%
Deferred Members	3,162	100%	
Benefit calculations run	23,323		

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 13,166 of which 4,859 are actively contributing and 5,145 are in receipt of their benefits.



The table below provides a summary of the trending membership:



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 2025	Number of Contributors	Pensioners	Deferred Members	Total
Scheduled Bodies				
Scottish Borders College	4,401	4,707	2,855	11,963
Borders College	169	132	117	419
	4,570	4,839	2,973	12,382
Scottish Borders Housing Association	46	129	66	241
Live Borders	76	95	85	256
Jedburgh Leisure Facilities Trust	0	3	1	4
Amey Community Limited (TUPEE Staff)	1	12	1	14
CGI (TUPEE Staff only)	23	12	8	43
South of Scotland Enterprise	143	7	11	161
	289	258	172	719
Gala Youth Project		1		1
Scottish Borders Careers		3	1	4
L&B Community Justice Authority		20	10	30
BC Consultant		19	2	21
Others		5	4	9
	0	48	17	65
Total	4,859	5,145	3,162	13,166

COMMUNICATIONS POLICY AND PERFORMANCE

Communications Policy

The Fund approved the current Communications Policy on 23 September 2024. 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.
- 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

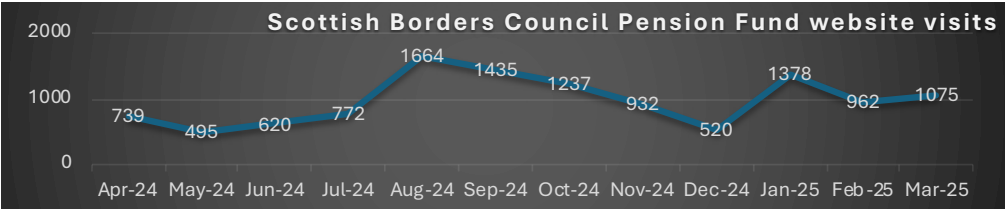
- The Fund has deployed a secure portal for all active and deferred members of the LGPS, which provides direct access for scheme members to view personalised pension data and further enhances the communications with active and deferred scheme members in a modern digital manner.
- The portal also allows 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 applications

Pension Committee and Pension Board agendas and minutes can be found on the main Council website [Scottish Borders Council -\(scotborders.gov.uk\)-Pension Fund Committee and Pension Board](https://scotborders.gov.uk/Pension-Fund-Committee-and-Pension-Board)

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 tables below detail the number of visits to the site over the past 12 months up to end of March 2025. The scheme website can be found at www.scottishborderscouncilpensionfund.org.



COMMUNICATIONS PERFORMANCE

The following communications took place during 2024/25

- 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 year's payroll.
- Issuing the second edition of our Pension Fund Newsletter in March 2025
- Continued promotion of Member Self Service to promote the benefits of the system to all active and deferred members through various communication channels with all Admitted Bodies, enabling 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 on the Pensions Increase issued to all those pensioners that we hold an email address for.
- 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

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 5 - FUNDING

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (FSS) sets out its purpose and objectives as:

- to ensure the long-term solvency of the Fund, using a prudent long-term view.
- to ensure that employer contribution rates are reasonably stable where appropriate.
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return.
- to reflect the different characteristics of different employers in determining contribution rates; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Taxpayer from an employer defaulting on its pension obligations.
- the aims and purpose reflect those of the Fund.

These objectives are desirable individually but may be mutually conflicting. The Statement sets out how the administering authority balances the potentially conflicting aims of affordability and stability of contributions, transparency of processes, and prudence in the funding basis.

The FSS states the Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa. Therefore, the funding and investment strategies are inextricably linked.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the Government. In the short term – such as the assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long-term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability. The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

The latest FSS was approved following the most recent triennial valuation by the Pension Fund Committee on 4 March 2024. It is effective from 1 April 2024 and a copy of this document can be found on the Pension Fund website:
[Funding Strategy Statement - 2023](#)

ACTUARIAL STATEMENT

Scottish Borders Council Pension Fund (“the Fund”) Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy (FSS), dated March 2024. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers’ characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 80% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2023. This valuation revealed that the Fund’s assets, which at 31 March 2023 were valued at £866 million, were sufficient to meet 134% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2023 valuation was £218 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2024 to 31 March 2027 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2023 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2023 valuation were as follows:

Financial assumptions	31 March 2023
Discount rate	5.2%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Males		Female
Current Pensioners	20.6 years	23.3 years
Future Pensioners*	21.2 years	24.9 years

*Currently aged 45

Copies of the 2023 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2023

Markets reflected wider volatility during 2023, impacting on investment returns achieved by the Fund's assets. However, asset performance improved in 2024 and early 2025. The recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however generally lower than expected asset returns were experienced in the month immediately prior to this.

Continued high levels of inflation in the UK also resulted in a higher than expected LGPS benefit increase of 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

Overall, the funding level of the Fund is likely to be slightly higher than reported at the previous formal valuation at 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2026. The FSS will also be reviewed at that time.

Adrian Loughlin FFA C.Act
For and on behalf of Hymans Robertson LLP
14 May 2025

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Actuarial Valuation 2023

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 latest triennial valuation was at 31 March 2023, with the previous valuation 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.

The Actuarial Valuation as at the 31 March 2023 was undertaken during 2023. The Actuarial Valuation was undertaken in accordance with Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018. A copy of the report is available via the Council's Pension Fund website [Actuarial valuation report - 2023](#)

The outcome of the 2023 Actuarial Valuation was a funding level of 134% an increase in the position assessed at 2020 of 110%. The funding position equates to a surplus of £217m.

Note 19 to the Statement of Accounts contains details of the outcome and assumptions used in the 2023 Valuation and the impact that it had on employer contribution rates. A major contributing factor to the improvement in the funding level has been the investment performance that the Fund has achieved over the past three years.

Employer Contribution Rates

As part of the 2023 Actuarial Valuation, the Actuary certified the primary rate at 21.8% from 1 April 2024 to 31 March 2027. In agreement with the Actuary a secondary rate of 4.8% will be deducted to allow the common rate of contribution

as 17% of payroll for the for financial years 2024/25 to 2026/27. The secondary rate will reduce the surplus of the fund of £217m over 50 years.

Individual and pooled employers' rates vary from the common contribution rate (17%) 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	
	2023/24	2024/25
Scottish Borders Council Common Pool	18.5%	17%
Scottish Borders Housing Association -Individual	21.3%	0.0%
CGI	22.0% plus £21,000	21.3% plus £21,000
South of Scotland Enterprise	21.6%	19.4%

Valuation for Statutory Accounts at 31 March 2025

Note 20 to the Financial Statement contains the present Actuarial Valuation for the Fund as required by the International Accounting Standard (IAS) 26. This shows an increased net asset position of £253m (£144m 31 March 2024). The present value of the defined benefit obligations decreased from £793m to £706m.

However, the liabilities for this figure are calculated on an IAS 19 basis and therefore will differ from the results of the 2023 Actuarial Valuation because IAS 19 stipulates a specific discount rate to enable comparability rather than a rate that reflects the market rate for investment returns on the Fund's assets. It is therefore not appropriate to use this as a measure for setting employer contribution rates or assessing the overall long term funding health of the Fund. The full version of the Actuary report and the current Funding Strategy Statement is available via the Pension Fund website: [Scottish Borders Council Pension Fund](#)

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 6 - INVESTMENT

STATEMENT OF INVESTMENT PRINCIPLES

Following the 2023 Actuarial Valuation which reported a funding position of 134% and expected investment return of 7.7%, the Fund undertook a review of its Statement of Investment Principles and its target asset allocation.

The Statement of Investment Principles ('SIP') is reviewed regularly to reflect any changes agreed by the Pension Fund Committee and Pension Fund Board. The SIP for 2024/2025 was approved on 4 March 2024, and can be found www.scottishborderscouncilpensionfund.org/resources/statement-of-investment-principles-2024/

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 as amended, require administering authorities to prepare, maintain and publish a SIP which includes the policy on:

- The types of investment to be held
- The balance between different types of investment
- The risk considerations, including the ways in which risks are to be measured and managed

- The expected return on investments
- Realising of investments
- Taking account of social, environmental or ethical considerations in investments
- Exercising the rights (including voting rights) attaching to investments
- Stock Lending.

The Pension Fund Committee is responsible for making decisions in relation to the SIP and approving any decisions in relation to any changes to fund managers, investment advisers and custodian. The Pension Fund Investment and Performance Sub-Committee ('Sub-Committee') reviews the SIP and monitors the performance of managers. The Sub-Committee makes recommendations to the Pension Fund Committee in relation to these areas.

The primary objective of the Fund which frames key considerations when agreeing the SIP is to provide for members' pension and lump sum benefits on their retirement or for their dependents' benefits on death before or after retirement, on a defined benefits basis.

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

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

INVESTMENT STRATEGY

The Pension Fund Committee and Pension Fund Board sets an Investment Strategy for the Fund, taking into account the funding status and liabilities. The strategy is subject to regular review and as appropriate, asset liability modelling techniques are used to assist in these reviews.

This investment objective is to support the Funding Strategy by adopting an Investment Strategy and structure, which incorporates an appropriate balance between risk and return to build up the required assets in a way that produces stable employer contributions to the Fund.

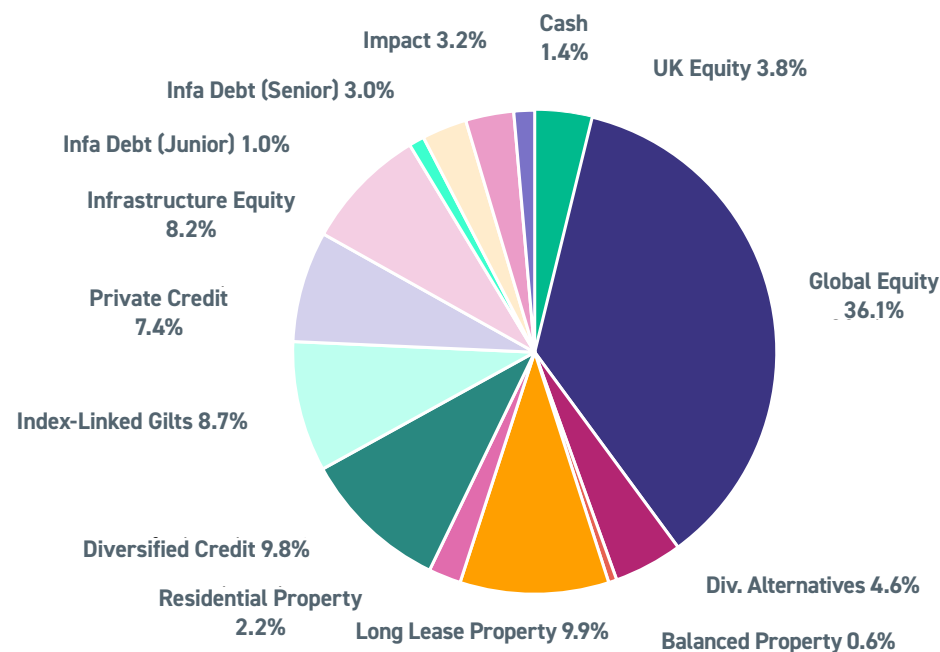
The Pension Fund Committee will, as far as is practicable and as an aid to long term stability, seek to maintain a positive ratio of assets to liabilities at each Actuarial Valuation.

The Fund is now cashflow negative, 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. The revised strategy was approved by the joint Pension Fund Committee and Board on 23 September 2024.

The Fund's asset allocation as at 31 March 2025 is shown:



The approved strategic asset allocation is an evolution of the previous strategy which seeks to improve the Fund's inflation-linkage and liquidity as well as the ESG integration of the portfolio. To help improve liquidity, the Fund's allocations to bonds through the mandates with M&G have been increased, while the allocation to diversified alternatives has been terminated. The Fund also reduced its allocation to Commercial Property through the Long Lease Property mandate, to free up capital to invest in the new. The Fund completed the first phase of the implementation of the new strategy over Q4 2024, increasing the allocation to bonds and instructing disinvestments from diversified alternatives and property. Given the illiquid nature of the mandates, it is expected that the proceeds from the disinvestments will be received over the next reporting year. The Fund is also actively seeking an investment opportunity for the remaining impact allocation, and expect to complete this over the 2025/26 reporting year.

The strategic asset allocation also diversifies the risk exposure in its use of managers. The Fund currently has 14 firms of Investment Managers with 20 funds (excludes the managers used through the collaboration with the Lothian Pension Fund ('LPF')). This number includes the Balanced Property fund with UBS, and the Diversified Alternatives mandate with LGT which are currently being wound down following the decision to terminate the asset classes as part of the strategy reviews in 2021 and 2024, respectively. This number also includes the Long Lease Property fund with BlackRock which is in the process of being redeemed. The Fund retains its strategic allocation to Long Lease Property but is currently seeking an alternative manager for this allocation. Additionally, the number excludes the Fund's new "impact" manager, as the selection and onboarding process is expected to complete post-reporting period.

Shown below are the current investment managers for the Fund:



BlackRock



Morgan Stanley



Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PERMIRA
DEBT MANAGERS



UBS



nuveen
A TIAA Company

CBRE Investment
Management

The Fund's infrastructure investment is split over a pooled fund investment with IFM, and a portfolio of investments developed in collaboration with the Lothian Pension Fund. The investment managers for these are shown below:



The implementation of the Investment Strategy commenced in November 2024. This included introducing a formal allocation to Impact assets within the portfolio, which included the existing Nuveen Timberland and Quinbrook Renewable Infrastructure mandates, removing the diversified alternatives mandate and rebalancing a number of the existing asset allocations. In addition, over the reporting period, the Fund's commitment to the CBRE Residential Property mandate was drawn.

The table shows the position as at 31 March 2025 against the strategic allocation:

Asset Class	Asset Allocation at 31 March 2024 *	Asset Allocation at 31 March 2025	Strategic Benchmark
	%	%	%
UK Equity	3.7	3.8	3.5
Global Equity	37.7	36.1	36.5
Bonds	14.4	18.6	22.0
Alternatives	27.1	24.3	25.5
Property	11.4	12.6	7.5
Impact	2.1	3.2	5.0
Cash	3.6	1.3	0.0
Total	100.0	100.0	100.0

**The asset allocations as at 31 March 2024 have been restated in line with the Fund's updated strategic asset allocations as set out in the SIP. The breakdown above has been restated to include the "Impact" allocation which was formally added to the strategic asset allocation as part of the strategy review in September 2024. As part of this update, the Infrastructure holdings were reallocated to within the wider "Alternatives" allocation.*

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 2024 and 31 March 2025 are shown in the table below (this summarises the managers used through the collaboration with the Lothian Pension Fund (LPF)).

Manager	Mandate Type	31 March 2024 (%)	31 March 2025 (%)
Baillie Gifford	UK Equities	3.6	3.7
Baillie Gifford	Global Equities	12.7	12.3
Morgan Stanley	Pooled Fund – Global Equities	12.0	12.3
LGIM	Pooled Fund – Global Passive Equities	11.9	11.2
M&G	Pooled Fund – Diversified Income	9.3	9.8
M&G	Pooled Fund – Bonds	4.7	8.7
UBS	Pooled Fund – Property	1.3	0.5
BlackRock	Pooled Fund – Property	9.8	9.9
CBRE*	Pooled Fund - Property	-	2.2
LGT	Pooled Fund - Alternatives	4.5	4.6
Partners Group	Pooled Fund – Private Credit	5.3	3.5
Permira	Pooled Fund – Private Credit	3.0	3.8
LPF	Infrastructure Equity	5.3	4.6
IFM	Infrastructure	3.4	3.7
Macquarie	Pooled Fund – Infrastructure Debt	4.8	4.1
Quinbrook	Pooled Fund – Renewable Infrastructure	1.0	1.5
Nuveen	Pooled Fund – Timberland	1.0	2.1
Cash	Internally Managed Cash & Investments	6.4	1.5

*CBRE Affordable Housing Fund was invested over the 12 month period to 31 March 2025

Holdings

The table below shows the top 20 direct holdings at 31 March 2025. 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
Meta Platforms Inc	5.5	AutoZone	2.1
Amazon.com	5.2	Shopify 'A'	2.0
Microsoft	5.0	Adyen NV	2.0
NVIDIA	4.7	Alphabet Inc Class C	2.0
Prosus N.V.	4.6	CATL 'A'	1.8
Doordash Inc	3.6	AstraZeneca	1.7
Elevance Health Inc	3.5	Sea Ltd ADR	1.6
TSMC	3.2	Richemont	1.6
Mastercard	3.2	Novo Nordisk	1.6
Service Corp Intl	3.0	Royalty Pharma	1.5

INVESTMENT PERFORMANCE

Market Context

The 12-month period to 31 March 2025 was characterised by significant market fluctuations, driven by central bank actions, geopolitical developments and inflationary concerns.

Global equities delivered mixed but positive performance, with strong gains driven by robust earnings growth, AI advancements, and Chinese stimulus, but tempered by trade policy concerns, geopolitical tensions, and regional fiscal pressures.

High-yield consistently outperformed Investment Grade credit due to its high carry and reduced interest rate sensitivity, whilst IG credit was negatively impacted by the rise in sovereign bond yields – given its higher sensitivity to these. UK credit performed positively over the period despite rising underlying yields, as credit spreads continued to tighten.

UK gilt yields rose sharply due to increased government borrowing, sustained inflationary pressures, and concerns over public finance sustainability.

Equity markets

Equity markets experienced considerable volatility over the 12-month period, shaped by evolving global economic and political developments, but delivered positive overall returns.

Global markets rallied over the second and third quarters of 2024 as central banks began their rate-cutting cycle, coupled with central bank interventions to ease investor concerns following weaker-than-expected US employment data and an unexpected rate rise in Japan. While Donald Trump's election victory in November 2024 initially bolstered global equity markets, trade tension and proposed tariff threats subsequently drove significant headwinds for US equities over Q1 2025. The emergence of the Chinese AI firm DeepSeek, which posed a competitive threat to

US technology firms, also negatively impacted several of the large US technology companies, which make up a large proportion of the wider index. Conversely, UK and European equities performed well over the latter period of Q1 2025, as investors switched into financials, defence, and energy sectors and away from the US given the uncertainty surrounding trade tariffs.

Global equities returned 7.3% (FTSE World, GBP Hedged) in local currency terms over the year, where unhedged equities returned 4.8% (FTSE World, unhedged). Against this background, US equities delivered a return of 8.3% (S&P 500, GBP hedged). The UK also delivered positive returns, outperforming its global counterparts as it benefitted from investors moved out of the US and into UK and European equities in the final quarter of the period. The UK posted a gain of 10.5% (FTSE All Share) for the year. Emerging markets also delivered positive returns with a gain of 11.7% (MSCI EM, GBP Hedged), outperforming its developed counterparts, elevated by Chinese stimulus measures announced in September 2024 and strong returns from Taiwan who benefitted from the increased demand in semi-conductors within AI.

Bonds

Fixed income markets experienced varied performance across the credit spectrum over the year, driven by ongoing uncertainty surrounding central bank rhetoric, inflationary pressures, and economic expectations. Credit spreads have marginally tightened over the 12-month period to 31 March 2025, which benefitted fixed income markets. UK Investment Grade Credit ended the year posting a positive return of 2.3% (Bank of America Merrill Lynch Sterling Non-Gilt). Global High Yield Credit also delivered a positive return of 8.1% (Bank of American Merrill Lynch Global High Yield (GBP Hedged)).

Fixed interest gilts (FTSE Gilts Over 15 years) and index-linked gilts (FTSE Index Linked Gilts Over 5 Years) returned -8.2% and -10.4% over the period, respectively, as both nominal and real gilt yields increased.

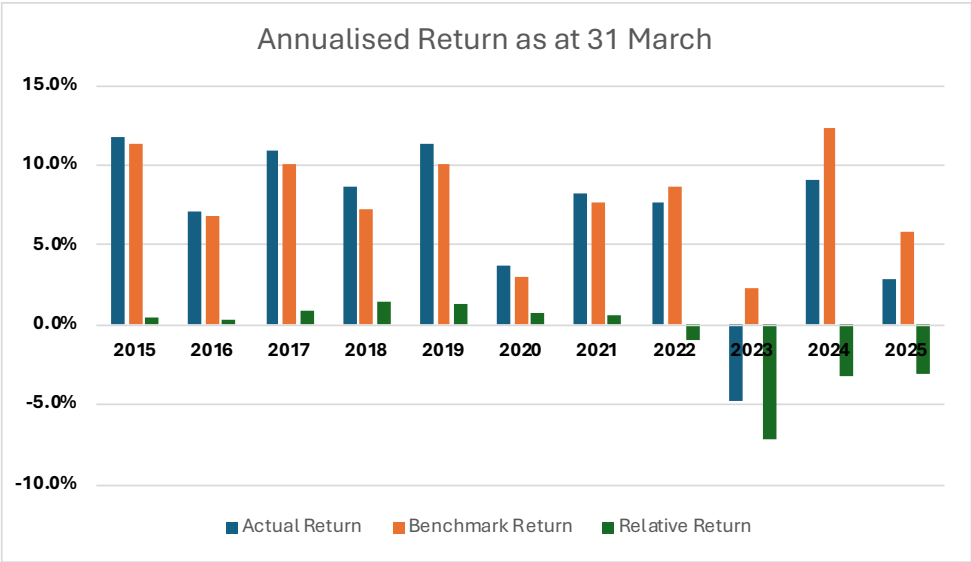
Property

UK property has delivered a positive return of 6.3% over the period as the real estate market showed signs of recovery on the back of falling inflation and interest rate cuts.

Fund Performance

The Fund's investment returns delivered a return of 2.9% (9.1% 2023/24) against a benchmark of 5.9% (12.3% 2023/24) for the year to 31 March 2024. Overall, the Fund's assets increased by £22m from 31 March 2024. Positive absolute performance was driven by the majority of the Fund's equity mandates, which benefitted from strong corporate earnings growth and the rally in AI and technology, particularly over the first half of the period. The UK equity mandate outperformed its global equity counterparts, benefiting from investors' rotation into UK markets over the latter half of the period amid economic and political uncertainty and turbulence in the US. Relative underperformance was predominantly driven by the Baillie Gifford equity mandates, as the manager's growth investment style bias continues to underperform in the current elevated interest rate environment. Our investment consultants reported the Fund's funding position improved, as the value of the Fund's assets increased, whilst the value placed on the Fund's liabilities remained broadly unchanged over the period.

Each quarter, the Investment Consultants, ISIQ, 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 (with the exclusion of those investments held via Lothian Pension Fund) 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 table below provides an analysis of how the Fund's investments performed against the Fund's benchmark.

Return on Investment as at 31 March 2025	1-year rolling return		3-year rolling return	
	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	2.9%	5.9%	2.3%	6.8%
Global Equities	2.8%	5.9%	5.7%	8.4%
UK Equities	7.0%	10.4%	3.8%	7.2%
Bonds	0.4%	0.9%	-1.2%	-1.1%
Alternatives	3.2%	8.6%	3.6%	8.7%
Property	7.6%	6.0%	-3.3%	8.1%
Cash	-	-	-	-

The majority of the Fund's mandates contributed to the Fund's positive absolute performance over the last 12 months, reflecting continuing to demonstrate the resilience of growth markets amid uncertain economic forecasts and elevated interest rates. The notable exceptions were the Fund's property, index-linked gilt, direct lending 2016 vintage, junior infrastructure debt and timberland and junior infrastructure debt mandates which detracted in absolute terms. The relative performance of the Fund over the past 12 months was negative, as many of its underlying mandates trailed their respective performance objectives.

The key driver of equity underperformance can be largely attributed to the sustained underperformance of the Fund's Baillie Gifford mandates as their growth-style investment approach continued to underperform in the elevated interest rate environment. In addition, the increasingly concentrated nature of the wider global index has made it challenging for Baillie Gifford to add value in their global equity mandate. This is due to Baillie Gifford's underweight exposure to the "Magnificent Seven" mega-cap technology stocks which have become an increasing part of the overall index, and which have driven overall index returns over the reporting period.

The direct lending 2016 vintage and junior infrastructure debt mandate also notably underperformed over the period. The underperformance of these mandates were driven by specific factors which impacted investments within the portfolios, rather than wider market trends. The index-linked gilts mandate detracted from absolute returns as a result of the rising gilt yields in response to ongoing interest rate and inflationary pressures. The performance of this mandate is in line with expectation, with the rationale for the investment being to broadly track the Fund's liabilities and help to protect the funding level.



RESPONSIBLE INVESTMENT

The Fund's overriding obligation is to act in the best interests of the Fund's 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 monitor 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 & the UK 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 for the following set of overarching principles.

The approved Policy also approved 6 key priorities when it comes to responsible investment.

These are:



Work has commenced in the assessment and collection of data to allow reporting and monitoring of Sustainable Development Goal 13 Climate change and Sustainable Development Goal 7 Affordable & clean energy. Due to the current 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. Three clear examples of this were the recent allocations to a Social Housing Fund, a Timberland Fund and a Renewable Energy Infrastructure Fund focused in the UK.



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 preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C above preindustrial 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. As part of this the Fund became a supporter of TCFD in Q2 2023/24.

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2024-2025

SECTION 7 - INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Scottish Borders Council as administering authority for Scottish Borders Council Pension Fund and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual report of Scottish Borders Council Pension Fund (the fund) for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the financial transactions of the fund during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2

December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council as administering authority for the fund. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Director of Finance and Scottish Borders Council for the financial statements

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

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

Scottish Borders Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003, and The Local Government Pension Scheme (Scotland) Regulations 2018 as amended are significant in the context of the fund;
- inquiring of the Director of Finance as to other laws or regulations that may be expected to have a fundamental effect on the operations of the fund;
- inquiring of the Director of Finance concerning the fund's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness

of the fund's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

Other information

The Director of Finance is responsible for the other information in the annual report. The other information comprises the Management Commentary, Annual Governance Statement, Governance Compliance Statement, Statement of Responsibilities and other reports included in the annual report other than the financial statements and my auditor's report thereon.

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

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016): and
- the information given in the Governance Compliance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Local Government Pension Scheme (Scotland) Regulations 2018.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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



John Boyd FCPFA

Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

25 September 2025

CONTACTS

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

Pensions Team Telephone 01835 – 825052/3

E-mail pensions@scotborders.gov.uk

Scheme members should have a copy of the “Employees’ Guide to the Local Government Pension Scheme Administered by the Scottish Borders Council” and can obtain their own copy of an Annual Report on request.
or visit Scottish Borders Council Pension Fund website at:

www.scottishborderscouncilpensionfund.org

For further information on the Fund's investments, please contact:

Suzanne Douglas Telephone 01835 – 824000 ext. 5881

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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