UNAUDITED ANNUAL ACCOUNTS

SCOTTISH BORDERS COUNCIL

FOR THE YEAR TO 31 MARCH 2015

Scottish Borders Council

Annual Accounts 2014/15

Foreword
by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2015. These have been produced to provide the public, Elected Members, and other stakeholders with information concerning the financial management, administration and performance of the Council in financial year 2014/15.

This year there is a new look to the report which includes a management commentary on the Council which outlines:

- what we do;
- how we are organised to do it;
- what our strategy and priorities are;
- our financial position for 2014/15;
- key aspects of our performance during 2014/15; and
- our plans for the future.

Highlights of 2014/15

Against a very difficult financial background, the Council has achieved a lot during 2014/15 and I am proud, along with all of our elected members and officers, to have:-

- ✓ Achieved 80% of planned efficiency savings permanently
- ✓ Delivered £257.7m revenue spending within the revised budget
- ✓ Increased the General Fund Reserves of the Council by £1.9m
- ✓ Delivered Capital Investment of £31.4m in schools, flood protection, roads, lighting and other assets
- ✓ Established Bridge Homes LLP to deliver our affordable housing agenda
- ✓ Launched SBCares LLP to support delivery of front line care in adult services

Our Plans for 2015/16

The next year presents many opportunities for the Council. Foremost amongst these is that Borders Railway re-opens in September 2015 along with the Transport Inter–change presenting significant opportunities to create long term economic and social benefits for the Scottish Borders.

The Council also faces significant challenges and has committed to an ambitious Corporate Transformation Programme to deliver service improvements and savings to make the Council and its services sustainable within the reducing resource environment of the Public Sector.

This programme includes the delivery of:

- ➢ The Scottish Borders Health & Social Care Partnership
- ➢ Frontline Services for Adult Social Care through SBCares
- ➢ Transformation across our services for Children & Young People
- ➢ The New Integrated Waste Management Plan

Acknowledgements

I would like to thank all officers involved across the Council for their hard work during the year to ensure the sound financial management of Council and the production of the statutory accounts.

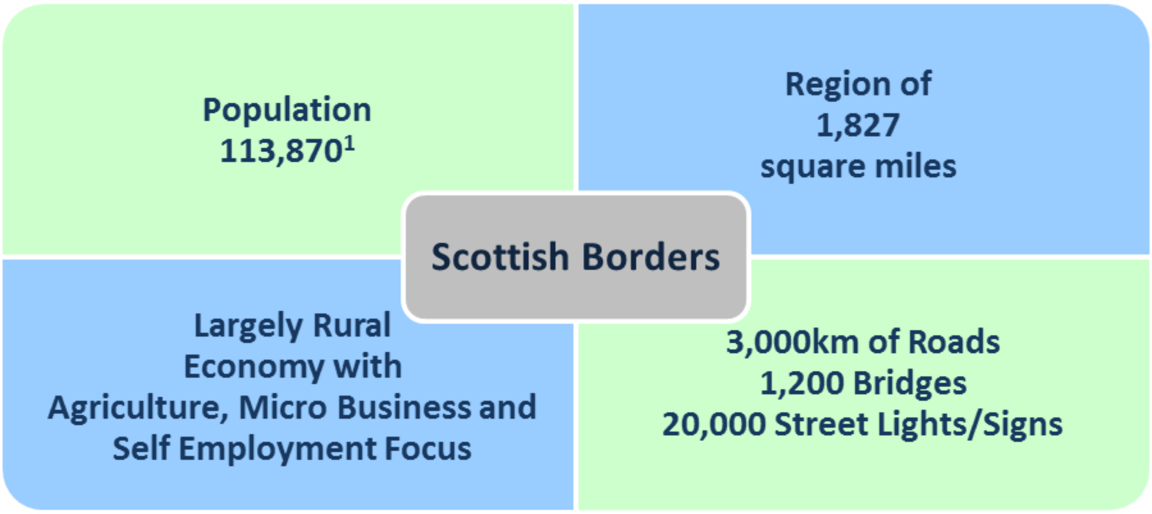
Councillor David Parker

Leader
Scottish Borders Council

Management Commentary

Who We Are and What We Do

A Profile of the Scottish Borders



The Scottish Borders population can be analysed as follows:

	Proportion of Total Population at 2011[1]	Comparison with Scottish Average at 2011 [1]	Projected Trends 2010 – 2035 per National Records of Scotland Project
Children aged under 16	17%	⇔ In line	⇔
Working-age people aged 16-64	62%	⇩ Below	⇩ Substantial Decline
Pensioners aged 65	21%	⇧ Above	⇧ Substantial Increase

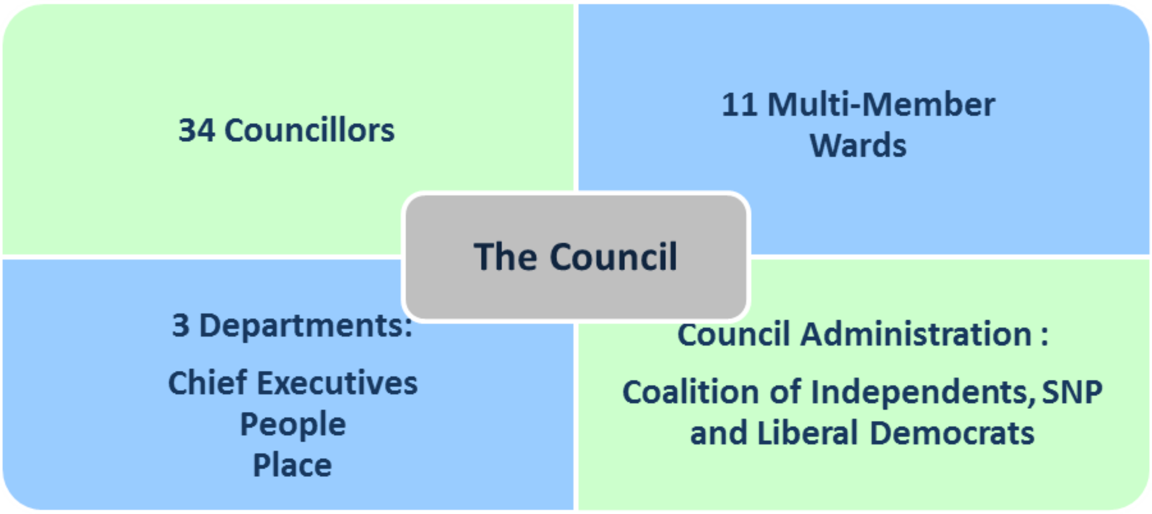
The recently published National Records of Scotland-2012 projections indicate that the latest trends for the Scottish Borders over the next 25 years is that there will be no net overall change in the total population. The profile within the different age bands for the Scottish Borders is shown above. These show that there are significant implications for the delivery of the Council (and its community planning partners) services now and into the future. The aging population presents particular challenges in relation to the provision of care, the future sustainability of Borders workforce and economic development of the area. In addition, despite no overall change in total population there is a projected increase in the number of Borders households by 7%, an estimated 3,900 additional households over the next 25 years.

The Scottish Borders is also one of Scotland's largest yet most sparsely-populated regions 6th-equal least populated region in Scotland[1], alongside neighbouring Dumfries and Galloway. This rural population distribution has implications for the costs of providing services, especially compared to the city environments like Glasgow and Edinburgh. The uneven distribution of the population in Scottish Borders also presents significant challenges in planning and delivering services.

[1] Per 2011 Census

Management Commentary

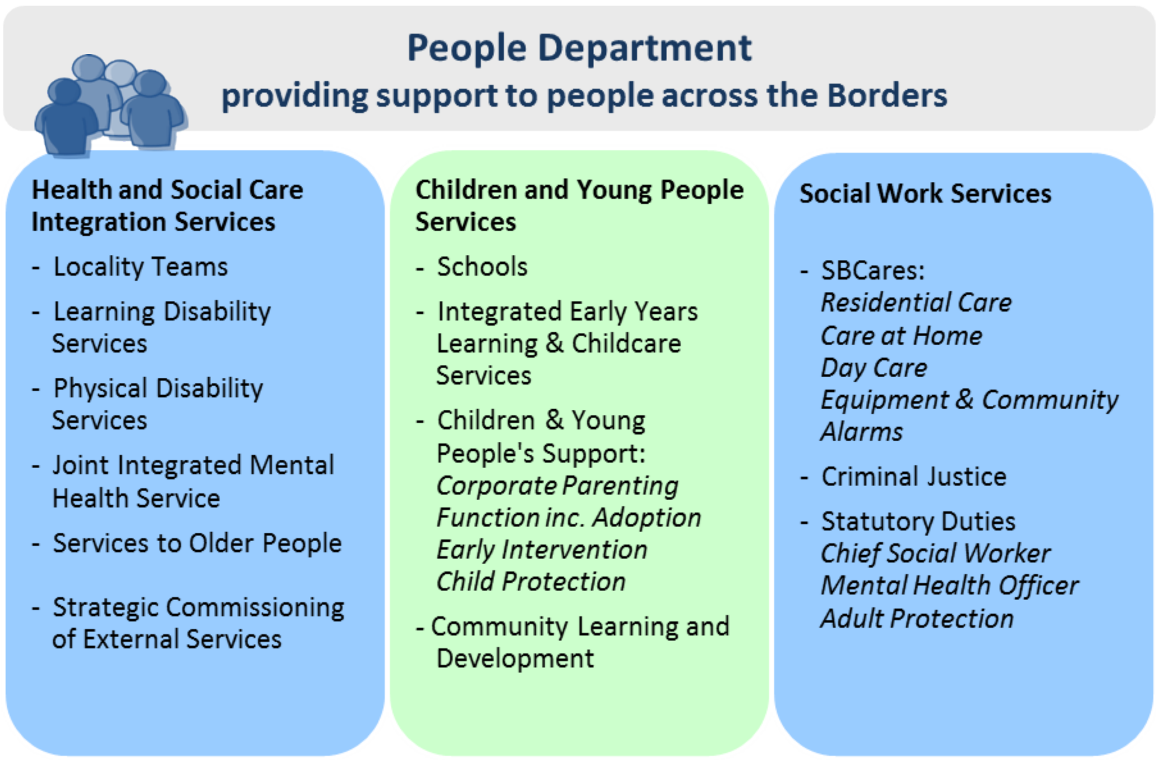
Scottish Borders Council



The Scheme of Administration sets out the operation of the Council. The Council's decision making is delivered through a Committee structure based on an Executive Committee and Scrutiny model.

The Council provides a range of essential public services throughout the region. The strategic management of the delivery of the services is undertaken by the Council's Corporate Management Team, led by Chief Executive, Tracey Logan and two Depute Chief Executives. Public Health is provided in collaboration with NHS Borders. Each department is responsible for implementing the policies of the Council comprising of its 34 Elected Members (Councillors).

The Place and People Departments, each managed by a Depute Chief Executive, deliver the bulk of the Council's public-facing services. The Council's structure is summarised below:



Management Commentary

Place Department
providing services across the Borders

Regulatory Services

- Statutory Planning
- Building Standards
- Built and Natural Heritage
- Environmental Health
- Trading Standards
- Legal and Licensing Services
- Assessors Service
- Electoral Registration

Neighbourhood Services

- Roads Maintenance
- Winter Services
- Parks and Open Spaces
- Street Cleansing
- Burials
- SB Local
- Refuse Collection
- Waste Disposal
- Community Recycling
- Registration Services
- Contact Centres
- Call Centre
- Benefits Assessments

Commercial Services

- Asset and Network Management of Roads, Bridges and Lighting
- SBC Contracts
- Fleet Management
- Passenger Transport
- Property Maintenance and Asset Planning
- Building Cleaning
- Catering
- School Crossing Patrols

Capital Project Services

- Design and Delivery of infrastructure projects

Chief Executive Department
providing corporate and support services

Corporate Transformation & Services

- Programme Office
- Wellbeing & Safety
- Emergency Planning
- Communication & Marketing
- Information & Communication Technology (ICT)
- Culture & Sport
- Democratic Services

Strategy & Policy

- Economic Development
- Housing and Strategy Services
- Audit & Risk
- Strategy Policy Unit

Joint Health Improvement

- Health Improvement Programme Delivery

Finance & Procurement

- Stewardship & Accountability
- Financial & Performance Management
- Supporting Corporate Transformation

Human Resources

- HR Advisory Service
- Organisational Development Service
- HR Shared Services

Management Commentary

Strategic Direction

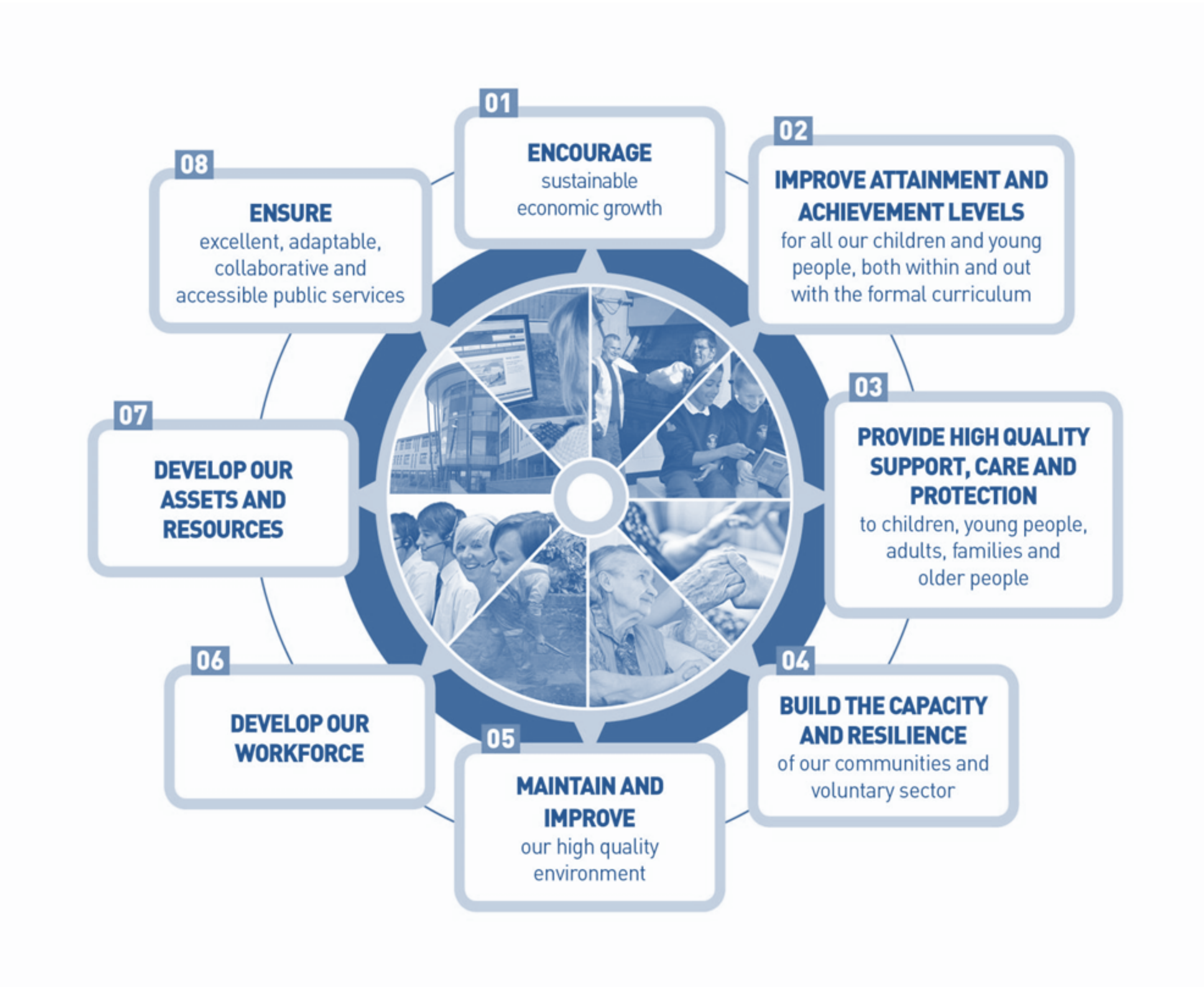
Our Vision

> ***"We seek the best quality of life for all people in the Scottish Borders, prosperity for our businesses and good health and resilience for our communities."***

Source: Corporate Plan 2013 – 2018

Our Priorities

Our Corporate Plan presents our 8 priorities within the Scottish Borders over the five year period 2013 - 2018:



The 2015/16 Business Plans of our individual service areas and the work we do with partners will help us to deliver these priorities can be found at www.scotborders.gov.uk/businessplans, and assessment of how we are doing against these priorities can also be found on at www.scotborders.gov.uk/performance . Following the work on the 2015/16 Business Plans the Corporate Plan will be reviewed and updated.

Management Commentary

When working towards these priorities, the Council has set standards and values:

Our Standards

- Put our customers and staff at the heart of what we do
- Be fair, equal and open
- Continually improve our services
- Work with partners and stakeholders
- Deliver value for money in the use of our resources

Our Values

- Public Service
- Respect for All
- Courage
- Integrity
- Honesty
- Commitment

Financial Strategy and Financial Plans

The Financial Strategy supports the delivery of the Council's Priorities and Corporate Plan. The Revenue and Capital Financial Plan provide a financial representation of these plans covering 5 and 10 years respectively. In order to support the delivery of the Council's priorities the Financial Strategy must:-

a) raise the funds required by the Council to meet approved service levels in the most effective manner;
b) manage the effective deployment of those funds in line with the Council's corporate objectives and approved service plans; and
c) provide stability in resource planning and service delivery.

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

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

The Financial Risk Register informs the Council's Financial Strategy and its General Fund Reserves position. The Financial Strategy, the Financial Plans and the Treasury Management Strategy are approved by Council annually in February.

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

Management Commentary

Performance Reporting

The Council has an agreed Performance Management Framework which covers the performance reporting arrangements for both the Council and for its work with Community Planning partners. As part of this framework reports on the Council's performance against the Council's Corporate Priorities (page 6) are presented on a monthly basis to the Corporate Management Team, and on a quarterly basis to the Executive Committee of the Council.

The delivery of the changes to the corporate and committee structures in the past year has led to the conclusion that the framework should be reviewed and this work is planned for 2015/16.

Reporting of Financial Performance follows the same cycle and consists of monitoring reports on the revenue and capital financial plans and an estimation of projected balances for key usable reserves including the General Fund and the Capital Fund.

In addition to the quarterly reporting there is a range of performance information published for a variety of purposes, locally and at a national level. All of the published performance information can be accessed via links which can be found from the "Our performance as a Council" webpage accessible via www.scotborders.gov.uk/performance . The performance information has been linked to each of the Council's 8 priorities.

Management Commentary
How we are doing - Financial Performance

Budget and Financial Strategy 2014/15

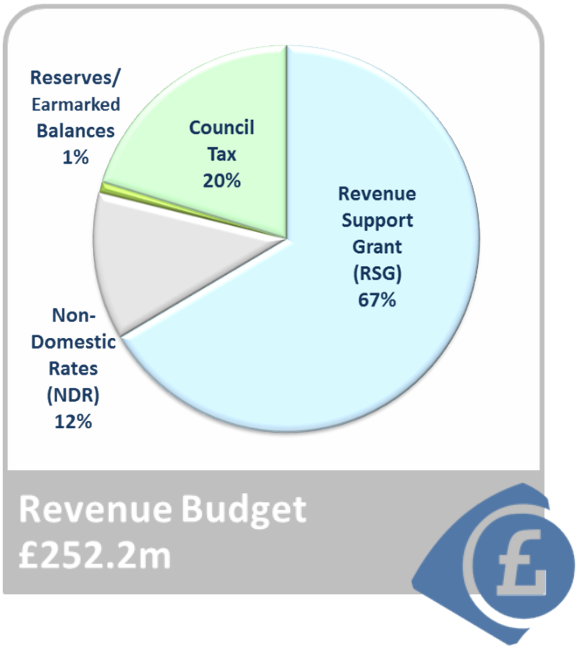
The budget for 2014/15 was approved by the Council on the 6th February 2014 and this included the Financial Strategy. The economic outlook had a direct bearing on public expenditure with the need for tight fiscal constraint to be maintained for the foreseeable future. The Council aim was to provide the best possible services within the resources available and this is the basis on which the Financial Strategy 2014/15 – 2018/19 was approved.

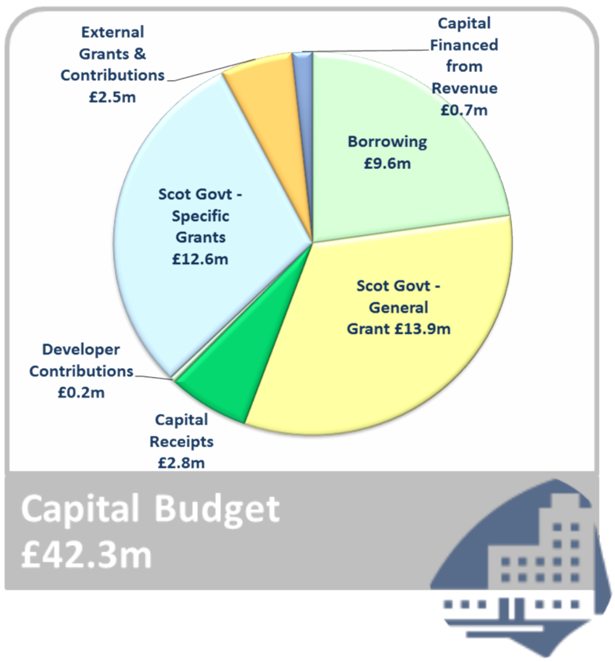
The recommended high level Financial Strategy to be followed over the next five years is therefore to:

- **freeze council tax** in each year of the budget;
- set a **prudent, sustainable budget** in line with available resources;
- continue to **invest in infrastructure** through a sustainable capital programme financed by £20.8m loans charges per annum;
- provide support to an **Affordable Housing Investment Programme** of up to £18.8m for the delivery of 200 units;
- **maximise income** while keeping fees charged to service users at an affordable level;
- continue to **invest in business transformation and efficiency projects** to deliver long term financial savings and service benefits, and,
- **maintain unallocated reserves of £6.3m** for 2014/15 in line with the assessed risk register.

2014/15 Financial Resources Available

The financial resources of the Council are categorised into Revenue and Capital Expenditure. Expenditure on recurring day to day costs associated with providing the Council's services (e.g. salaries) is Revenue, whereas spending on assets (e.g. school buildings) that have a useful value to the Council over multiple years is referred to as Capital. The financing of Revenue and Capital Expenditure, in general, comes from different sources.





Management Commentary

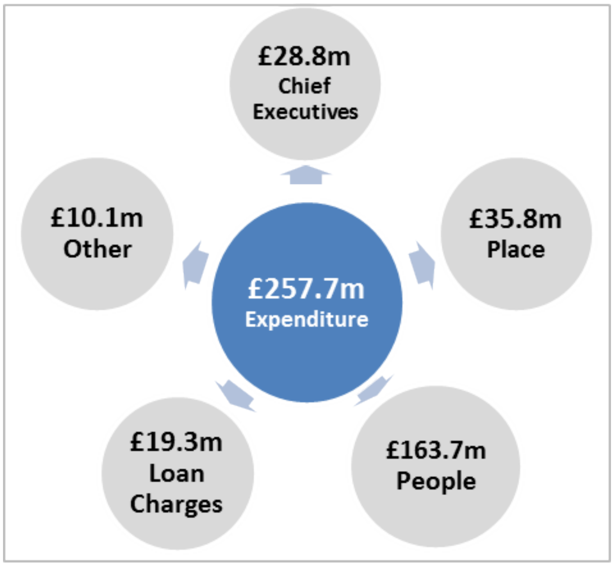
Financial Position at 31 March 2015

The approved budget was subject to a number of amendments during the year, as service pressures and savings were identified, additional grant income was received and budget adjustments were approved. The final financial outturn reports were presented to the Executive Committee on 9 June 2015.

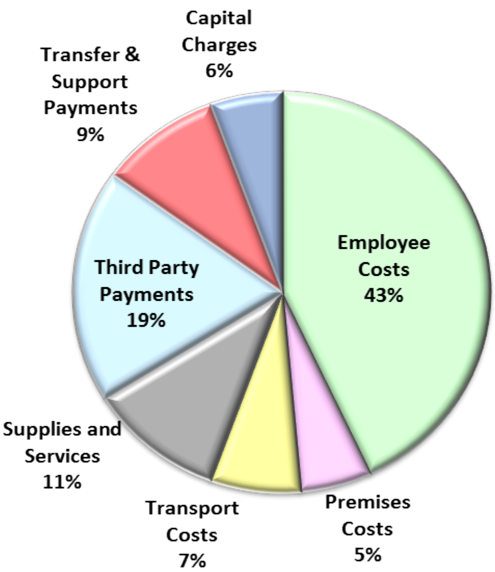
Revenue

The actual outturn for the financial year 2014/15, including funding sources, was a revenue expenditure of £257.7m representing a net under spend of £0.4m (0.16%) against the revised budget.

The following chart analyses the revenue by Council department:

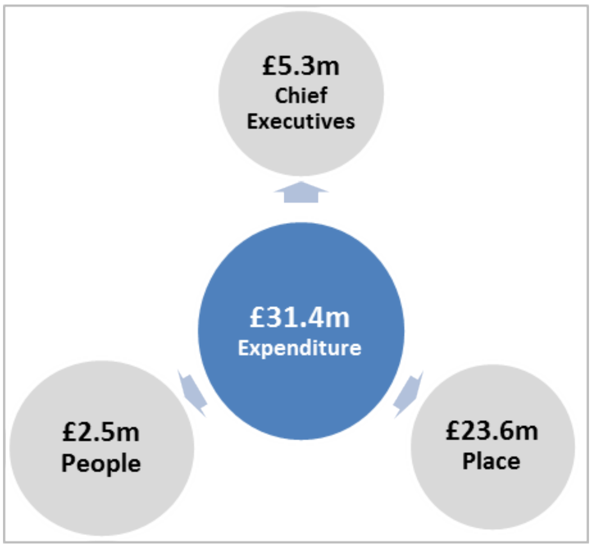


Revenue net expenditure for the year includes income of £91.2m, and expenditure of £348.9m as analysed in the chart below:



Capital

The actual outturn for the financial year 2014/15, including funding sources, was a capital expenditure of £31.4m representing a favourable variance of £3.4m (9.7%) against the revised budget, made up of £2.3m timing movement into future years and an underspend of £1.1m.



The capital programme delivered significant investment in the Scottish Borders during 2014/15 and the following table highlights some of the major projects undertaken:

Place	
•Galashiels Transport Interchange	£3.8m
•Roads & Bridge Maintenance	£2.5m
•Lighting inc. Energy Saving	£1.4m
•Kelso Town Centre inc. Heritage Work	£1.3m
•Flood Protection Schemes	£8.9m
•Kelso Recycling Centre	£0.8m

People	
•Kelso High School	£0.6m
•Early Years Programme	£0.5m
•Other School Estate	£1.1m
•Social Work Projects	£0.3m

Chief Executives	
•Wilton Lodge Park	£0.8m
•Eyemouth Seafood Technology Park	£0.4m

Management Commentary

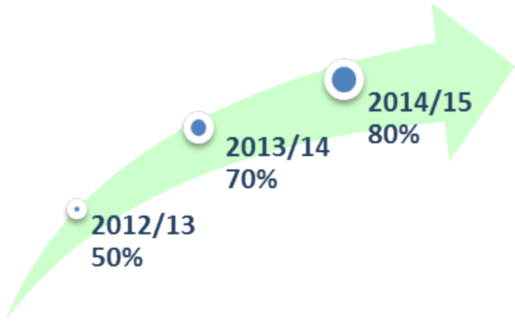
Delivery of Targeted Savings

Overall, savings of £8.1m were delivered during 2014/15 in order to balance the costs of services to the available resources. The regular performance reports tracked the delivery of these savings against the Financial Plan proposals. Analysis of the savings is as follows:

Efficiency Savings Delivered Permanently as Planned
80%

Permanently Achieved by Alternative Measures
1%

Temporarily Achieved by Alternative Measures
19%



% of Savings Achieved as Planned

This shows that £6.5m (80%) of the savings were delivered in full as approved within the Financial Plan. There is also a demonstrable sustained improvement overall in the delivery of agreed savings by the Council over the past 3 years. This is testimony to the regular monthly analysis, reporting and challenge undertaken during the year. It is acknowledged that there will be a requirement for ongoing effort to further improve this delivery performance in 2015/16 and beyond.

Departmental Commentary

People

Financial Review of 2014/15

✓ Permanently delivered £3.3m (87%) of required efficiency savings, of which £3.2m was achieved as planned

✓ Actions delivered within Department to significantly reduce impact of demand pressures on Adult Services and Integrated Children Services budgets

✓ Remainder supported by other areas of Council.

➤ Significant in year (£2.1m) pressures, caused by:

- Demand for children's out of area placements (£1.2m)
- Adults with Physical Disabilities increase in clients requiring increased or new care packages (£0.4m)
- Pressures in Older Peoples Services (£1.2m) for both home and residential care

Financial Outlook for 2015/16

Base budget for 2015/16 £167.3m

Additional Resources added include:

▲ Out of Authority Placements	£1m
▲ Children & Young People's Bill Early Years Childcare	£1m
▲ Free School Meals for all P1 - P3	£1.2m
▲ Older People Demographic	£0.6m
▲ Adults with Learning & Physical Disabilities	£0.7m

Potential Risks & Challenges for 2015/16:

↪ *Demographic pressures greater than provided for in Older Peoples Services, and Adults with Learning and Physical Disabilities and Out of Authority Placement for Children and Young People.*

↪ *Resurgence of house building following Borders Railway causing increased service demand*

↪ *Delivering effective Health and Social Care Integration*

Closed 2014/15 with a small over spend of £0.03m (0.02%) against the revised budget of £164.2m

Management Commentary

Place

Financial Review of 2014/15

✓ Permanently delivered £2.1m (73%) of required efficiency savings as planned

✓ Savings, mainly from Waste Services, used to support other in-department pressures

✓ Final out-turn influenced by reduced food costs and increased income from internal and external sources

➤ Signficant pressures in year (£1m) due to:

- Neighbourhood Services (£0.5m) mainly due to materials and external services costs
- Planning fee income significantly below budget (£0.5m)

➤ Termination of Waste Contract with NES

Financial Outlook for 2015/16

Base budget for 2015/16 £36.1m

Additional Resources added include:

▲ Reduced Planning Fee Income	£0.3m
▲ Leachate Management	£0.2m

Potential Risks & Challenges for 2015/16:

↬ *Delivering permanent savings savings associated with Neighbourhood Services and Integrated Waste Strategy*

↬ *Achieving Planning Fee Income Target*

↬ *SBcContracts continuing to secure work in the external market*

↬ *First full year of Food Waste Collections and delivery of Integrated Waste Strategy*

Closed 2014/15 with an under spend of £0.5 m (1.3%) against the revised budget of £36.3m

Chief Executive

Financial Review of 2014/15

✓ Permanently delivered £0.7m (70%) of required efficiency savings as planned

➤ Pressures in year due to:

- Unachievable Income from Recharges to Non-General Fund (£0.07m)

Financial Outlook for 2015/16

Base Budget for 2015/16 £27.3m

No additional resources were added to the budget for 2015/16.

Potential Risks & Challenges for 2015/16:

↬ *Delivering the savings associated with the Cultural Services Review in the desired timeframe.*

↬ *Delivering the back office savings at the same time as increase support demand for corporate transformation agenda.*

↬ *Implementation of new financial system*

Closed 2014/15 with a small under spend of £0.08m (0.3%) against the revised budget of £28.9m

Other Non-Departmental Expenditure including Loan Charges

The "Other" budget includes business transformation, early retirement/voluntary severance, loan charges, contribution to property maintenance – repairs and renewals fund, provision for bad debts, commercial rents, housing benefits and non-domestic rates relief. The budget also supports Discretionary Housing Payments, the Council Tax Reduction Scheme and Scottish Welfare Fund. The 2014/15 Financial Plan included efficiency savings of £0.5m relating to a reduction in Loan Charges which were delivered permanently in full.

During the year, as a result of continued tactical treasury management decisions, the Loan Charges budget achieved significant reductions in the cost of financing capital for the Council. This has been possible due to the ongoing low interest rate environment and the significant differential between the cost of short and long term borrowing. These savings were used to support budget pressures elsewhere in the Council and to create a Treasury Management Earmarked Balance to smooth the impact of future interest rate increases on the Council's financing costs.

OTHER: Closed 2014/15 with a small under spend of £0.03m (0.3%) of the revised budget of £10.2m

LOANS CHARGES: Closed 2014/15 with a small under spend of £0.04m (0.2%) of the revised budget of £19.3m

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 41 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management out-turn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2014/15 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2015. This results in the (statutory accounting) adjusted net cost of services of £252.7m compared with the reported departmental net cost of services of £257.7m. Note 5, page 59 provides additional analysis of the movement between these figures. Further statutory adjustments are then made to the "Net Cost of Services" in the comprehensive income and expenditure account shown on page 41 to include net gains/losses on disposal and revaluation of assets, interest payable and adjustments for pension costs. These accounting adjustments result in an overall Surplus on the Provision of Services of £0.18m.

Other Comprehensive Income and Expenditure

Following the Actuarial Gains on the Pension Net Assets/Liabilities (£44.8m) the overall Net Comprehensive Income is a surplus of £44.9m (versus £4.3m in 2012/13). This significant improvement in the pensions net position is as a result of continued growth in the value of the Fund's investment assets relative to the its present value of the future pension obligations. The net assets under management by the Scottish Borders Pension Fund grew by 12% during 2014/15. The Annual Report and Accounts on the Pension Fund provide a full narrative on its performance and can be found at www.scotborders.gov.uk/pensions.

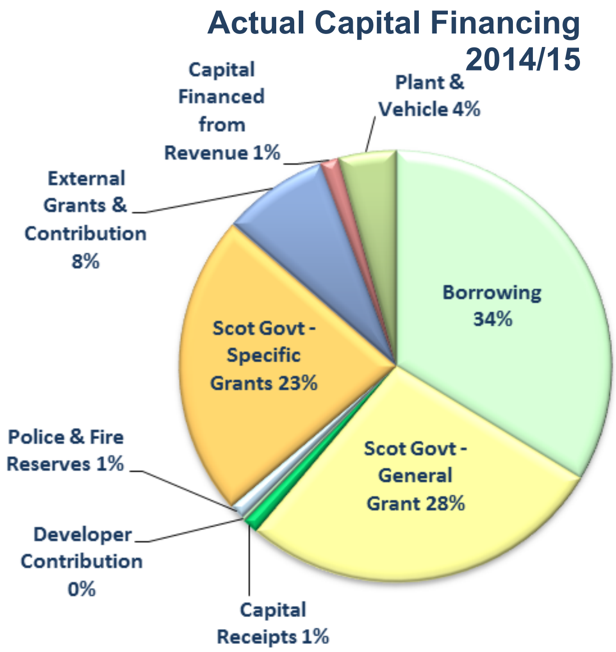
Management Commentary

Capital Financing Requirement

In addition to the capital expenditure on fixed and intangible assets of £31.4m the Council utilised the Scottish Government's Consent to Borrow provision to increase the funding for the future asset decommissioning costs associated with Langlee Landfill by £2.9m (total provision for future liabilities £4m), and to provide the funding for capital expenditure on new affordable housing through the Council National Housing Trust Initiative via Bridge Homes LLP (£1m).

This chart shows the profile of the sources of the total £35.3m capital financing requirement for 2014/15.

The chart indicates that 34% (£11.9m) of the capital financing requirement was provided by the Council's capital prudential borrowing.



Treasury and Debt Management

The Council publishes an annual Treasury Management Strategy to coincide with the approval of the financial plans in February. This strategy links the Council's capital investment plans to its treasury management activities including borrowing and investment strategies. In the Audit Commission's report "Borrowing and Treasury Management in Councils" published in March 2015 the Council's Treasury Management Strategy was highlighted as demonstrating good practice especially in relation to providing clear links between capital investment and treasury management.

Cash Management

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

Debt Management

Management Commentary

The Council continued to maintain an under-borrowed position, this means that the capital financing need was not fully funded by external loan debt and instead internal cash supporting the Council's reserves, balances and cash flow has continued to be used as a temporary tactical measure. This strategy remains both prudent and cost effective in an environment where investment returns are low and counterparty risk is high. It has also resulted in short term budgetary benefits highlighted on page 13.

External Debt

The Council's outstanding external debt as at 31 March 2015 was £175m, with the only additional long term borrowing during the year being an interest free loan (£0.25m) linked to the energy efficiency lighting programme. The average rate of interest paid on outstanding external debt was 6.5%.

Treasury Management Earmarked Balance

The Council identified, in conjunction with its advisors, that the increasing expectation of interest rate increases in the medium term exposed the Council to financing risk and that it was appropriate to identify approaches to manage this risk. The Council approved the establishment of a Treasury Management Earmarked Balance within the General Fund Reserve for the purposes of managing future costs of treasury and financing activities and the associated financing risk.

This balance creates an appropriate tactical mechanism to make financial provision in the current low interest rate environment to support the Council as interest rates increase and the financing need crystallises. It will provide resource to smooth out potentially higher costs in the future, by having resources which can be used to mitigate the impact of future interest rate increases on the Council's revenue budget.

The earmarked balance will be funded through the identification of opportunities to earmark funds due to short term savings in the revenue budget resulting from the current prudent approach to capital financing. During 2014/15 the Council was able to allocate £1.5m to the Treasury Management Earmarked Balance.

Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 39).

Unusable Reserves – result from accounting adjustments and cannot be spent

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

Note 31, page 87 provides additional information on the status of the usable and unusable reserves held by the Council.

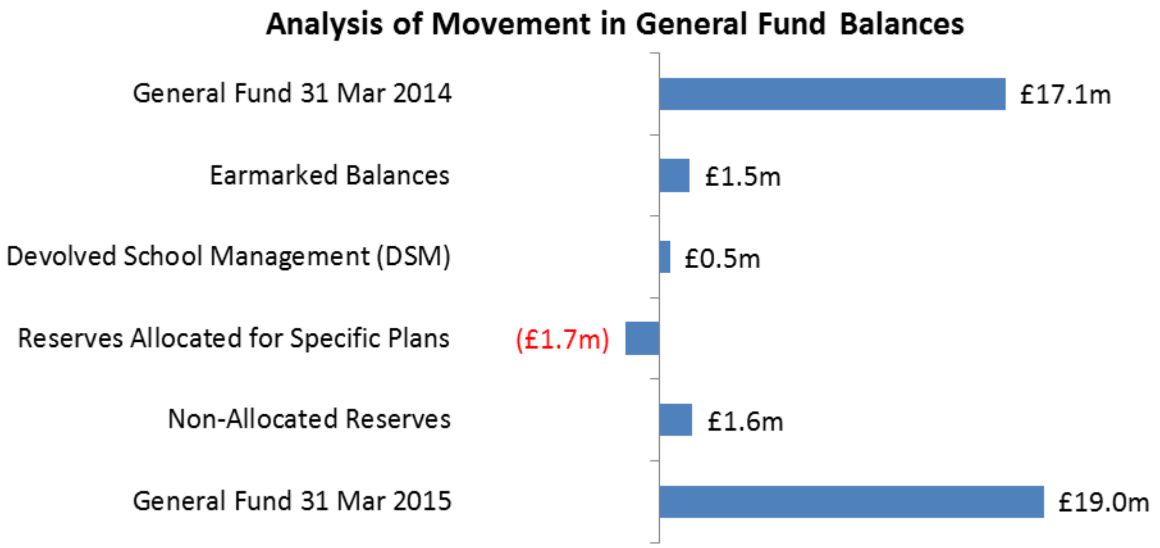
The Council's principal usable reserve is the General Fund Reserve and is maintained for three main purposes:

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

As indicated previously, the Council's Financial Strategy identified that the optimum level of non-earmarked general reserve, as quantified by the financial risk register, was £6.3m.

As at 31 March 2015 the total General Fund Reserve Balance is £19m (£17.1m at 31 Mar 2014) an increase of £1.9m during the year. The increase, as can be seen from the chart on the following page, can mainly be attributed to the change in the non-allocated reserves and the increase in earmarked balances

Management Commentary



Within the detail of the movements there are the following key changes during 2014/15:

Non-Allocated Reserves	
an underspend in the revenue out-turn	£0.6m
the write down of the Council Tax Bad Debt Provision*	£0.9m
Earmarked Balances including	
creation of "Treasury Management Reserve"	£1.5m
increase in DSM balances	£0.5m
Reserves Allocated for Specific Plans	
provision for Roads Maintenance & SBCares related costs	£0.2m
Energy Efficiency & Change Fund	£0.3m
previous provision to support 2014/15 revenue funding	(£1.2m)
Projects delivered through returned Police and Fire Reserves Funding	(£0.8m)

Scottish Borders Council Group Accounts

The Council has reviewed its position in relation to the preparation of Group Accounts and has identified a requirement for these to be prepared for the year ending 31 March 2015, including a comparator year ending 31 March 2014. The Group Accounts for 2014/15 can be found from page 98. The Group comprises of the following:

Subsidiaries

SBC Common Good Funds *(Registered Charity)*

SBC Trust Funds:
Registered Charities
SBC Charity Funds *(77 funds)*
SBC Community Enhancement Trust
SBC Welfare Trust
SBC Education Trust
Ormiston Trust for Institute
Thomas Howden Wildlife Trust
and
174 Non- Registered Trusts

Bridge Homes LLP

Associates

Border Sport and Leisure Trust

Jedburgh Leisure Facilities Trust

Common Good and Trust Funds

The Council is trustee for the 8 Common Good Funds and large number of trusts and endowments. The Common Good Funds (collectively) and a proportion of trusts are held within charities registered with the Office of the Scottish Charity Regulator (OSCR).

Additional information on Common Good and Trust Funds can be found on page 93, and those funds that are in registered charities also have separately prepared and audited annual accounts – the box above highlighting the subsidiary organisations of the Council indicates which entities are registered charities.

The cash related elements of the Capital Reserves of these funds are invested, in accordance with the Common Good and Trust Fund Investment Strategy, with Newton Investment Management. 2014/15 was the first full year of investment in the pooled investment vehicle and has demonstrated improved returns to the Funds when compared with investing the cash on a short term basis within the Council's pooled cash management arrangements. It should, however, be noted that these are invested in the financial markets and therefore are at risk of volatility in return and capital value due to the nature of the investments.

The Council is in the process of reorganising trust funds which are under its custodianship in order to open up trusts for disbursement where their purposes are no longer relevant to modern society and welfare support structures, make the management and governance of the funds less burdensome, and reduce the number of financial statements requiring preparation and external audit.

During 2014/15 the Council successful transferred and wound up 34 individual registered charities and transitioned these funds into three new charitable trusts – SBC Welfare Trust, SBC Education Trust and SBC Community Enhancement Trust. The Council agreed the governance arrangements for these charitable trusts in May 2015. Project work on the reorganisation will continue throughout 2015/16.

Bridge Homes LLP

Scottish Borders Council in partnership with Scottish Futures Trust Investments Ltd have established a Council Led House Building Programme (National Housing Trust Local Authority Variant) in order to deliver more housing in the Scottish Borders in line with the Local Housing Strategy. Bridge Homes aims to deliver up to 200 homes for mid-market rent.

Bridge Homes is 99.9% owned by the Council and is financed using approved loan debt of up to £18.8m funded by the Council's prudential borrowing along with a £3.3m contribution from the Councils' Affordable Housing Investment Budget. During 2014/15 the Council lent £0.99m to Bridge Homes under the Scottish Government's Consent to Borrow linked to NHT projects and this facilitated the acquisition of 10 affordable homes in the Scottish Borders.

The Scottish Government provides a guarantee of rent to cover the loan of up to £3,000 per housing unit delivered.

Scottish Borders Cares and Scottish Borders Supports LLPs

Scottish Borders Cares LLP (SBCares) and Scottish Borders Supports LLP were established by the Council before the 31 March 2015 to deliver a variety of social care services, however, these organisations did not commence operation until the 1 April 2015. These will become part of the Group Accounts as subsidiaries from 2015/16 onwards.

Management Commentary

How we are doing – Performance against Our Priorities

The Council has made progress in reporting and presenting its performance information relating to each corporate priority. The performance reporting section on page 8 explains the performance management framework and the cycle of quarterly and monthly reporting within the Council.

Each quarter, the report prepared for Executive Committee presents a mix of strategic and operational performance indicators in against each corporate priority. These allow Elected Members to assess not only the performance of services but the wider impact of the Council's work. Below is a summary of the key performance information for 2014/15 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

1. Encourage Sustainable Economic Growth

Key Performance Information

- The % of people claiming JSA has dropped from 2.6% in Q4 last year to **1.8% in Q4 2014/15** and is below the Scottish average (2.4%).
- Our employment rate has increased from 74.9% in Q3 last year to **78.3% in Q3 2014/15** and is above the Scottish average of 72.6% *(note quarter lag in data).*
- The % of invoices paid within 30 days has increased from an average of 90% in last year to **93% in 2014/15,** benefiting local businesses.
- During 2014/15, we awarded **53 business grants (totalling £153k) and 5 business loans (totalling £50k).**
- The % of all planning applications determined within 2 months dropped marginally from 68.6% to **66.9% for 2014/15.**

Priorities for the Future

- ➢ Focus on areas for improvement within the Planning Performance framework, and move to measuring "average time taken" (in line with reporting to Scottish Government).
- ➢ Delivery of actions to maximise the full economic and social benefits of the Borders Railway.
- ➢ Maximise community and town access to digital connectivity / broadband and mobile telephony.

2. Improve Attainment and Achievement Levels for all our Children and Young People

Key Performance Information

- The % of young people entering a positive destination has increased from 91.2% in 2013 to **94.3% in 2014** and is the 4th highest of all Council areas in Scotland.
- Pupils in the Scottish Borders continued to attain **better than the national average in 2013/14** , although there is still a gap between the highest and the lowest performing pupils.
- The % of Primary schools meeting the Scottish Government target of 2 hours physical activity per week has increased from 78% last year to **94% in 2014/15.**
- There were **9 inspections within our schools and nurseries during 2014/15**. Significant strengths were identified and where there were weaknesses, improvement plans were developed.

Management Commentary

Priorities for the Future

- ➢ Improve the learning experience and opportunities for our children and young people through early intervention and prevention, and sustainable school estate and more integrated and streamlined management through delivery of the Children and Young People's Transformation Programme highlighted on page 24.
- ➢ Work with partners to implement the actions in the Developing Scotland's Young Workforce; Youth Employment Strategy.

3. Provide High Quality Support, Care and Protection to Children, Young People, Adults, Families and Older People

Key Performance Information

- The % of new service users receiving a service within 6 weeks of assessment has continued to exceed the 95% target and was at **98% during Q4 2014/15**, the highest all year.
- The % of adults over 65 receiving long term care and intensive homecare has dropped from 29.6% in Q4 2013/14 to **28.2% in Q4 2014/15** (as people start to manage their own care arrangements, through Self-Directed Support).
- Monetary gains for clients of our welfare benefits services totaled **£6.121 million for 2014/15**, compared to £6.127 in 2013/14, against a backdrop of significant welfare reform
- The ratio of looked after and accommodated children (age 12+) in a family base placement compared to residential has dropped slightly from 76% in Q4 2013/15 to **74% in Q4 2014/15** (target 80%).

Priorities for the Future

- ➢ Deliver the full integration of health and social care services to improve outcomes for service users and carers.
- ➢ Review our Adult Services strategy for supporting independence.
- ➢ Review specialist support for children and young people.
- ➢ Continue to support people through ongoing Welfare Reform.

4. Build the Capacity and Resilience of our Communities and Voluntary Sector

Key Performance Information

- During 2015/14 we awarded:
    - 49 Community Grants worth £0.15m, supporting projects totaling £0.98m.
    - 12 Landfill Communities Fund Grants worth £0.22m, supporting projects totaling £1.5m
    - Support for community groups to secure £2.5m of National Lottery Funding for the Scottish Borders.
- The number of Community Councils with active "Resilient Communities" Plans has risen from 22 in Q4 2013/14 to **30 in Q4 2014/15.**
- The number of people registered with SBAlert (online emergency messaging system), launched at the beginning of 2014/15, **reached 2098 registered participants in Q4 2014/15.**

Management Commentary

Priorities for the Future

- Continue to support communities with funding applications and to develop Resilient Communities plans.
- Ongoing promotion of SB Alert for use during emergency situations .
- Pilot our “Localities” approach in the Cheviot area (Kelso, Jedburgh and surrounding areas), and roll the approach out across the Borders.

5. Maintain and Improve our High Quality Environment

Key Performance Information

- The % of reported street lighting faults fixed within 7 days has remained consistently high, moving from 98.5% in Q4 2013/14 to **99% in Q4 2014/15.**
- The % of waste recycled through our Community Recycling Centre rose from 47.97% in Q3 2013/14 to **50.8% in Q4 2014/15** (note quarter lag in data).
- The % of household waste recycled has, in line with projections, reduced slighted from 39.27% in Q3 2013/14 to **36.03% in Q3 2014/15** (note quarter lag in data).
- The % of our road network assessed as requiring maintenance has increased from 43.5% in 2013/14 to **45.5% in 2014/15.**

Priorities for the Future

- Revisit our Waste Strategy in the current legislative context, and introduce food waste collection during 2015.
- Complete our street lighting replacement programme (having already replaced 2,600 lanterns across the Borders with Energy Efficient LEDs) which will result in £5m investment over the programme.

6. Develop our Workforce

Key Performance Information

- The % of working days lost due to absence has been consistently meeting the target of **4% or below during 2014/15** through effective implementation of our absence management policy.
- The number of staff actively using our SB Learn online tool has increased from 1181 in Q4 2014/15 to **3335 for Q4 2014/15**, which accounts for almost all registered PC users.
- The % of women amongst the highest paid 5% of employees has risen from 41% in 2013/14 to **43.08% for 2014/15.**
- Through introduction of a Work Opportunities Scheme at the end of 2013/14, at total of **28 modern apprentices** were employed by SBC during 2014/15 contributing to the Council’s commitment under the Borders’ Guarantee.

Priorities for the Future

- Enable staff to deliver service improvements, review existing management and admin structures and deliver a reward and benefit strategy.
- A review of the way in which our staff work, where they work, when they work and the technology they need in the future.

Management Commentary

7. Develop our Assets and Resources

Key Performance Information

- The % of our Industrial and Commercial properties occupied rose from 90% in Q4 2013/14 to **91% in Q4 2014/15.**
- The % of Council tax collected in year has remained steady at **96.52% for 2014/15** and is amongst the best in Scotland.
- The score achieved in the Scottish Government's annual Procurement Capability Assessment rose from 58% in 2013/14 to **65% in 2014/15** and is above the Scottish average of 62%
- The number of SBC properties sold has reduced from 13 in 2013/14 to **9 in 2014/15**. 18 properties were being actively marketed as at end of financial year, with 5 under offer. Market is slowly starting to improve.
- Council spend on electricity and gas has increased from £437,422 in Q4 2013/14 to **£471,208 in Q4** this year.

Priorities for the Future

- Explore the possibilities for joint delivery and co-location of services with partners, and the sharing of our property and assets.
- Development of an ambitious Energy Efficiency programme, with a focus on strategic "Spend to Save" projects and initiatives.
- Deliver new and refurbished schools in Kelso, Duns and Galashiels as well as Complex Needs Facilities.
- Investment in affordable housing of £18m through Bridge Homes LLP and additional Extra Care Housing.

8. Ensure Excellent, Adaptable, Collaborative and Accessible Public Services

Key Performance Information

- The % of Freedom of Information (FOI) requests completed on time has risen from 77% in Q4 2013/14 to **97% in Q4 2014/15**.
- The number of face to face and telephone transactions handled by our Customer Services staff reduced slightly from 51,250 in Q4 2013/14 to **46,690 in Q4 2014/15**.
- The total number of complaints received (excluding those classed as invalid) increased to from 557 during 2013/14 to 619 in 2014/15, representing an 11% increase.
- 504 of these complaints were closed at Stage One, representing 81.4% of all complaints closed.

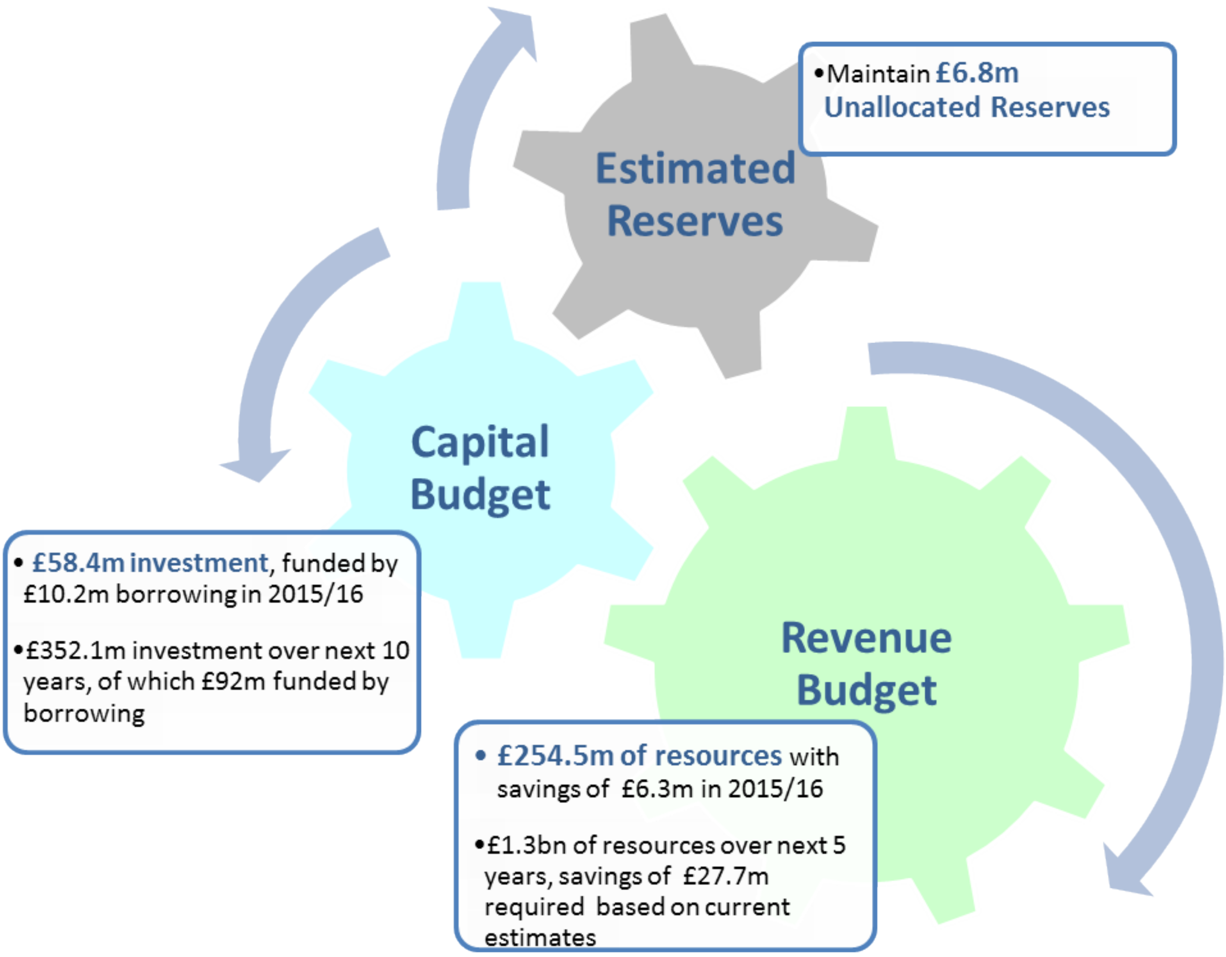
Priorities for the Future

- Undertake process improvement work across a range of service areas (including complaints handling processes) including early engagement with service users and the public through various channels including social media. The implementation of a new financial system will support this work.
- Continue to roll out and develop modern customer services across the Council .
- Implement an ICT strategy that supports our service delivery and makes the necessary financial savings.

Management Commentary
Our Plans for the Future

The Council has an ambitious Corporate Transformation Programme, Capital Investment Programme and Individual Departmental Business Plans which will be delivered over the coming years within an environment of ever reducing financial resources and increasing public and government expectations.

Future Financial Plans



The Revenue and Capital Financial Plans 2015/16 onwards can be found on the Councils webpages at www.scotborders.gov.uk .

Management Commentary

Corporate Transformation Programme

During 2014/15 the Council's Corporate Management Team redeveloped the Transformation Programme for the Council and added additional programmes of work to it. This work has resulted in 19 pieces of work identified under the Council's Transformation Programme. Some of the areas of work are well underway and others are still in the earlier stages of scoping and project development.

Key Programmes/Projects Underway

Social Work Adult Services Programme

Work is well underway in progress in the service change and financial savings across a range of Social Work's Adult Services. This programme has seen the launch of SBCares to deliver many of the frontline services previously provided directly by the Council. 2015/16 will be a crucial year for SBCares in terms of bedding in the new management and operation structures and achieving the financial savings objectives.

A comprehensive review of charging was undertaken in 2014/15, focussed on the interests of clients and with the aim to deliver a number of key benefits including financial sustainability of services, fairness and equity in the application of charges, consistency of application across client groups and services, compliance with legislation and ensuring full application of the Council's policy on fees and charges. 2015/16 is the first year in which these benefits should be realised.

The continually increasing demographic implications on this service, means that delivery of savings continues to be challenging and requires stringent monitoring to ensure they are achieved.

Integration of Health and Social Care Programme

This programme, led by the Chief Officer - Health and Social Care Integration, is to deliver the Scottish Government's legislation-led integration initiative to have a Health and Social Care partnership for each of the 14 NHS Board areas in Scotland by April 2016. During 2014/15 the Council has been working with NHS Borders and voluntary and independent care partners to put in place simple joint working arrangements with the aim of providing better, more joined up adult health and social care services in the Borders.

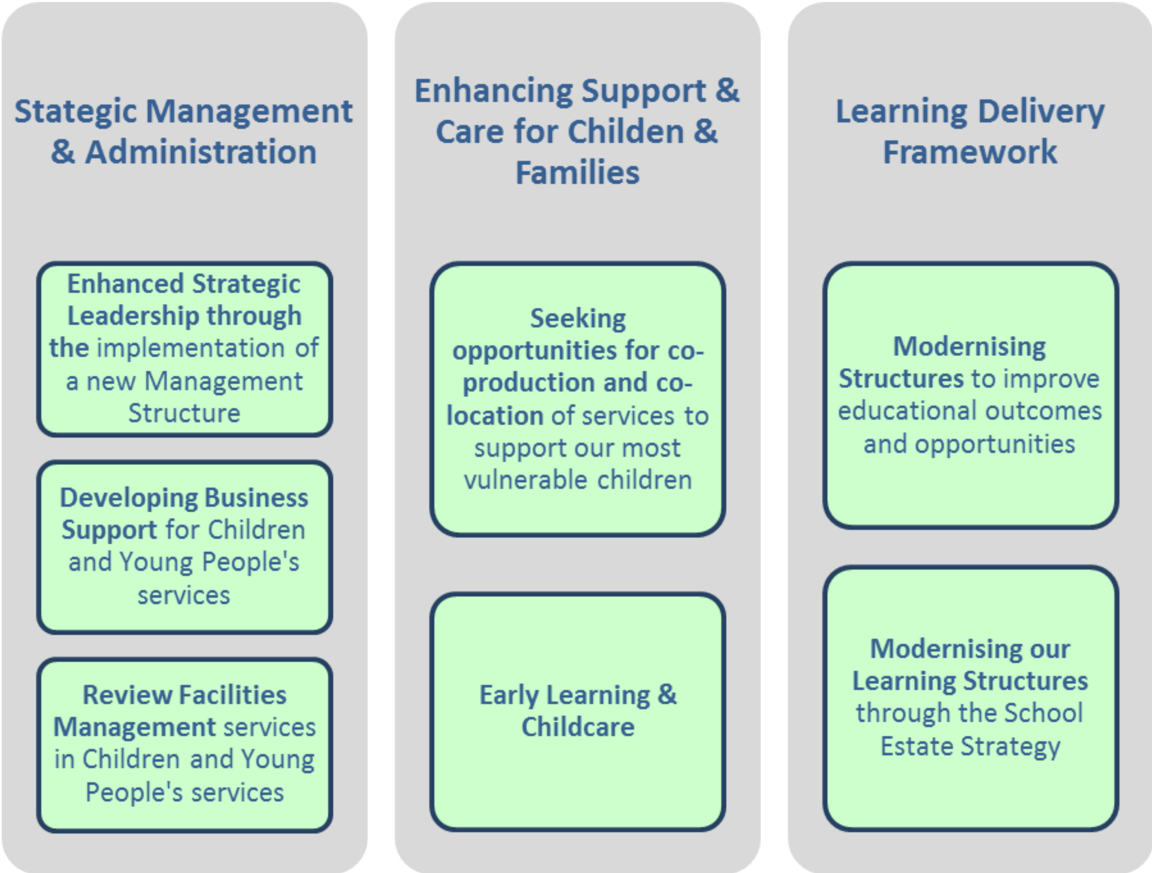
The formal joint working arrangements between NHS Borders and the Council were set out in the Scheme of Integration approved by Council and submitted the Scottish Government in April 2015. This involved the establishment of the Integration Joint Board.

The Scottish Borders Heath & Social Care Partnership's first draft Strategic Commissioning Plan 2015-18 is out for consultation and with a target to finalise the plan in October 2015. It is not possible to formally delegate the service delivery from NHS or the Council until the Integrated Joint Board has approved the Strategic Commissioning Plan. There are five work streams to be delivered during 2015/16 to enable services and budgets integrated and the approval of the Strategic Commissioning Plan.

Management Commentary

Children and Young People's Transformation Programme

The work under this programme is organised into three themes:



Project managers have been appointed to drive forward this significant change agenda.

BordersRailway
Edinburgh • Midlothian • Scottish Borders

Borders Railway Programme

The new Borders Railway opening in September 2015 will see three new stations in the Scottish Borders with trains running on 30 miles of railway between Tweedbank and Edinburgh. The project is the longest new domestic railway to be constructed in Britain for over 100 years and the Council see this as a huge opportunity to bring connectivity, inward investment and economic growth and increased tourism to the Scottish Borders.

During 2015 to mark the opening there will be a programme of events to promote the Borders Railway and maximise tourism and community engagement. In addition, the new stations including a multi-million pound investment in the Transport Interchange in Galashiels will open.

The Scottish Government issued *"Borders Railway – Maximising the Impact: A Blueprint for the Future"* in November 2014 setting out these ambitions in terms of tangible deliverables associated with the stated vision of:

"By 2020 the benefits of better transport connectivity will continue to spread across Midlothian and the Scottish Borders. The region will have experienced significant economic and population growth from new and affordable housing, commercial and tourism development, a diversifying business base and new demand for learning and skills. Working in partnership with the business community, the challenge of delivering an ambitious programme of activity will have been met."

For the Scottish Borders this includes:

- the location of the Great Tapestry of Scotland at Tweedbank in a new purpose built visitor hub; and
- the re-development of Tweedbank Industrial Estate into the Central Borders Business Park.

These projects, to be delivered in partnership, are included in the Capital Plan 2015/16 – 2024/25 reflecting the Council's commitment to securing long term benefits for the Scottish Borders.

Other Corporate Transformation Programmes/Projects

The other pieces of work within the Corporate Transformation Programme being progressed during 2015/16 and beyond include:

Workforce Transformation	**Localities Programme**	**Customer First**
Data/Information Sharing	**Alternative Models of Service Delivery**	**Digital Connectivity**
Information Technology	**Joint Delivery/Co-location**	**Property Assets**
Waste Strategy	**Business Process Re-engineering**	**Transport**
Energy Efficiency	**Co-Production of Services**	

Conclusion

The operating environment for the Council continues to be very challenging with financial and economic influences such as welfare reform, increasing demands on services, low interest rates and cost pressures from pay and price inflation all affecting the Council's finances. The Council, despite these challenges, remains financially sound and well placed to serve the people of the Scottish Borders in future.

David Parker	**Tracey Logan**	**David Robertson CPFA**
Leader	**Chief Executive**	**Chief Financial Officer**
Scottish Borders Council		

XX September 2015

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Chief Financial Officer.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).

- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council's Audit and Risk Committee at its meeting on 30 June 2015.

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2015.

David Robertson CPFA
Chief Financial Officer

Annual Governance Statement

Introduction

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

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

To this end, the Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE framework Delivering Good Governance in Local Government and the supporting guidance notes for Scottish authorities. A copy of our Local Code of Corporate Governance is available on the Council's website at www.scotborders.gov.uk.

This Annual Governance Statement explains how the Council has complied with the terms of the Local Code for the year ended 31 March 2015. The statement also covers relevant governance issues as they affect those entities included as part of the Council's Group Accounts.

The Governance Framework

The Council's Local Code of Corporate Governance provides the framework against which compliance is measured. This Local Code sets out the key principles, which require to be complied with, to demonstrate effective governance.

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

i. The Council has a Single Outcome Agreement in place agreed with the Scottish Government and Scottish Borders community planning partners. The Council's vision, strategic objectives and priorities are reflected in the Council's Corporate Plan and the Single Outcome Agreement which are approved by Council and published on the Council's website.

ii. The Council has an approved Performance Management Framework in place to enable progress to be monitored against the Council's Corporate Plan and Priorities, Single Outcome Agreement, and associated Service Business Plans and Financial Plans and to ensure it reports publicly on its performance.

iii. The Council responds to findings and recommendations of external audit, scrutiny and inspection bodies and its own independent internal audit section. The Audit & Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

iv. The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.

v. The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. In particular, the system includes annually approved revenue and capital financial plans, medium term financial planning, setting and monitoring targets to measure financial performance, and regular reviews of periodic and annual financial reports which indicate financial performance against budgets.

vi. The Council is committed to the delivery of efficiencies through its transformation programme with the objective to deliver efficient and effective services to customers, whilst maintaining a robust control environment. On an annual basis it identifies efficiency savings to be made within the financial plans, and monitors their achievement on a regular basis.

vii. The Council is currently undertaking two significant strategic developments involving different structures for delivering its services. Firstly, from 1 April 2015 delivery of the Council's adult care services transferred to SB Cares, a wholly owned subsidiary as a Limited Liability Partnership (LLP). The LLP Strategic Governance Group, a Sub-Committee of Council, was set up to carry out the monitoring and control functions required by the Council in connection with SB Cares LLP. Secondly, a feasibility study of options for Cultural services is underway including an option for an integrated sports and culture trust.

viii. The Council fosters relationships and partnerships with other public, private, and voluntary organisations in delivering services that meet the needs of the local community.

ix. Significant work has been undertaken to develop the governance arrangements in respect of the Health and Social Care integration programme with the appointment of the Chief Officer for Health and Social Care Integration in July 2014, the submission of the final Scheme of Integration to Scottish Ministers on 31 March 2015, the establishment of an Integration Joint Board with effect from 2 April 2015, and the commencement on the development of the strategic plan which will become live on 1 April 2016. The Health and Social Care Integration Scheme for the Scottish Borders has been developed with the full involvement of the Council's Internal Audit section. The Chief Officer Audit & Risk has been fully involved in developing the governance scheme for the Partnership as a member of the Integration & Governance working group since November 2013 and has been consulted on the draft Scheme of Integration.

x. The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.

xi. In 2014 a new corporate management structure was implemented. Alongside the existing Chief Executive, this created two Depute Chief Executive posts and twelve service directors. In addition there were a number of changes lower down the organisational hierarchy. The roles of officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process.

xii. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

xiii. The Chief Social Work Officer (CSWO) provides the Council with professional advice on the discharge of her statutory social work duties. She promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc. The CSWO presents an account of this work in an annual report to Council. The report also gives an overview of regulation and inspection, workforce issues and social policy themes over the year and highlights some of the forthcoming challenges.

xiv. The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control under the terms of the financial regulations.

xv. The Service Director Regulatory Services (the Monitoring Officer) is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. In line with the Council's Monitoring Officer Protocol, an annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.

xvi. The Chief Officer Audit & Risk (Head of Internal Audit (HIA)) reports administratively to the Service Director Strategy & Policy, reports functionally to the Audit & Risk Committee, meets regularly with the Chief Financial Officer, and has direct access to the Corporate Management Team. The HIA reports in her own name and retains final edit rights over all internal audit reports and provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements.

xvii. The Council has reviewed and refreshed its risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.

xviii. The Council has in place business continuity plans which set out the arrangements to ensure it can continue to deliver critical services if an incident of any kind occurs, has in place emergency plans to ensure it responds to any civil emergency in a way which meets the expectations of the Borders community, and is leading a Resilient Communities Initiative to enable communities working together in emergencies.

xix. The Council has reviewed and refreshed its proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.

xx. The scheme of members' remuneration sets out the terms of remuneration of elected members. Details of all members' allowances and expenses are published.

xxi. Personal development plans for elected members are being developed and these will be periodically supplemented by additional training further to the comprehensive Induction programme. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

xxii. Codes of conduct are in place for, and define the standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity.

xxiii. A range of systems and procedures are in place to ensure that elected members and employees are not influenced by prejudice or conflicts of interest in dealing with our citizens. A register of elected members' interests is maintained and published on the Council's website.

Review of Framework

The Council conducts an annual review of the effectiveness of its overall governance framework which is presented to the Audit & Risk Committee whose role includes high level oversight of the Council's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer self-evaluation working group on corporate governance which undertakes an annual self-assessment against the Council's Local Code of Corporate Governance. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place.

The review is also informed by assurances from the depute chief executives and service directors who have responsibility for the development and maintenance of the governance environment within their departments and services and who in turn identify actions to improve governance at a departmental level, the Chief Officer Audit & Risk's annual report on the work of internal audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance, and by comments made by external auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2014/15 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

Improvement Areas of Governance

The review has however identified a number of areas where further improvement in our governance arrangements can be made to ensure full compliance with our Local Code:

(a) The ongoing implementation of recommendations made by Internal Audit, External Audit and other external scrutiny and inspection bodies relating to internal control and governance, with particular emphasis on prompt implementation of high priority recommendations.

(b) Further implementation of approved governance arrangements associated with the Integration programme for Health & Social Care, ensuring delivery of structural reforms in local authority and NHS services in compliance with new legislation and regulations.

(c) In light of the ongoing significant challenges in addressing cost pressures and responding to the changes in government funding: (i) ensuring that financial, workforce and business plans are aligned to the Council's corporate plan and priorities, (ii) ensuring that options are fully appraised for alternative models and structures to enable delivery of efficient and effective services to customers in a sustainable way, and (iii) continuing to implement the welfare reform programme.

(d) Ongoing implementation of the Performance Management Framework to ensure performance measurement accurately and effectively linked to the delivery of the Single Outcome Agreement and the Council's Corporate Plan and Priorities informs improvement activity and decision making.

(e) Development and application of appropriate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value, acting as a focus for evidencing value for money in service provision.

(f) Evaluation of the new Committee structure arising from the 2014 review within 12 months of its operation to assess the effectiveness of elected member scrutiny of plans and performance.

(g) Ongoing development of written guidelines and procedures of the key financial planning, management and administration processes linked to the Financial Regulations and provision of financial training to managers and budget holders across the whole Council.

(h) Consistent application across all the activity in the Corporate Transformation Programme of the demonstrated key success factors including the robust definition of Business Case and Benefits, Return on Investment, and Programme and Change Management to ensure there is confidence of the delivery of improvements and savings.

(i) Ensuring comprehensive information management across the Council and within each department in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations.

(j) Monitoring and review to ensure there is a consistent approach to staff performance review and development (PRD) in all Council services, and roll out workforce planning and succession planning across the Council as part of its people management arrangements.

(k) Capturing compliments and other comments to gather a wide range of feedback from service users to complement the arrangements in place for dealing with complaints.

(l) Reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future and enhancing ongoing delivery of capital programmes and projects linked to corporate transformation programme.

These actions to enhance our governance arrangements in 2015/16 are incorporated where appropriate within the Council's business plans and their implementation and operation will be monitored in order to inform our next annual review.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Code in all significant respects.

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 1985, as amended by the Local Authority Accounts (Scotland) Amendment Regulations 2011, require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

Remuneration Policy

Remuneration of Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Convener, Senior Councillors or Councillors. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/15 the salary for the Leader of Scottish Borders Council is £33,123. The regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £289,816. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convenor, is £289,554. Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

The Remuneration for Members scheme which encompasses the salaries of all elected members including the Leader and Senior Councillors was agreed at a meeting of the full Council on 24 May 2012 and then amended at the meeting of Council on 30 August 2012 to take account of changes to the Scheme of Administration.

Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services provides a Scheme of Salaries & Conditions of Service that provides a basis for determining the salaries of Chief Executives of Scottish local authorities. Teaching staff salaries are set by The Scottish Negotiating Committee for Teachers (SNCT).

A senior employee is any employee who:

- Has responsibility for the management of the local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons, or
- Holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989 or
- Whose annual remuneration, including any annual remuneration from a local authority subsidiary body, is £150,000 or more.

Remuneration Report

Remuneration Disclosures

General Disclosure by Pay Band

The Code of Practice on Local Authority Accounting in the UK also requires information to be provided on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000. The numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions, is shown in the following table:

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£50,000 - £54,999 * ^	-	-	46	49	9	11	55	60
£55,000 - £59,999 *	3	2	8	9	1	5	12	16
£60,000 - £64,999 *	3	8	3	3	-	-	6	11
£65,000 - £69,999	1	-	1	1	-	-	2	1
£70,000 - £74,999	10	5	3	4	-	-	13	9
£75,000 - £79,999	2	4	-	-	-	-	2	4
£80,000 - £84,999 *	1	2	-	-	-	-	1	2
£85,000 - £89,999	1	1	-	-	-	-	1	1
£90,000 - £94,999	-	-	-	-	-	-	-	-
£95,000 - £99,999 ^	1	1	-	-	-	-	1	1
£100,000 - £104,999	2	1	-	-	-	-	2	1
£105,000 - £109,999	-	1	-	-	-	-	-	1
£110,000 - £114,999	-	-	-	-	-	-	-	-
£115,000 - £119,999 *	1	-	-	1	-	-	1	1
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	1	-	-	-	-	-	1
Total	25	26	61	67	10	16	96	109

Key:

* Indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retirement within 2014/15.

^ Indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retirement within 2013/14

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2013/14 £	Councillor Name	Responsibility	Total Remuneration 2014/15 £
32,795	D Parker	Leader of the Council	33,123
24,596	G Garvie	Convener	24,842
57,391		**Leader and Convenor Remuneration**	**57,965**
24,596	J Mitchell	Depute Leader of the Council	24,842
22,220	M Cook	Executive Member for HR and Corporate Improvement	22,442
22,220	V Davidson	Executive Member for Culture, Sport, Youth & Communities	22,442
22,220	F Renton	Executive Member for Social Work & Housing	22,442
22,220	D Moffat	Executive Member for Community Safety	22,442
22,220	J Brown	Executive Member for Community Planning/Vice Convener	22,442
22,220	A Aitchison	Executive Member for Education	22,442
22,220	S Bell	Executive Member for Economic Development	22,442
22,220	G Edgar	Executive Member for Roads and Infrastructure	22,442
22,220	D Paterson	Executive Member for Environmental Services	22,442
19,947	W Archibald	Convener of the Licensing Board	20,146
19,947	M Ballantyne	Leader of Opposition	20,146
15,530 (FYE 22,220)	R Smith	Executive Member for Planning and Environment (until 11 July 2013 and from 31 October 2013)	22,442
3,823 (FYE 22,220)	A Nicol	Executive Member for Planning and Environment (from 29 August 2013 to 30 October 2013)	-
283,823		**Total Other Senior Councillor Remuneration**	**289,554**
341,214		**Total Senior Councillor Remuneration**	**347,519**

(1) The total remuneration figures relate to the salary, fees and allowance for 2014-15 are as included in the Comprehensive Income and Expenditure Statement and are only in respect of monies paid to Councillors whilst actually holding a Senior Councillor position during that year.

(2) Councillor Bhatia held the position of Depute Leader (Health Services) which is not a remunerated post.

Total Remuneration paid to Councillors

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

Restated 2013/14 £'000		2014/15 £'000
648	Salaries	660
104	Expenses	98
752	Total	758

The draft annual return of Councillors' salaries and expenses for 2014/15 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees

The table below provides details of the remuneration paid to the Council's Senior Employees. The table reflects the Council corporate management restructure which resulted in the introduction of the three new service groupings of Chief Executives, People and Place.

2013/14			2014/15				
Total Remuneration £	Name	Post Title	Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
	Senior Employees in post as at 01/04/15						
118,893	TM Logan	Chief Executive (1)	128,617	32	-	-	128,649
275 (FYE 102,228)	P Barr	Depute Chief Executive (appointed 31 March 2014)	103,251	-	-	-	103,251
-	J McDiarmid	Depute Chief Executive (appointed 7 April 2014)	99,816 (FYE 101,508)	-	-	-	99,816
102,228	JR Dickson	Corporate Programmes & Services Director (2)	106,515	-	-	-	106,515
81,476	KD Robertson	Chief Financial Officer	84,891	79	-	-	84,970
78,801	DA Cressey	Service Director Strategy & Policy	80,487	-	-	-	80,487
70,663	J Craig	Service Director Neighbourhood Services	78,717	-	-	-	78,717
63,275	C Hepburn	Chief Human Resources Officer	63,607	-	-	-	63,607
12,526 (FYE 77,937)	EH Torrance	Chief Social Work Officer (appointed 3 February 2014)	78,847	-	-	-	78,847
12,526 (FYE 77,937)	GB Frater	Service Director Regulatory Services (appointed 3 February 2014)	78,717	32	-	-	78,749
-	AF Drummond-Hunt	Service Director Commercial Services (appointed 1 April 2014)	72,732	101	-	-	72,833
-	D Manson	Service Director Children & Young People (appointed 2 March 2015)	6,855 (FYE 85,000)	-	-	-	6,855
	Senior Employees departed post before 01/04/15						
102,228	JG Rodger	Director of Education and Lifelong Learning (left 13 April 2014)	7,401 (FYE 102,228)	-	82,569	-	89,970
72,732	HL Thompson	Head of Transformation Projects (left 6 April 2014)	1,212 (FYE 72,732)	-	60,843	-	62,055
72,732	I Wilkie	Head of Corporate Governance (left 6 April 2014)	1,212 (FYE 72,732)	-	61,892	-	63,104
30,892 (FYE 72,732)	M Joyce	Interim Capital Projects Service Director (appointed 3 February 2014, left 29 March 2015)	75,301 (FYE 75,301)	3,049	-	-	78,350
819,247		Total	1,068,178	3,293	205,304	-	1,276,775

Notes

(1) TM Logan figure of £128,617 includes £4,296 Local Returning Officer fee for the European Parliamentary Election, £234 Returning Officer fee for the Hawick & Denholm By-Election, both in May 2014, and £3,276 Counting Officer fee for the Scottish Independence Referendum in September 2014.

(2) JR Dickson figure of £106,515 includes £1,836 Depute Local Returning Officer fee for the European Parliamentary Election, £176 Depute Returning Officer fee for the Hawick & Denholm By-Election, both in May 2014, and £2,276 Depute Counting Officer fee for the Scottish Independence Referendum in September 2014.

The Council contributes £50,000 per annum towards salary and pension contributions of the post of Director of Public Health. Details of the remuneration paid in respect of this post can be found within the annual financial statements of NHS Borders (Borders Health Board).

No SBC senior employees received remuneration from subsidiaries during 2014/15.

Remuneration Report

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2013/14 and 2014/15:

Exit Package Cost band (including special payments) 2014/15	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Pages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	14	11	25	181,000
£20,001 - £40,000	7	6	13	352,967
£40,001 - £60,000	-	2	2	92,169
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	-	-	-	-
Total	21	19	40	626,136

The total costs of £0.626m in the table above includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. A provision of £0.736m was set aside in 2013/14 to fund part of these costs associated with exit packages agreed before 31 March 2014. In addition the Council's Comprehensive Income and Expenditure Statement includes a provision for £0.219m relating to exit packages agreed in 2014/15 for staff departures which will happen in 2015/16. These costs are not included in the pay bandings shown in the Pay Bandings table above.

Exit Package Cost band (including special payments) 2013/14	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Pages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	2	25	27	182,471
£20,001 - £40,000	-	5	5	151,546
£40,001 - £60,000 (1)	-	2	2	86,226
£60,001 - £80,000	-	2	2	140,263
£80,001 - £100,000 (2)	-	1	1	85,954
£100,001 - £150,000	-	2	2	239,558
£150,001 - £200,000 (3)	-	1	1	166,191
Total	2	38	40	1,052,209

Notes

(1) Decrease of £13,389 compared to value disclosed in 2013/14 accounts due to recalculation based on actual leaving date.
(2) Decrease of £1,045 compared to value disclosed in 2013/14 accounts due to recalculation based on actual leaving date.
(3) Increase of £3,317 compared to value disclosed in 2013/14 accounts due to recalculation based on formal pension calculation.

Pension Benefits

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

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

For local government employees, there is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The normal retirement age under the scheme for both Councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2014/15 were as follows:

Whole Time Pay	2014/15
On earnings up to and including £20,335 (2013/14 £19,800)	5.50%
On earnings above £20,335 and up to £24,853 (2013/14 £19,800 to £24,200)	7.25%
On earnings above £24,853 and up to £34,096 (2013/14 £24,200 to £33,200)	8.50%
On earnings above £34,096 and up to £45,393 (2013/14 £33,200 to £44,200)	9.50%
On earnings above £45,393 (2013/14 £44,200)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

Following the changes in 2009 there is no longer an automatic entitlement to a lump sum. Members of the Pension Fund may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension benefits on retirement without reduction (where benefits are paid on earlier than "normal date of retrial") and without the exercise of any option to commute pension entitlement into a lump sum and without any adjustment for the effects of inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

As of 1 April 2015, the Local Government Pension Scheme (Scotland) Regulations 2014 come into effect. This will change the future pension benefits accrued and this will be reflected in next year's annual accounts.

Remuneration Report

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2015 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

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

Councillor Name	Responsibility	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2014 £	For year to 31 March 2015 £	Type	As at 31 March 2015 £	Difference from 31 March 2014 £
D Parker	Leader of the Council	5,903	5,962	Pension Lump Sum	4,375 p.a. 2,532	597 p.a. 5
G Garvie	Convener	4,427	4,472	Pension Lump Sum	1,177 p.a. -	421 p.a. -
J Mitchell	Depute Leader of the Council	4,427	4,472	Pension Lump Sum	2,572 p.a. 1,489	433 p.a. 59
M J Cook	Executive Member for HR and Corporate Improvement	4,000	4,040	Pension Lump Sum	3,157 p.a. 1,827	408 p.a. -11
V Davidson	Executive Member for Culture, Sport, Youth & Communities	4,000	4,040	Pension Lump Sum	2,881 p.a. 1,667	403 p.a. 10
D P Moffat	Executive Member for Community Safety	4,000	4,040	Pension Lump Sum	2,628 p.a. 1,521	398 p.a. 29
J Brown	Executive Member for Community Planning/Vice Convener	4,000	4,040	Pension Lump Sum	3,519 p.a. 4,592	406 p.a. 77
A Aitchison	Executive Member for Education	4,000	4,040	Pension Lump Sum	2,462 p.a. 1,425	394 p.a. 42
S Bell	Executive Member for Economic Development	4,000	4,040	Pension Lump Sum	1,088 p.a. -	382 p.a. -
G Edgar	Executive Member for Roads and Infrastructue	4,000	4,040	Pension Lump Sum	1,088 p.a. -	382 p.a. -
D Paterson	Executive Member for Environmental Services	4,000	4,040	Pension Lump Sum	6,990 p.a. 15,010	444 p.a. 195
W Archibald	Convener of the Licensing Board	3,590	3,626	Pension Lump Sum	2,354 p.a. 1,365	357 p.a. 29
R Smith	Executive Member for Planning and Environment (until 11 July 2013 and from 31 October 2013)	3,684	4,040	Pension Lump Sum	2,684 p.a. 1,553	399 p.a. 25
Total		54,031	54,892			

Notes

(1) Councillors Renton, Ballantyne and Nicol are not part of the Pension Scheme.
(2) Some Senior Councillors have transferred in previous pension rights to the Local Government Pension Scheme, which has purchased pension in addition to their statutory benefits.

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the full year to 31 March 2015.

Name	Post Title	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2014	For year to 31 March 2015	Type	As at 31 March 2015	Difference from 31 March 2014
Senior Employees in post as at 01/04/15		£	£		£	£
TM Logan	Chief Executive	21,071	21,746	Pension	36,882 p.a.	3,094 p.a.
				Lump Sum	74,406	2,306
P Barr	Depute Chief Executive	-	18,584	Pension	17,676 p.a.	17,671 p.a.
	(appointed 31 March 2014)			Lump Sum	22,054	22,054
J McDiarmid	Depute Chief Executive	-	17,967	Pension	1,664 p.a.	1,664 p.a.
	(appointed 7 April 2014)			Lump Sum	-	-
JR Dickson	Corporate Programme & Service Director	18,401	18,401	Pension	6,572 p.a.	1,703 p.a.
				Lump Sum	-	-
KD Robertson	Chief Financial Officer	14,666	15,280	Pension	26,057 p.a.	2,405 p.a.
				Lump Sum	52,705	2,119
DA Cressey	Service Director Strategy & Policy	14,184	14,488	Pension	35,208 p.a.	2,413 p.a.
				Lump Sum	81,477	2,577
J Craig	Service Director Neighbourhood Services	12,719	14,169	Pension	26,780 p.a.	3,931 p.a.
				Lump Sum	56,725	5,833
C Hepburn	Chief Human Resources Officer	10,768	11,025	Pension	6,805 p.a.	1,156 p.a.
				Lump Sum	2,039	48
EH Torrance	Chief Social Work Officer	13,689	16,531	Pension	35,622 p.a.	2,482 p.a.
	(appointed 3 February 2014)			Lump Sum	83,251	2,830
GB Frater	Service Director Regulatory Services	13,242	14,169	Pension	36,140 p.a.	3,601 p.a.
	(appointed 3 February 2014)			Lump Sum	84,804	5,572
AF Drummond-Hunt	Service Director Commercial Services	13,092	13,092	Pension	24,873 p.a.	1,212 p.a.
	(appointed 1 April 2014)			Lump Sum	52,800	-
D Manson	Service Director Children and Young People	-	1,234	Pension	116 p.a.	116 p.a.
	(appointed 2 March 2015)			Lump Sum	-	-
Senior Employees departed post before 01/04/15						
JG Rodger	Director of Education and Lifelong Learning	18,401	664	Pension	48,999 p.a.	2,691 p.a.
	(left 13 April 2014)			Lump Sum	119,798	6,430
HL Thompson	Head of Transformation Projects	13,092	218	Pension	39,062 p.a.	20 p.a.
	(left 6 April 2014)			Lump Sum	98,943	-
I Wilkie	Head of Corporate Governance	13,092	218	Pension	34,242 p.a.	20 p.a.
	(left 6 April 2014)			Lump Sum	84,484	-
M Joyce	Interim Capital Projects Service Director	5,560	13,021	Pension	1,717 p.a.	1,206 p.a.
	(appointed 3 February 2014, left 29 March 2015)			Lump Sum	-	-
Total		181,977	190,807			

Notes

The lump sum figures in the above table show the statutory lump sum amounts payable to members of the LGPS, in respect of service under the scheme with the Council up to 31 March 2009. The accrued pension benefits include any transfer of benefits from another pension scheme but do not include benefits relating to additional voluntary contributions (i.e. contributions which do not require to be made by an individual under the LGPS). The in-year pension contributions represent the total contributions for the individual irrespective of the post(s) held for the year(s) that the post holder became/continued to be categorised as a Senior Employee.

Movement in Reserves Statement

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

Movement in reserves during 2013/14

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**	**Notes**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 01/04/2013	(15,019)	(6,800)	(133)	(1,388)	**(23,340)**	54,205	**30,865**	
Movement in reserves during 2012/13								
(Surplus)/deficit on provision of services	6,436	-	-	-	**6,436**	-	**6,436**	
Other Comprehensive Income & Expenditure	-	-	-	-	**-**	(10,694)	**(10,694)**	
Total Comprehensive Income & Expenditure	6,436	-	-	-	**6,436**	(10,694)	**(4,258)**	
Adjustments between accounting basis & funding basis under regulations								
Charges for depreciation & amortisation of non-current assets	(19,993)	-	-	-	**(19,993)**	19,993	-	**12 & 14**
Impairment losses (charged to CI&ES)	(618)	-	-	-	**(618)**	618	-	
Revaluation Losses	(3,064)	-	-	-	**(3,064)**	3,064	-	
Capital grants and contributions applied	14,868	-	-	-	**14,868**	(14,868)	-	**28**
Icelandic Banks Statutory Adjustment	605	-	-	-	**605**	(605)	-	**29**
Icelandic Loss Adjustment	(585)	-	-	-	**(585)**	585	-	
Employee Statutory Adjustments	(1,370)	-	-	-	**(1,370)**	1,370	-	
Profit/(Loss) on disposal of assets	349	(1,181)	-	-	**(832)**	832	-	
Revenue Exp Funded From Capital	(529)	-	-	-	**(529)**	529	-	**10**
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	205	-	-	-	**205**	(205)	-	
Net retirement charges per IAS 19	(24,093)	-	-	-	**(24,093)**	24,093	-	
Loans Fund principal repayments and Statutory premia	11,717	-	-	-	**11,717**	(11,717)	-	
Capital Expenditure charged to General Fund balance	432	-	-	-	**432**	(432)	-	
Employers contribution payable to Pension Fund	11,609	-	-	-	**11,609**	(11,609)	-	
Net (Increase)/Decrease before transfers	**(4,031)**	**(1,181)**	-	-	**(5,212)**	**954**	**(4,258)**	
Net Transfers to or (from) other reserves	1,913	1,058	(167)	27	**2,832**	(2,832)	-	
(Increase)/Decrease in 2013/14	**(2,118)**	**(123)**	**(167)**	**27**	**(2,380)**	**(1,878)**	**(4,258)**	
Balance at 31/03/2014	**(17,136)**	**(6,923)**	**(300)**	**(1,361)**	**(25,720)**	**52,327**	**26,607**	

Movement in Reserves Statement

Movement in reserves during 2014/15

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**	**Notes**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 01/04/2014	(17,136)	(6,923)	(300)	(1,361)	**(25,720)**	52,327	**26,607**	**31**
Movement in reserves during 2014/15								
(Surplus)/deficit on provision of services	(179)	-	-	-	**(179)**	-	**(179)**	
Other Comprehensive Income & Expenditure	-	-	-	-	-	(44,745)	**(44,745)**	
Total Comprehensive Income & Expenditure	(179)	-	-	-	**(179)**	(44,745)	**(44,924)**	
Adjustments between accounting basis & funding basis under regulations								
Charges for depreciation & amortisation of non-current assets	(20,886)	-	-	-	**(20,886)**	20,886	-	12 & 14
Impairment Losses (charged to CI&ES)	(3,085)	-		-	**(3,085)**	3,085	-	
Revaluation Losses	(288)	-	-	-	**(288)**	288	-	
Capital grants and contributions applied	20,768	-	-	-	**20,768**	(20,768)	-	**28**
Employee Statutory Adjustments	1,270	-	-	-	**1,270**	(1,270)	-	
Profit/(Loss) on disposal of assets	(288)	(747)	-	-	**(1,035)**	1,035	-	
Revenue Exp Funded From Capital	(3)				**(3)**	3	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	206	-	-	-	**206**	(206)	-	
Net retirement charges per IAS 19	(25,039)	-	-	-	**(25,039)**	25,039	-	
Loans Fund principal repayments and Statutory premia	10,818	-	-	-	**10,818**	(10,818)	-	
Capital Expenditure charged to General Fund balance	935	-	-	-	**935**	(935)	-	
Employers contribution payable to Pension Fund	12,517	-	-	-	**12,517**	(12,517)	-	
Net (Increase)/Decrease before transfers	**(3,254)**	**(747)**	-	-	**(4,001)**	**(40,923)**	**(44,924)**	
Net Transfers to or (from) other reserves	1,399	118	261	47	**1,825**	(1,825)	-	
(Increase)/Decrease in 2014/15	**(1,855)**	**(629)**	**261**	**47**	**(2,176)**	**(42,748)**	**(44,924)**	
Balance at 31/03/2015	**(18,991)**	**(7,552)**	**(39)**	**(1,314)**	**(27,896)**	**9,579**	**(18,317)**	31

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Restated 2013/14				2014/15			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
117,471	(4,796)	112,675	Education	118,088	(4,506)	113,582	
35,621	(31,646)	3,975	General Fund Housing Services	38,676	(33,469)	5,207	
12,055	(1,503)	10,552	Cultural & Related Services	16,335	(1,942)	14,393	
24,500	(2,345)	22,155	Environmental Services	22,460	(2,852)	19,608	
21,988	(6,095)	15,893	Roads & Transport Services	24,404	(5,844)	18,560	
8,295	(3,323)	4,972	Planning & Development Services	8,661	(4,376)	4,285	
87,375	(16,022)	71,353	Social Work	84,144	(14,947)	69,197	
11,283	(3,000)	8,283	Central Services	8,439	(1,434)	7,005	
2,445	-	2,445	Non-Distributed Costs	685	-	685	
321,033	**(68,730)**	**252,303**	**Services provided by the Council**	**321,892**	**(69,370)**	**252,522**	
321,033	**(68,730)**	**252,303**	**Net Cost of Services**	**321,892**	**(69,370)**	**252,522**	
		(290)	Roads Trading Operation (Surplus)/Deficit (External)			(165)	8
			Other Operating Expenditure				
		(785)	(Gain)/Loss on Disposal of Assets			288	
			Financing & Investment Income and Expenditure				
		11,908	Interest Payable & Similar Charges			11,806	29
		(159)	Interest Receivable & Similar Income			(48)	
		8,389	Net Interest Expense on the Net Defined Benefit Liability			8,973	20
			Taxation and Non-Specific Grant Income				
		(176,318)	Revenue Support Grant			(175,625)	
		(28,503)	Non-Domestic Rates Pool for Scotland			(31,013)	
		(45,241)	Council Tax			(46,149)	
		(14,868)	Capital Grants and Contributions			(20,768)	28
		6,436	**(Surplus)/Deficit on Provision of Services**			**(179)**	

Comprehensive Income and Expenditure Account

2013/14				2014/15			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
		6,436	**(Surplus)/Deficit on Provision of Services**			**(179)**	
		(5,357)	(Surplus)/Deficit on revaluation of Non Current Assets			96	
		(2)	Any Other (Gains) Or Losses			7	
		(5,335)	Actuarial (gains)/losses on pension assets/liabilities			(44,848)	
		(10,694)	**Other Comprehensive Income and Expenditure**			(44,745)	
		(4,258)	**Total Comprehensive Income and Expenditure**			**(44,924)**	

Balance Sheet

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

2013/14 £'000		2014/15 £'000	Notes
	Property Plant and Equipment		
291,628	Other Land and Buildings	290,444	12
14,125	Vehicle, Plant, Furniture & Equipment	14,621	12
83,294	Infrastructure	86,483	12
6,721	Surplus Assets	4,730	12
18,452	Assets Under Construction	26,976	12
997	Heritage Assets	1,014	13
365	Intangible Assets	295	14
4,593	Long Term Debtors	5,223	29
420,175	**Long Term Assets**	**429,786**	
-	Short Term Investments	52	
922	Inventories	966	24
32,160	Short Term Debtors	38,219	30
(8,570)	less Bad Debt Provision	(8,838)	
13,692	Cash and Cash Equivalents	14,997	34
38,204	**Current Assets**	**45,396**	
(3,390)	Short Term Borrowing	(3,243)	29
(47,517)	Short Term Creditors	(49,026)	29
(2,599)	Provisions	(5,108)	25
(53,506)	**Current Liabilities**	**(57,377)**	
(171,895)	Long Term Borrowing	(172,076)	29
(55,873)	Deferred Liabilities	(54,330)	
-	Finance Leases/Bonds	-	
(615)	Due to Trust Funds and Common Good	(517)	
(4,699)	Capital Grants Receipts in Advance	(6,493)	
(233,082)	**Long Term Liabilities**	**(233,416)**	
171,791	**Net Assets excluding pension liability**	184,389	
(198,398)	Pension Liability	(166,072)	20
(26,607)	**Net Assets/(Liabilities) including pension liability**	**18,317**	

Balance Sheet

2013/14 £'000	Financed By:	2014/15 £'000	Notes
	Useable Reserves		
(6,923)	Capital Fund	(7,552)	31
(17,136)	General Fund Balance	(18,991)	
(300)	Property Maintenance Fund	(39)	
(1,361)	Insurance Fund	(1,314)	
	Unusable Reserves		
(91,771)	Capital Adjustment Account	(103,407)	31
5,601	Financial Instruments Adjustment Account	5,395	
(68,361)	Revaluation Reserve	(65,671)	
198,398	Pension Reserve	166,072	
8,460	STACA Statutory Mitigation Account	7,190	
26,607	**Total Reserves**	**(18,317)**	

The unaudited accounts were issued on 30 June 2015.

David Robertson CPFA
Chief Financial Officer
30 June 2015

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2013/14 £'000		2014/15 £'000	2014/15 £'000	Notes
6,436	Net (Surplus) or deficit on the provision of services	(179)		
(41,096)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(34,144)		32
13,891	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	19,201		32
(20,769)	Net Cash Flows From Operating Activities		(15,122)	
	Investing Activities			
27,100	Purchase of PP&E, investment property and intangible assets	32,018		
(1,169)	Proceeds from PP&E, investment property and intangible assets	(745)		
(4,995)	Purchase/(Disposal) of short & long term investments	52		
(16,443)	Other Items which are Investing Activities	(21,627)		
4,493	Net Cash Flows from Investing Activities		9,698	
	Financing Activities			
-	Cash received from loans & other borrowing	(219)		
1,880	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,921		
6,136	Repayments of short and long term borrowing	167		
461	Other items which are financing activities	2,250		
8,477	Net Cash Flows from Financing Activities		4,119	
(7,799)	Net (Increase) or Decrease in Cash and Cash Equivalents		(1,305)	
5,893	Cash and Cash Equivalents at the beginning of the reporting period		13,692	
13,692	Cash and Cash Equivalents at the end of the reporting period		14,997	34
(7,799)	Movement		(1,305)	

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Accounting Polices

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve).

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

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

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

The Local Government Pension Scheme
The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- contributions paid to the Scottish Borders Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

Events after the Reporting Period

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

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events

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

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

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

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

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

Financial Instruments

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

Accounting Polices

Financial Liabilities:

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle and interest repayable. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

All debt instruments were re-measured at amortised cost as at 1 April 2007. For loans with a constant rate of interest there is no change in practice. However the Council does hold some stepped interest loans. These have been re-measured using the Effective Interest Rate (EIR) method which smoothes out the interest rate over the entire loan period. These loans are shown in the Balance Sheet at a carrying amount which reflects the consequence of this smoothing calculation and is inclusive of accrued interest. For all non-EIR loans the Balance Sheet carrying amount now also includes accrued interest.

Financial Assets:

Financial assets can be classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- Available for sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payments.

Loans and receivables are initially measured at fair value and subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of the asset are credited or debited to the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council does not hold any available for sale financial assets.

Financial Guarantee contracts are now also required to be re-measured to assess the likelihood of the guarantee being called in. The Council has no guarantees which fall within this requirement.

Government Grants

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

- The Council will comply with the conditions attached to the payment.

- The grants or contributions will be received.

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

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

Heritage Assets

The Council has four identifiable collections of Tangible Heritage Assets which are held by a number of services in the Council. The collections are accounted for as follows:

- Museum Collection
  The collection of various artefacts is reported on the Balance Sheet using the best available valuations; the Museum Service is working towards compliance with the Code. Where possible external valuations will be used to supplement the professional valuations carried out by Museums Service Officers. The artefacts are deemed to have indeterminate lives and accordingly depreciation is not charged.

- Fine Arts Collection
  The fine art picture collection is reported on the Balance Sheet on the basis of the professional opinion of value by the officers of the Museum Service using where possible the latest information on comparable pictures from sale rooms. As with the Museum Collection the Service is working towards more external valuation of the collection. The pictures are deemed to have indeterminable lives and accordingly depreciation is not charged.

- Archive Centre Collection
  Due to the unique nature and volume of the papers held in the Archive Centre no valuation of the collection has been undertaken and it is felt that such a task would not represent value for money. The papers are deemed to have indeterminate lives and accordingly depreciation is not charged.

- Monuments, Memorials and Statues Collection
  The Property and Facilities Service look after all of the War Memorials, various monuments and statues and these are valued on the basis of Community Assets so are reported on the Balance Sheet at no value. It is felt that any other basis of valuation would not represent value for money. Depreciation would be inappropriate to charge in conjunction with the valuation basis used.

The Council has one identifiable collection of Intangible Heritage Assets which is held by the Archive Centre. The same accounting policy used for the Archive Centre Collection applies to this collection.

Accounting Polices

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events [e.g. purchased software] is capitalised when it will bring benefits to the Council for more than one financial year.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

The balance is amortised to the relevant service line in the Comprehensive Income and Expenditure Statement over its useful life. The amortisation basis is reviewed on an annual basis to ensure any impairment is identified.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

- A charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability.

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overhead and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core — costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in Service Reporting Code of Practice (SerCop) and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on continuing services.

Private Finance Initiative (PFI)

PFI Contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet.

The original recognition of the assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associate with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis limit of £1,000 for single items of expenditure and £5,000 for groups of items costing less than £1,000 each. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement. These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

Accounting Polices

Measurement: assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council currently capitalises borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where material impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulative gains).

- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell. Where there is subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation: depreciation is provided for on all Property, Plant and Equipment assets by allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is calculated on the following bases:

- Land and Buildings
  - Land is not depreciated
  - Buildings are written off over their estimated life.

- Vehicles, Plant, Furniture and Equipment
  - Historic costs are written off over each asset's estimated life.

- Infrastructure
  - Historic costs are written off over the estimated useful life of the asset.

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

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

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking in to account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – when it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle the provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Redemption of Debt and Interest Charges

The Council administers a Loans Fund as required by Schedule 3 to the Local Government (Scotland) Act 1975. Repayments of principal to the Fund are charged over the appropriate borrowing period, utilising an annuity type method. Interest charges are made in accordance with the average rate paid by the Loans Fund and are calculated on the basis of advances outstanding at the commencement of the financial year and the equated monthly net capital expenditure during the year. All interest calculations, including those relating to interest on revenue balances, are in accordance with the recommendations of LASAAC.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement of Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

VAT

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

Notes to the Core Financial Statements

Note 1 First Time Adoption of Accounting Standards

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, there has been no first time adoption of Accounting Standards.

Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The following Adopted IFRSs 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.

IFRS13 Fair Value Measurement

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Public Private Partnerships (PPP) – The Council is deemed to control the services provided under the agreement for the provision of educational establishments in accordance with IFRC12. The Council controls the services provided under the scheme and ownership of the schools will pass to the Council at the end of the contract. The schools are therefore recognised as assets on the Council's balance sheet.

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

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Core Financial Statements

Note 5 Segmental Reporting

The Code requires that Councils analyse financial performance of their operations in the Comprehensive Income and Expenditure Statement using the service analysis included in the Service Reporting Code of Practice.

However, it may be more relevant to review financial performance according to how the authority has been managed, with information corresponding with that used by management in making decisions.

The income and expenditure of the Council's principle departments, which has been used by management in making decisions, can be summarised by subjective level as shown below:

There have been presentational changes in 2014/15 in accordance with the organisational restructure and therefore the 2013/14 figures have been restated in order to aid comparison between current and prior year.

Various items are not reported to management or included in Net Cost of Services and these are year end accounting adjustments such as IAS19 and depreciation etc. There is a difference in the income figures between the department reconciliation and the CI&ES; this is due to the fact that CI&ES only reports external income.

Departmental Income and Expenditure 2014/15

	Chief Executive £'000	People £'000	Place £'000	Other £'000	Total £'000
Employee Costs	18,936	99,023	30,984	1,206	150,149
Premises Costs	2,297	9,162	5,703	2,218	19,380
Transport Costs	404	6,993	17,030	2	24,429
Supplies & Services Costs	7,207	12,117	10,765	6,853	36,942
Third Party Payments	7,397	53,885	3,845	660	65,787
Transfer Payments	3	992	-	30,372	31,367
Support Services	23	913	447	92	1,475
Capital Charges	90	-	25	19,244	19,359
Income	(7,552)	(19,435)	(32,991)	(31,203)	(91,181)
	28,805	163,650	35,808	29,444	257,707

Reconciliation to Subjective Analysis 2014/15

Reconciliation of departmental Income and Expenditure to Net Cost of Services and the (Surplus)/Deficit on the provision of services in the Comprehensive Income and Expenditure Statement (CI&ES)

	Departmental Analysis £'000	Amounts not in Net Cost of Services £'000	Not reported to Management £'000	Not included in CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee Costs	150,149	165	2,296	-	152,610	8,973	161,583
Premises Costs	19,380	-	273	-	19,653	-	19,653
Transport Costs	24,429	-	(56)	-	24,373	-	24,373
Supplies & Services Costs	36,942	(5,550)	(936)	-	30,456	-	30,455
Third Party Payments	65,787	(4,795)	-	-	60,992	-	60,992
Transfer Payments	31,367	-	-	-	31,367	-	31,367
Support Services	1,475	-	23,720	-	25,195	-	25,195
Capital Charges	19,359	(10,095)	22,633	(9,140)	22,757	12,093	34,850
Income	(91,181)	20	(23,720)	-	(114,881)	(273,767)	(388,648)
	257,707	(20,255)	24,210	(9,140)	252,522	(252,701)	(179)

The total of £0.179m refers to the Surplus on Provision of Services as per the Comprehensive Income and Expenditure Statement on page 41.

Notes to the Core Financial Statements

Departmental Income and Expenditure 2013/14

	Chief Executive £'000	People £'000	Place £'000	Other £'000	Total £'000
Employee Costs	17,537	99,917	31,104	1,220	149,778
Premises Costs	2,238	9,222	3,766	2,189	17,415
Transport Costs	420	6,936	17,002	3	24,361
Supplies & Services Costs	5,339	7,252	10,062	7,046	29,699
Third Party Payments	6,100	56,643	3,446	521	66,710
Transfer Payments	2	958	-	30,130	31,090
Support Services	(1,553)	599	1,763	77	886
Capital Charges	40	-	48	19,765	19,853
Income	(2,152)	(19,984)	(32,085)	(31,012)	(85,233)
	27,971	161,543	35,106	29,939	254,559

Reconciliation to Subjective Analysis 2013/14

	Departmental Analysis £'000	Amounts not in Net Cost of Services £'000	Not reported to Management Restated £'000	Not included in CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee Costs	149,778	290	5,475	-	155,543	8,389	163,932
Premises Costs	17,415	-	(160)	-	17,255	-	17,255
Transport Costs	24,361	-	(25)	-	24,336	-	24,336
Supplies & Services Costs	29,699	(5,829)	(8)	-	23,862	-	23,862
Third Party Payments	66,710	(4,844)	-	-	61,866	-	61,866
Transfer Payments	31,090	-	-	-	31,090	-	31,090
Support Services	886	-	22,230	-	23,116	-	23,116
Capital Charges	19,853	(10,615)	22,589	(9,148)	22,679	11,124	33,803
Income	(85,233)	19	(22,230)	-	(107,444)	(265,380)	(372,824)
	254,559	(20,979)	27,871	(9,148)	252,303	(245,868)	**6,436**

The total of £6.436m refers to the Deficit on Provision of Services as per the Comprehensive Income and Expenditure Statement on page 41.

Notes to the Core Financial Statements

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2014/15 financial year.

Note 7 Prior Year Adjustments

There have been prior year adjustments made in the balance sheet for Property, Plant & Equipment (see Note 12).

Note 8 Significant Trading Operation

SBc Contracts is the only 'Significant Trading Operation' at Scottish Borders Council in terms of the Local Government (Scotland) Act 2003. The financial performance is summarised below:

2013/14 £'000		2014/15 £'000	3 Year Cumulative £'000
(11,565)	Turnover for the Year	(19,203)	(52,538)
(585)	(Surplus) / Deficit	(541)	(1,359)

SBc Contracts undertakes a wide range of activities including:

- A range of revenue and capital work for Council Services (mainly highways and bridge construction).
- External contracts for other local authorities and the Scottish Government.
- Sub-contractor on a number of public contracts including West Linton Primary School
- A wide range of external contracts for the private sector.

SBc Contracts employs 45 manual workers and 15 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation.
- Utilising additional Neighbourhood Services labour capacity, where appropriate
- Maintaining very competitive charge-out rates to offer "Best Value" for Council Revenue and Capital projects.

In 2014/15 SBc Contracts recorded an annual surplus of £0.541m against a revised budget target of a £0.655m surplus.

In 2014/15 turnover increased by £7.6m, or 66%, to £19.2m. This was as a result of additional workload associated with the Border Railway, Galashiels and Selkirk Flood prevention schemes, Kelso Townscape project and the new Kelso CRC. Of the total turnover, £10.8 million, or 56.25%, was generated by non Scottish Borders Council work, an increase of £5.66 million, 109.1% year on year, principally relating to the new Borders Railway. SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £7.9 million during 2014/15. Despite the increase in Turnover, the Surplus fell by £0.044million to £0.541m, compared to the previous year as increased competition lead to lower margins. Within the overall £0.541 million surplus generated in 2014/15, £0.165 million was generated from external work and £0.376 million was generated on internal work.

Significant trading operations are required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2014/15 SBc Contracts recorded a surplus in each of the three years and generated a cumulative total surplus of £1.359 million.

Notes to the Core Financial Statements

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2014/15 Scottish Borders Council received £0.358m (2013/14 £0.322m) in commission from Scottish Water as part of the agency agreement.

Note 10 Related Parties

The Council is required to disclose material transactions with related parties, that is bodies and individuals that have the potential to control or influence the Council or be controlled and influenced by the Council.

Central Government has effective control over the general operations of the Council by providing the statutory framework in which the Council operates, the majority of the Council's funding by providing grants and prescribes the nature of many of the transactions the Council has with third parties, e.g. Housing Benefit.

Members of the Council have direct control over the financial and operating policies of the Council. A review of the interests declared in the Members' Register of Interests highlighted that during 2014-15 the Council commissioned works and services totalling £252k from a business in which a Councillor had declared an interest. Contracts were entered into in full compliance with the Council`s standing orders and the Councillors` Code of Conduct. The Remuneration Report shows the total allowances paid to senior members in 2014/15. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest.

During 2014/15, the Scottish Borders Council Pension Fund had an average balance of £6.603 m (2013/14: £6.081m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.022m (2013/14: £0.022m). In addition the Council charged the Pension Fund £0.321m in respect of expenses incurred in administering the Fund.

	2013/14	**2014/15**
Due to the Scottish Borders Council Pension Fund	£0.031m	£0.136m

The Council provided routine material financial assistance to other bodies in 2014/15 as follows:

- Borders Sport and Leisure Trust £1.387m
- Jedburgh Leisure Facilities Trust £0.121m
- VisitScotland £0.114m

In addition the Council was engaged in the following areas of joint working with NHS Borders:

Resource Transfer – a total of £2.530m was transferred from NHS Borders and utilised as follows:

Children's Services	£0.105m
Older People	£1.282m
Adults with Learning Difficulties	£0.968m
People with Mental Health Needs	£0.126m
Support Services	£0.049m

Other funding from NHS Borders in 2014/15 to support services are:

Older people	£0.152m
Adults with Learning Difficulties	£1.020m
People with Mental Health Needs	£0.331m
People with Physical Difficulties	£0.330m
Other Support Services	£0.113m
Children's Services	£0.016m

Borders Ability Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £0.685m in 2014/15 with a contribution from the NHS Borders of £0.263m.

Galashiels Resource Centre

This is a day centre run jointly with the NHS Borders for adults with mental health needs. The full time manager of this service is employed by NHS Borders with a recharge of £0.26m to the Council. All other expenditure is incurred by the Council.

Scottish Borders Council is a corporate member of Tweedside NHT 2011 LLP and Bridge Homes LLP, which have been established to assist in the delivery of affordable housing, in accordance with the Scottish Government's National Housing Trust (NHT) initiative. The Council has consent to borrow (from the Scottish Government) to finance loans to Tweedside NHT 2011 LLP and Bridge Homes LLP in respect of housing units. The Council made no further advances to Tweedside NHT 2011 LLP during 2014/15 and received £0.12m capital repayment from the LLP during the same period. The Council paid £1.32m in respect of advances to Bridge Homes LLP during 2014/15 and received no capital repayment from the LLP during the year. The Council received interest on the advance from both LLP's. The Council's net advances to Tweedside NHT 2011 LLP and Bridge Homes LLP are shown within long term debtors on the Council's balance sheet. Bridge Homes LLP have been consolidated into the Council's Group Accounts as a Subsidiary.

Note 11 Audit Remuneration

In 2014/15 the agreed audit fee for the year was £0.297m in respect of services provided by KPMG. (2013/14 £0.275m)

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2014/15

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE * £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Gross book value (GBV) at 31 March 2014	309,936	50,201	152,741	18,452	6,943	997	539,270
Prior Period adjustment	(52)	-	-	-	180	-	128
Revised Gross book value (GBV) at 31 March 2014	309,884	50,201	152,741	18,452	7,123	997	539,398
Acquisitions & Recognition in the year	7,461	6,713	6,311	13,696	12	17	34,210
Transfers between categories	1,437	6	3,069	(3,069)	(1,437)	-	6
Revaluations	-	-	-	-	187	-	187
Impairments	(556)	(523)	-	(2,103)	(721)	-	(3,903)
Disposals	(763)	(856)	(3)	-	(298)	-	(1,920)
Gross book value (GBV) at 31 March 2015	317,463	55,541	162,118	26,976	4,866	1,014	567,978
Cumulative depreciation at 31 March 2014	(18,308)	(36,076)	(69,447)	-	(222)	-	(124,053)
Prior Period adjustment	49	(1)	(3)	-	(180)	-	(135)
Revised Cumulative depreciation at 31 March 2014	(18,259)	(36,077)	(69,450)	-	(402)	-	(124,188)
Depreciation for the year	(8,667)	(5,668)	(6,185)	-	(141)	-	(20,661)
Transfers between categories	(152)	-	-	-	152	-	-
Revaluations	-	-	-	-	152	-	152
Impairments	21	-	-	-	79	-	100
Disposals	38	825	-	-	24	-	887
Cumulative depreciation at 31 March 2015	(27,019)	(40,920)	(75,635)	-	(136)	-	(143,710)
Net book value at 31 March 2015	290,444	14,621	86,483	26,976	4,730	1,014	424,268
Net book value at 31 March 2014	291,628	14,125	83,294	18,452	6,721	997	415,217
Prior Period adjustment	(3)	(1)	(3)	0	0	0	(7)
Revised Net book value at 31 March 2014	291,625	14,124	83,291	18,452	6,721	997	415,210

* VPFE – Vehicles, Plant, Furniture and Equipment

The Council had no investment properties in 2014/15.

Community assets are valued on a historical cost basis at Nil value as per the Code and include assets such as parks, playing fields, cemeteries, etc. Such assets are all included in Other Land & Buildings.

Notes to the Core Financial Statements

Negative revaluations are shown within the stated figures for impairment. In 2014/15 this amounted to a NBV of £0.427m.

Of the change in cost shown within revaluations the net amount of £0.412m was charged to the Revaluation Reserve (13/14 £9.967m), and £0.073m written back to the CIES (13/14 £0).
For net impairments £3.373m was charged to the CIES (13/14 £3.681m) and £0.508m charged to the Revaluation Reserve (£4.610m in 13/14)

Comparative Movements in 2013/14

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets	Total Assets £'000
Gross book value (GBV) at 31 March 2013	298,105	47,981	144,172	13,819	7,941	982	513,000
Acquisitions & Recognition in the year	3,833	5,159	7,794	11,779	184	15	28,764
Transfers between categories	6,019	(586)	766	(7,146)	806	-	(141)
Revaluations	8,922	-	9	-	250	-	9,181
Impairments	(6,478)	(440)	-	-	(1,727)	-	(8,645)
Disposals	(465)	(1,913)	-	-	(511)	-	(2,889)
Gross book value (GBV) at 31 March 2014	309,936	50,201	152,741	18,452	6,943	997	539,270
Cumulative depreciation at 31 March 2013	(10,808)	(32,761)	(63,610)	-	(369)	-	(107,548)
Depreciation for the year	(8,562)	(5,163)	(5,837)	-	(292)	-	(19,854)
Transfers between categories	-	5	-	-	136	-	141
Revaluations	696	-	-	-	89	-	785
Impairments	216	-	-	-	137	-	353
Disposals	150	1,843	-	-	77	-	2,070
Cumulative depreciation at 31 March 2014	(18,308)	(36,076)	(69,447)	-	(222)	-	(124,053)
Net book value at 31 March 2014	291,628	14,125	83,294	18,452	6,721	997	415,217
Net book value at 31 March 2013	287,297	15,220	80,562	13,819	7,572	982	405,452

Notes to the Core Financial Statements

Capital Commitments

As at 31 March 2015 the Council has entered into a number of commitments for the construction or enhancement of Property, Plant and Equipment in future years, this is budgeted to cost £20.0m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2015 £'000
Place	18,604
People	310
Chief Executive's	1,119
Total	20,033

Valuation and Depreciation

Land and Buildings

- The Council has adopted a 5-year rolling programme of revaluations whereby each individual asset will be examined during that term in line with events and planned capital expenditure. During 2014/15 the fixed assets relating to Common Good & Trusts and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.

- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational and surplus properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Properties were valued by the Council's Estates Manager, N.Hastie MRICS.

Vehicles, Plant, Furniture and Equipment

- All Vehicles and Plant were valued at depreciated historic cost.

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

- Land has not been depreciated.
- Buildings and Surplus Properties have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Valuer.
- Vehicles, Plant, etc. have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Transport Manager.
- Furniture & Fittings are depreciated over five years.
- IT equipment is depreciated over three years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years and IT infrastructure over five years.
- Depreciation has been directly charged to services.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluation Cycle

The groups of land and buildings revalued in each of the last five years were:

- 1 April 2014 – Common Good, Trust and Surplus Properties
- 1 April 2013 – Planning & Economic Development, New West Linton Primary School and Surplus Properties
- 1 April 2012 – Education & Lifelong Learning and Surplus Properties
- 1 April 2011 – Social Work, Resources and Surplus Properties
- 1 April 2010 – Technical Services and Surplus Properties

Technical Services Properties will be revalued as at 1 April 2015 with the resulting adjustments incorporated into the 2015/16 accounts of the Council.

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Carried at Historical Cost	75,006	55,541	162,109	26,726	(1,044)	1,014	**319,352**
New Certified Valuation							
1st April 2014	-	-	-	-	339	-	**339**
1st April 2013	9,618	-	9	-	340	-	**9,967**
1st April 2012	21,643	-	-	-	389	-	**22,032**
1st April 2011	2,613	-	-	-	857	-	**3,470**
1st April 2010	2,019	-	-	-	122	-	**2,141**
1st April 2009	23,285	-	-	-	-	-	**23,285**
1st April 2008	151,706	-	-	250	3,801	-	**155,757**
1st April 2007	31,573	-	-	-	62	-	**31,635**
Gross book value (GBV) at 31 March 2015	**317,463**	**55,541**	**162,118**	**26,976**	**4,866**	**1,014**	**567,978**

Notes to the Core Financial Statements

Note 13 Heritage Assets

	Museum Collection £'000	Fine Arts Collection £'000	Monuments, Memorials & Statues £'000	Totals Tangible Fixed Assets £'000	Total Heritage Assets £'000
Cost or Valuation at 31 March 2013	161	771	50	982	982
Additions	-	-	15	15	15
Cost or Valuation at 31 March 2014	161	771	65	997	997
Additions			17	17	17
Cost or Valuation at 31 March 2015	161	771	82	1,014	1,014

Two monuments were identified as common good assets in 2014/15. These were put through as disposals with a NBV of £0. There were no revaluations of heritage assets during the year.

The Council accepts the general principle that it is its responsibility to ensure to the best of its ability that all of the Collections in its care are adequately housed, professionally cared for, conserved and documented in line with their cultural and historic importance to the Communities of the Scottish Borders. The Collection Policy approved in September 2010 can be obtained from the Education & Lifelong Learning Department of the Council.

Museum Collection
This collection is held for display in the various Museum Service venues throughout the Scottish Borders. Those items not on display are held in secure store in various locations.

Fine Arts Collection
This collection is on display at a number of Council owned locations in the Scottish Borders and through loan at other locations containing National Collections. It comprises pictures by leading Border Artists including Tom Scott and Anne Redpath and pictures of Border subjects.

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

Monuments, Memorials and Statues Collection
This collection is recorded in the Property & Facilities Service of the Chief Executive's Department and includes the numerous War Memorials throughout the Borders, the monuments on Council land and the statues located in the parks and streets of the villages and towns of the Borders.

Notes to the Core Financial Statements

Note 14 Intangible Assets

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

2013/14 £'000		2014/15 £'000
3,160	Gross book value (GBV) at 31 March	3,396
2	Prior Period Adj	-
234	Expenditure in the year	166
-	Transfers	(6)
-	Impairments	(6)
3,396	Gross book value (GBV) at 31 March	3,550
(2,892)	Cumulative amortisation at 31 March	(3,031)
(139)	Amortisation for the year	(224)
-	Transfers	-
(3,031)	Cumulative amortisation at 31 March	(3,255)
365	Net book value at 31 March	295

There were no disposals or revaluations of intangible assets in 2014/15.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2013/14 or 2014/15.

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2015 are as follows:

	Repayment of liability and Service Charge	Interest	Total
	£'000	£'000	£'000
Payable in 2015/16	5,520	2,776	8,296
Payable within two to five years	24,318	10,260	34,578
Payable within six to ten years	37,426	10,888	48,314
Payable within eleven to fifteen years	46,257	8,406	54,663
Payable within sixteen to twenty years	56,604	5,242	61,846
Payable within twenty one to twenty five years	49,392	1,121	50,513
Total	219,517	38,693	258,210

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure they incurred and interest payable.

Notes to the Core Financial Statements

Note 17 Leases

Council as Lessee

Finance Leases

The net book value of assets held under finance leases at the Balance Sheet date is as follows:

2013/14 £'000		2014/15 £'000
	Net Asset Value	
54,395	Land and buildings	53,079
25	Plant and equipment	-
54,420		**53,079**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The balances shown under Land and Buildings below relate entirely to the Council's PPP arrangement for the provision of three secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2013/14 £'000	Plant & Equipment 2013/14 £'000		Land & Buildings 2014/15 £'000	Plant & Equipment 2014/15 £'000
		Finance Lease Liabilities		
2,190	7	Not later than 1 year	1,812	-
6,637	-	Later than 1 year and not later than 5 years	6,538	-
49,236	-	Later than 5 years	47,792	-
		Finance Costs Payable in Future Years		
2,867	1	Not later than 1 year	2,776	-
10,548	-	Later than 1 year and not later than 5 years	10,260	-
27,727	-	Later than 5 years	25,657	-
99,205	**8**	**Minimum Lease Payments**	**94,835**	**-**

The contingent rental figure, recognised as an expense in 2014/15 in respect of the Council's PPP arrangements, was £0.82m (2014/15 £0.7m).

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2013/14 £'000		2014/15 £'000
43	Not later than 1 year	109
43	Later than 1 year and not later than 5 years	60
86	Total	**169**

Notes to the Core Financial Statements

Council as Lessor

Finance Leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:
- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2013/14 £'000		2014/15 £'000
296	Not later than one year	1,323
908	Later than one year and not later than five years	1,701
6,560	Later than five years	6,543
7,764	**Total**	**9,567**

Note 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

2013/14 £'000		2014/15 £'000	
257,739	Opening capital financing requirement		258,448
	Capital Investment		
1,592	Consent to Borrow - National Housing Trust	986	
28,128	Property, plant and equipment	31,358	
1,165	Asset Decommissioning Provision	2,855	
234	Intangible assets	166	35,365
	Sources of Finance		
(2,430)	Capital Receipts	(356)	
(15,798)	Government grants and other contributions	(22,240)	
(464)	NHT Repayment of Principal	(112)	
(11,718)	Loans fund repayments	(10,818)	(33,526)
258,448	**Closing Capital Financing Requirement**		**260,287**

Other contributions have been restated to incorporate the application of contributions from the Plant and Vehicle Fund.

2013/14 £'000		2014/15 £'000
	Explanation of Movements in Year	
-	Increase in underlying need to borrow (supported by government financial assistance)	-
709	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	1,839
709	**Increase in capital financing requirement**	**1,839**

Note 19 Termination Benefits

During 2014/15 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 40 employees, incurring liabilities of £0.626m - see the Remuneration Report for further detail on the exit packages granted and total cost per band. These packages are attributable to various areas throughout the Council.

Note 20 Defined Benefit Pension Schemes

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

The Council participates in two formal pension schemes:

The Local Government Pension Scheme is a funded defined benefit pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014, as amended and is contracted out of the State Second Pension. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions. From 1st April 2015 The Local Government Pension Scheme will be a funded defined benefit career average salary scheme.

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

Transactions relating to retirement benefits

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

Notes to the Core Financial Statements

2013/14 £'000	Comprehensive Income and Expenditure Statement	2014/15 £'000
	Cost of Services	
16,848	Current Service Costs	16,394
296	Past Service Costs, including curtailments	1,094
	Financing and Investment Income and Expenditure	
8,389	Net Interest Expense	8,973
25,533	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**26,461**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
(7,573)	Return on plan assets (excluding the amount included in the net interest expense)	(37,379)
15,159	Actuarial gains and losses arising on changes in demographic assumptions	(35,030)
(12,569)	Actuarial gains and losses arising on changes in financial assumptions	75,272
(353)	Other	(51,397)
(5,336)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(48,534)**
	Movement in Reserves Statement	
25,533	Reversal of net charges made for retirement benefits in accordance with the Code	12,522
	Actual amount charged against the General Fund Balance for pensions in the year	
11,609	Employers' contributions payable to the scheme	12,517
1,440	Retirement benefits payable to pensioners	1,422

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council`s obligation in respect of its defined benefit plan is as follows:-

2013/14 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2014/15 £'000
631,848	Present value of the defined benefit obligation	651,085
(433,450)	Fair value of plan assets	(485,013)
198,398	Sub total	166,072
-	Other movements in the liability (asset)	-
198,398	**Net liability arising from defined benefit obligation**	**166,072**

Notes to the Core Financial Statements

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £166.1m has a substantial effect on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall net asset value of £18.3m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance will only be required to cover discretionary benefits when the pensions are actually paid.

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

2013/14 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2014/15 £'000
409,373	**Opening Fair Value of Scheme Assets**	433,450
17,986	Interest Income	19,477
	Remeasurement (gains) and losses:-	
7,573	Return on plan assets, excluding the amount included in the net interest expense	37,379
(254)	Other	(4,012)
13,049	Employer Contributions including unfunded pensions	13,939
3,923	Contributions by Scheme Participants	3,994
(18,200)	Estimated Benefits Paid	(19,214)
433,450	**Closing Fair Value of Scheme Assets**	**485,013**

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

2013/14 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2014/15 £'000
600,623	**Opening Defined Benefit Obligation**	631,848
16,848	Current Service Cost	16,394
26,121	Interest Cost	28,124
3,923	Contributions by Scheme Participants	3,994
	Remeasurement (gains) and losses:-	
15,159	Actuarial (gains)/losses arising from changes in demographic assumptions	(35,030)
(12,569)	Actuarial (gains)/losses arising from changes in financial assumptions	75,272
(353)	Other	(51,397)
296	Past Service Cost	1,094
(16,760)	Benefits Paid	(17,792)
(1,440)	Unfunded Pension Payments	(1,422)
631,848	**Closing Defined Benefit Obligation**	**651,085**

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2015.

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:-

All scheme assets have quoted prices in active markets other than the managed fund - Multi Assets, which is unquoted.

2013/14 £'000	Local Government Pension Scheme assets comprised:	2014/15 £'000
13,003	Cash and cash equivalents	3,076
	Equity Instruments	
	By industry type	
52,748	Consumer	46,633
34,167	Manufacturing	42,355
18,084	Energy and utilities	8,780
36,584	Financial Institutions	53,965
9,070	Health and Care	8,848
15,687	Information Technology	31,398
166,340		**191,979**
	Bonds	
	By sector	
34,676	UK Corporate	44,244
13,003	UK Government	8,182
47,679	Other	**52,426**
	Investment Funds - Quoted in Active Market	
55,734	Managed Fund - UK Equities Passive	58,573
58,449	Managed Fund - Global Equities	68,784
1,220	Managed Fund - Smaller Companies	1,476
17,338	Managed Fund - Property	26,098
132,741		**154,931**
	Investment Funds - Not Quoted	
73,687		**82,601**
433,450	**Total Assets**	**485,013**

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

2013/14 £'000	Fair Value of Scheme Assets	2014/15 £'000
	Equity instruments:	
	By company size	
166,340	Large capitalisation	191,979

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary are shown below:

2013/14	Basis for Estimating Assets and Liabilities	2014/15
	Long-term expected rate of return on assets in the scheme	
4.5%	Equity investments	3.3%
3.0%	Gilts	2.0%
8.0%	Other bonds	9.0%
4.0%	Property	5.0%
3.0%	Cash	1.0%
17.0%	Single Net Interest Cost	17.0%
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
22.50	Men	22.70
24.80	Women	23.60
	- longevity at 65 for future pensioners (years)	
24.70	Men	24.90
27.10	Women	25.90
3.6%	Rate of inflation - RPI	3.2%
2.8%	Rate of inflation - CPI	2.4%
1.0%	Rate of increase in salaries	1.0%
2.8%	Rate of increase in pensions	2.4%
4.5%	Rate for discounting scheme liabilities	3.3%

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

2013/14		Category Analysis of the Scheme Assets as at 31 March 2015	2014/15	
%	£'000		%	£'000
65	281,743	Equities	66	320,812
3	13,003	Gilts	2	8,182
8	34,676	Other Bonds	9	44,244
4	17,338	Property	5	26,098
3	13,003	Cash	1	3,076
17	73,687	Multi-Asset Fund	17	82,601
100	433,450	Total	100	485,013

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Adjustment to discount rate (increase or decrease 0.1%)	639,452	662,942
Adjustment to long term salary increase (increase or decrease 0.1%)	652,682	649,496
Adjustment to pension increases and deferred revaluation (increase or decrease 0.1%)	661,439	640,928
Adjustment to mortality rating assumption (increase or decrease 1 year)	627,882	674,450

Note 21 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2014/15 the Council paid £6.470m to teachers' pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay (£6.543m and 14.9% in 2013/14). There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside of the terms of the teachers' Scheme. In 2014/15 these amounted to £0.623m representing 1.43% of pensionable pay (£0.618m and 1.41% in 2013/14).

Note 22 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 13 employers in the Scottish Borders. As at 31 March 2015 there were 9,587 members.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) require an administering authority to publish a separate pension fund annual report. This report will include a Fund Account, Net Asset Statement with supporting notes and disclosures prepared in accordance with proper practices.

A copy of this report is available by contacting Scottish Borders Council, Chief Executive's Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 23 Events After the Balance Sheet Date

There are no known material events after the balance sheet date.

Notes to the Core Financial Statements

Note 24 Inventories

2013/14 £'000		2014/15 £'000
952	Balance outstanding at start of year	923
3,521	Purchases	3,549
(3,569)	Recognised as an expense in the year	(3,523)
19	Written off balances	17
923	Balance outstanding at year-end	966

Note 25 Provisions

Provisions are recognised in the accounts when:

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

Where it is estimated that a provision will be utilised within 12 months of the Balance Sheet date it is included within current liabilities.

	Contractual Claims £'000	Equal Pay (Restated) £'000	Voluntary Severance / Early Retirement £'000	Carbon Reduction Commitment Energy Efficiency Scheme £'000	Police Potential Clawback £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2014	(70)	(288)	(761)	(207)	(108)	(1,165)	(2,599)
Additional charges to provisions	(10)	-	(219)	(297)	-	(2,855)	(3,381)
Payments made or released	20	32	638	182	-	-	872
Balance at 31 March 2015	(60)	(256)	(342)	(322)	(108)	(4,020)	(5,108)
Within 12 Months	(60)	(256)	(342)	(322)	(108)	(211)	(1,299)
Over 12 months	-	-	-	-	-	(3,809)	(3,809)
Total	(60)	(256)	(342)	(322)	(108)	(4,020)	(5,108)

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. A levy of 15% (£48,097) was paid by the Council during 2014/15 in respect of its share of claim liabilities. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £322,548, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £67,337 at the Balance Sheet date.

There has been a European Court of Justice ruling relating to workers annual leave payment entitlement. The financial implications of this judgement for Scottish Borders Council are unclear at present and therefore the Council, in agreement with our external auditors, have included this as a contingent liability in this years` annual accounts.

Notes to the Core Financial Statements

Note 27 Contingent Assets

At 31 March 2015 the Council does not have any contingent assets.

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2014/15.

2013/14 £'000		2014/15 £'000
	Credited to Taxation and Non Specific Grant Income	
(10,169)	General Capital Grant	(9,677)
(529)	Borders Railway	(3)
(3,619)	Other Grants	(10,929)
(551)	Developer Contributions	(159)
(14,868)	**Total**	**(20,768)**
	Credited to Services	
(142)	Education & Lifelong Learning	(209)
(30,226)	General Fund Housing	(31,473)
(1)	Cultural & Related Services	(23)
(214)	Environmental Services	(586)
(1,585)	Social Work	(1,249)
(1,150)	Central Services	(1,819)
(33,318)		**(35,359)**

Note 29 Financial Instruments

A financial instrument is any contract which gives rise to a financial asset within one and a financial liability within another. The term 'financial instrument' covers both financial liabilities and financial assets.

Financial Instruments - Balances

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

	Long-Term		Current	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Loans and Receivables				
Short Term Investments	-	-	-	52
Cash and Cash Equivalents	-	-	13,692	14,997
Debtors	4,593	5,223	23,590	29,381
Total Loans and Receivables	**4,593**	**5,223**	**37,282**	**44,430**
Borrowings				
Financial Liabilities (principal amount)	(171,895)	(172,076)	(147)	-
Accrued interest	-		(3,243)	(3,243)
Total Borrowings	**(171,895)**	**(172,076)**	**(3,390)**	**(3,243)**
Other Liabilities				
PPP and finance lease liabilities	(55,873)	(54,330)	(2,197)	(1,812)
Bonds	-		(294)	(1,181)
Total other long-term liabilities	**(55,873)**	**(54,330)**	**(2,491)**	**(2,993)**
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(45,026)	(46,033)
Total Creditors	**-**	**-**	**(45,026)**	**(46,033)**

Notes to the Core Financial Statements

Borrowing is taken principally from the Public Works Loans Board (PWLB), but is also taken from the money market, to meet the Council's overall capital financing requirements.

The following table shows a breakdown of borrowing:

31 March 2014 £'000	31 March 2014 %		31 March 2015 £'000	31 March 2015 %
(44,263)	25	Bonds and Mortgages	(44,444)	25
(127,632)	73	Public Works Loan Board	(127,632)	73
(171,895)	**98**	**Long term borrowing (> 1 year)**	**(172,076)**	**98**
(3,390)	2	Short Term Borrowing repayable within 12 months	(3,243)	2
(175,285)	100	**Total Borrowing**	**(175,319)**	100

Analysis of Borrowing by Maturity.

2014 £'000		2015 £'000
(3,390)	Less than 1 year	(3,243)
(3)	Between 1 and 2 years	-
(1,791)	Between 2 and 7 years	(12,061)
(14,903)	Between 7 and 15 years	(4,834)
(155,198)	More than 15 years	(155,181)
(175,285)	**Total**	**(175,319)**

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

	2014/15		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	11,806	-	11,806
Impairment Losses	-	-	-
Interest payable and similar charges	**11,806**	**-**	**11,806**
Interest Income	-	(48)	(48)
Gains on derecognition		-	-
Interest and investment income	**-**	**(48)**	**(48)**
Net (gain) / loss for the year	**11,806**	**(48)**	**11,758**

	2013/14		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	11,908	-	11,908
Impairment Losses	-	112	112
Interest payable and similar charges	**11,908**	**112**	**12,020**
Interest Income	-	(159)	(159)
Gains on derecognition	-	(435)	(435)
Interest and investment income	**-**	**(594)**	**(594)**
Net (gain) / loss for the year	**11,908**	**(482)**	**11,426**

Fair value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	(130,350)	(187,033)	(130,350)	(187,033)
Other debt	(43,690)	(52,866)	(44,969)	(52,845)
Total debt	**(174,040)**	**(239,899)**	**(175,319)**	**(239,878)**
Creditors	(47,517)	(47,517)	(49,026)	(49,026)
Total financial liabilities	**(221,557)**	**(287,416)**	**(224,345)**	**(288,904)**

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables				
Short Term Investments	-	-	52	52
Cash and Cash Equivalents	13,692	13,692	14,997	14,997
Debtors	23,590	23,590	29,381	29,381
Total loans and receivables	**37,282**	**37,282**	**44,430**	**44,430**

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

Note 30 Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- By approving annually in advance prudential indicators for the following three years limiting:
    - the Council's overall borrowing
    - its maximum and minimum exposures to fixed and variable rates
    - its maximum and minimum exposures to the maturity structure of its debt
    - its maximum annual exposures to investments maturing beyond a year

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

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

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

Notes to the Core Financial Statements

The annual Treasury Management Strategy for 2014/15 which incorporates the prudential indicators was approved by the Council on 6 February 2014. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £340.6m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £279.8m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £279.8m and £97.9m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt were as follows:

Period	Minimum	Maximum
Under 12 months	0%	20%
1to 2 years	0%	20%
2 to 5 years	0%	20%
5 to 10 years	0%	20%
Over 10 years	20%	100%

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outline above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

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

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

The full Investment Strategy for 2014/15 was approved by the Council on 6 February 2014 and is available on the Council's website: http://www.scotborders.gov.uk/

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2015 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses for non-performance by any of its counterparties in relation to its deposits.

Notes to the Core Financial Statements

Liquidity Risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day to day obligation to make payments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt, and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, together with the maximum and minimum limits for fixed interest rates maturing in each period, as approved by the Council in the Treasury Management Strategy on 6 February 2014:

	Approved Minimum Limits £000	Approved Minimum Limits %	Approved Maximum Limits £000	Approved Maximum Limits %	Actual 31 March 2014 £000	Actual 31 March 2015 £000
Less than one year			50,220	20	3,390	3,243
Between one and two years			50,220	20	3	0
Between two and seven years			50,220	20	1,791	12,061
Between seven and fifteen years			50,220	20	14,903	4,834
More than fifteen years	50,220	20	251,100	100	155,198	155,181
Total					**175,285**	**175,319**

Market Risk

There are three main market risks to which the Council is exposed:

(i) **Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investment	(246)
Decrease in fair value of fixed rate borrowing liabilities (No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	38,989

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. However, given the low interest rates currently available on deposits, it may simply mean then that no interest would be available. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

(ii) **Price Risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

(iii) **Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies at the Balance Sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

Notes to the Core Financial Statements

Debtor and Creditor Analysis

The Councils short term debtor and creditor balances can be categorised as follows:

Debtors

2013/14 £'000		2014/15 £'000
2,827	Central government bodies	2,463
364	Other local authorities	268
1,174	NHS bodies	1,696
132	Public Corporations and Trading Funds	64
27,663	Bodies External to General Government	33,728
32,160		**38,219**

Creditors

2014/15 £'000		2014/15 £'000
(7,342)	Central government bodies	(866)
(557)	NHS Bodies	(556)
(1,670)	Public Corporations and Trading Funds	(2,771)
(37,948)	Bodies External to General Government	(44,833)
(47,517)		**(49,026)**

Notes to the Core Financial Statements

Note 31 Movement in Reserves

A summary of all reserves movements are shown below:

	Balance as at 31 March 2014 £'000	Transfers between reserves and funds £'000	Gains or Losses for the Year £'000	Balance as at 31 March 2015 £'000
Usable Reserves				
General Fund Balances	(17,136)	(1,676)	(179)	(18,991)
Capital Fund	(6,923)	(629)	-	(7,552)
Property Maintenance Fund	(300)	261	-	(39)
Insurance Fund	(1,361)	47	-	(1,314)
Unusable Reserves				
Capital Adjustment Account	(91,771)	(11,643)	7	(103,407)
Financial Instruments Adjustment Account	5,601	(206)	-	5,395
Revaluation Reserve	(68,361)	2,594	96	(65,671)
Pensions Reserve	198,398	12,522	(44,848)	166,072
STACA Statutory Mitigation Acct	8,460	(1,270)	-	7,190
Total	**26,607**	**-**	**(44,924)**	**(18,317)**

Usable Reserves

Usable reserves are those that can be applied to fund expenditure or reduce the requirement to raise local taxation.

The General Fund Balances are further analysed as follows:

2013/14 Restated £'000	Analysis as at 31 March	2014/15 £'000
	Earmarked Reserves	
(1,274)	Education - Devolved School Management	(1,722)
	Specific Departmental Reserves	
(403)	Education	(811)
(669)	General Fund Housing Services	(284)
(149)	Environmental Services	(263)
(25)	Planning & Development Services	(236)
(966)	Social Work	(906)
(2,034)	Central Services	(1,770)
-	Treasury Reserve	(1,500)
(5,520)		(7,492)
(11,616)	Non-earmarked Reserve	(11,499)
(17,136)	**Total General Fund Reserve**	**(18,991)**

Notes to the Core Financial Statements

Unusable Reserves

Unusable reserves are those that the Council is not able to use to provide services

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Revaluation Reserve

The Revaluation Reserve contains the gains made by an Authority arising from increases in the value of its Property Plant and Equipment. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

STACA Statutory Mitigation Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Note 32 Cash Flow

2013/14 £'000	Reconciliation to General Fund Surplus	2014/15 £'000
6,436	**Net (Surplus) or deficit on the provision of services**	(179)
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(19,854)	Depreciation	(20,662)
(3,681)	Impairment & Revaluation Loss through I & E	(3,373)
(139)	Amortisation of intangible assets	(224)
(12,484)	Movement in pension liability	(12,522)
785	Gain/Loss on carrying amounts of assets disposed	(288)
(30)	Net movement in inventories charged to I & E	44
(2,411)	Net movement in debtors charged to I & E	5,825
(2,760)	Net movement in creditors charged to I & E	(3,290)
(522)	Net movement in provisions charged to I & E	346
(41,096)		(34,144)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
14,868	Capital grants received	20,768
(977)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,567)
13,891		19,201
(20,769)	**Net Cash Outflow / (Inflow) from Operating Activities**	(15,122)

Notes to the Core Financial Statements

Note 33

Impairment Losses

During 2014/15 SBC recognised a net impairment loss of £3.809m (£8.291m in 2013/14). A net cost of £3.373m impairment has been charged to the Comprehensive Income and Expenditure Statement and shown within the Net Cost of Services.

Note 34

Cash and Cash Equivalents

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

2013/14 £'000		2014/15 £'000
66	Cash held by officers	65
1,723	Bank current accounts	3,332
11,903	Short term deposits	11,600
13,692	Total	14,997

Supplementary Financial Statements

Council Tax Income Account

2013/14 £'000	2013/14 £'000			2014/15 £'000	2014/15 £'000
	(56,885)	Gross Charges Levied			(57,337)
5,777		Less:	Benefits	5,517	
-			Government Subsidy		
5,777				5,517	
5,061		Discounts		5,078	
892		Provision for bad debts		631	
-		Lump Sum Payment Discounts		-	
(86)		Miscellaneous		(38)	
	11,644				11,188
	(45,241)				**(46,149)**
	-	Community Charge collected			-
	(45,241)	**Total Income Credited to the Comprehensive Income & Expenditure Statement**			**(46,149)**

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2014

Band	Number of Properties	Proportion	Band D Equivalent	Council Tax 2014/15 £
A	16,661	6/9	11,107	722.67
B	12,703	7/9	9,880	843.11
C	6,791	8/9	6,036	963.56
D	5,759	9/9	5,759	1,084.00
E	6,239	11/9	7,625	1,324.89
F	4,519	13/9	6,527	1,565.78
G	4,154	15/9	6,923	1,806.67
H	445	18/9	890	2,168.00
Total	**57,271**		**54,747**	
Less : Reductions for estimated discounts, exemptions, reliefs, rebates, etc. and non-collection			(12,702)	
Estimated net income from a Council Tax of £1 for 2014/15			**£42,045**	

Note 2 Water and Waste Water Charges

The Council is required to bill and collect water and waste water charges on domestic properties along with Council Tax as part of an agency agreement. These charges were determined by Scottish Water and for 2014/15 the Band D charges were £190.17 for water and £220.68 for waste water.

Supplementary Financial Statements

Non-Domestic Rate Income Account

2013/14 £'000	2013/14 £'000			2014/15 £'000	2014/15 £'000
	(37,557)	Gross Rates Levied & Contribution in Lieu			(37,295)
7,612		Less:	Reliefs and Other Deductions	8,343	
419			Write-offs of uncollectable debts & allowance for impairment	356	
-	8,031		Interest paid on overpaid rates	-	8,699
	(29,526)				(28,596)
	(112)	Net General Fund expenditure on discretionary reliefs			(127)
	(29,638)	**Net Non-Domestic Rate Income**			**(28,723)**
	76	Adjustment to Previous Years National Non-Domestic Rates			(353)
	(29,562)	**Contribution to National Pool**			**(29,076)**
	28,503	**Distribution received from National Pool**			31,013
	(28,503)	**Income Credited to the Comprehensive Income & Expenditure Statement**			**(31,013)**

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 31 March 2015

Classification	Number	Rateable Value £'000
Shops	1,250	20,150
Public Houses	91	1,322
Offices including Banks	850	7,541
Hotels, Boarding Houses, etc	137	3,345
Industrial and Freight transport	1,805	22,707
Leisure, Entertainment, Caravan sites, etc	959	5,020
Garages and Petrol Stations	221	1,776
Cultural and Sporting	136	801
Education and Training	103	9,449
Public Service	434	4,659
Communications	7	17
Quarries, Mines, etc	12	339
Petrochemical	5	1,395
Religious	295	1,244
Health and Medical	100	3,899
Care Facilities	96	1,915
Other	560	1,937
Advertising	8	13
Undertakings	21	2,964
Total	**7,090**	**90,493**

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2014/15 was:
47.1p for properties with a rateable value up to £35,000
48.2p for properties with a rateable value above £35,000

Trust Funds

The Council is Trustee for a number of Trusts. Of these Trusts 77 are registered with the Office of the Scottish Charity Regulator (OSCR) as a single charity and the Council, in consultation with OSCR, registered three new charities during 2014. The new charities are SBC Welfare Trust, SBC Community Enhancement Trust and SBC Educational Trust. The Ormiston Trust and the Thomas Howden Wildlife Trusts remain currently as single Trusts registered with OSCR. All OSCR registered Trusts are subject to audit in-line with OSCR requirements and a full financial statement compliant with those requirements is published separately. The remaining 174 Trusts are currently unregistered with OSCR. The Comprehensive Income & Expenditure Statements and Balance Sheet below show the totals of the registered and unregistered Trusts.

The accounting policies applied are those detailed in pages 35 to 46.

The income on the Trust Funds represents both dividends from external investments now held in the Newton Real Return Fund following the implementation of the single investment strategy and interest earned on balances invested in the Council's Loans Fund. These balances are shown under Current Assets in the Balance Sheet below.

Comprehensive Income & Expenditure Statements

2013/14 Restated £'000		Charitable £'000	Other £'000	2014/15 Total £'000
	Income			
(48)	Dividends and Interest	(36)	(30)	(66)
(87)	Rents	-	(61)	(61)
(4)	Donations & Grants	-	(11)	(11)
-	Unrealised Gain on Investments	(25)	(44)	(69)
	Expenditure			
15	Administration	-	15	15
21	Grants to Beneficiaries	21	23	44
104	Depreciation	26	58	84
1	**(Surplus) / Deficit for the Year**	**(14)**	**(50)**	**(64)**
(774)	(Surplus) brought forward	(420)	(450)	(870)
(104)	Funding (brought forward/carried forward) to Revaluation Reserve	(26)	(58)	(84)
7	Transfer to Capital Reserve	148	44	192
(870)	(Surplus) carry forward	(312)	(514)	(826)

Trust Funds

Balance Sheet

2013/14 Restated £'000		Charitable £'000	Other £'000	2014/15 Total £'000
	Non-current Assets			
1,422	Land and Buildings	267	1,496	1,763
1,878	Investments	749	1,304	2,053
4	Long term Loan	-	2	2
	Current Assets			
179	Cash managed by SBC	35	93	128
36	Sundry Debtors	-	69	69
	Current Liabilities			
(6)	Sundry Creditors	(4)	(9)	(13)
3,513	**Net Assets**	**1,047**	**2,955**	**4,002**
	Financed by			
(870)	Revenue Reserve	(312)	(514)	(826)
(1,289)	Capital Reserve	(520)	(962)	(1,482)
(1,354)	Revaluation Reserve	(215)	(1,479)	(1,694)
(3,513)		**(1,047)**	**(2,955)**	**(4,002)**

Common Good Funds

The Council administers the Common Good Funds for eight towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2015, for each of the funds. The accounting policies applied are those as set out in pages 35 to 46.

As per the Council's Common Good Strategy all funds are invested in the Newtown Real Return Fund.

The Common Good Financial Statements are presented in line with previous years. A separate set of financial statements is published compliant with OSCR requirements and subject to full external audit.

Comprehensive Income and Expenditure Statements

Total 2013/14 £'000		2014/15 Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income									
(236)	Fees and Charges	-	-	(119)	-	-	(11)	(55)	(63)	(248)
(55)	Investment Income	-	-	(10)	(24)	(7)	(6)	(9)	(4)	(60)
(23)	Grant Income	(2)	(7)	(6)	(1)	(1)	(6)	(3)	(10)	(36)
(314)		**(2)**	**(7)**	**(135)**	**(25)**	**(8)**	**(23)**	**(67)**	**(77)**	**(344)**
	Expenditure									
155	Property Costs	2	-	106	-	-	11	12	39	170
171	Depreciation	23	12	68	12	43	11	46	76	291
56	Administrative Costs	2	2	11	3	2	10	8	10	48
154	Donations and Contributions	-	-	12	34	1	1	21	16	85
536		**27**	**14**	**197**	**49**	**46**	**33**	**87**	**141**	**594**
222	**(Surplus) / Deficit**	**25**	**7**	**62**	**24**	**38**	**10**	**20**	**64**	**250**
(793)	(Surplus) / Deficit brought forward	(22)	(25)	(80)	(157)	(26)	(33)	(82)	(154)	(579)
(171)	Funding (from)/to Revaluation Reserve	(23)	(12)	(68)	(12)	(43)	(11)	(46)	(76)	(291)
163	Transfer (from)/to Capital Reserve	-	20	(15)	65	(8)	7	54	81	204
(579)	**(Surplus)/Deficit carried forward**	**(20)**	**(10)**	**(101)**	**(80)**	**(39)**	**(27)**	**(54)**	**(85)**	**(416)**

Common Good Funds

Balance Sheets

Total 2013/14 £'000		Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
		2014/15								
	Non-current Assets									
7,067	Land & Buildings	3	313	3,675	488	864	1,028	914	3,312	10,597
23	Heritage Assets	-	-	3	-	19	-	2	1	25
2	Other Fixed Assets	-	-	-	-	-	-	-	-	-
2,177	**Investments**	-	21	377	955	259	211	390	137	2,350
102	**Long Term Loan to Third Party**	-	-	-	58	-	19	-	-	77
	Current Assets									
3	Sundry Debtors	-	-	7	-	-	6	1	6	20
0	Capital Advances to Loans Fund	-	-	-	-	-	-	-	-	-
488	Revenue Advances to Loans Fund	20	10	134	29	39	7	60	90	389
-	Inventories	-	-	-	-	-	-	-	-	-
	Current Liabilities									
(120)	Sundry Creditors	-	-	(41)	(6)	-	(2)	(7)	(10)	(66)
9,742	**Net Assets**	**23**	**344**	**4,155**	**1,524**	**1,181**	**1,269**	**1,360**	**3,536**	**13,392**
	Financed by									
(579)	Revenue Reserve	(20)	(10)	(101)	(80)	(39)	(27)	(54)	(85)	(416)
(2,262)	Capital Reserve	-	(21)	(513)	(958)	(259)	(218)	(440)	(137)	(2,546)
(6,901)	Revaluation Reserve	(3)	(313)	(3,541)	(486)	(883)	(1,024)	(866)	(3,314)	(10,430)
(9,742)	**Total Reserves**	**(23)**	**(344)**	**(4,155)**	**(1,524)**	**(1,181)**	**(1,269)**	**(1,360)**	**(3,536)**	**(13,392)**

Notes to Common Good Funds

Capital Reserves

During the year there were a number of movements on the capital reserves which are shown below. The movements are the result of the realisation of gains on the sale of investments and recognition of unrealised gains through the valuations of the investments.

Total 2013/14 £'000		2014/15 Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
(2,009)	Balance at 1 April 2014	-	-	(515)	(861)	(258)	(204)	(373)	(51)	(2,262)
(493)	Realised (Gains)/Losses on Investments	-	-	-	-	-	-	-	-	-
(30)	Unrealised Gains on Investments	-	(1)	(13)	(32)	(9)	(7)	(13)	(5)	(80)
433	Rebalancing Capital/Revenue Reserves	-	-	15	(15)	8	(2)	(34)	(81)	(109)
(163)	Transfer from Revenue Reserve	-	(20)	-	(50)	-	(5)	(20)	-	(95)
(2,262)	Balance at 31 March 2015	-	(21)	(513)	(958)	(259)	(218)	(440)	(137)	(2,546)

Heritage Assets

This is the third year in which Heritage Assets have been recognised on the Balance Sheet and the movement on each of the funds is shown in the following table.

	Hawick £'000	Kelso £'000	Selkirk £'000	Peebles £'000
Cost or Valuation at 31 March 2014	3	19	1	-
Additions				2
Cost or Valuation at 31 March 2015	3	19	1	2

There were no disposals or revaluations of Heritage Assets in the last three years.

The inventories of Heritage Assets held by each Common Good Fund for former Burghs in the Borders are published annually as part of the financial reporting and monitoring to the public meetings of the Common Good Working Groups of Councillors.

Significant items include regalia and robes of office from the former Burghs and are made available for loan to Honorary Provosts and Chairpersons of Community Councils in the former Burghs for official occasions and to the Museum Service for public display.

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code) and relevant accounting standards require local authorities to consider all their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary and associated entities and joint arrangements. The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements along with the appropriate notes:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

The Group Accounts and Notes are set out on pages 88 to 95.

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

Subsidiaries
Subsidiary entities are those over which the Council has been deemed to have control. The following bodies have been recognised as subsidiaries of Scottish Borders Council:

- Common Good Funds
- Charitable Trust Funds
- Bridge Homes LLP

The Council is the sole trustee of the Common Good Funds and the Charitable Trust Funds and summary financial results for these entities appear on pages 93 to 97. In addition, Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body. The financial statements for Bridge Homes LLP are available from Council Headquarters.

Associates
Associate entities are those over which the Council has been deemed to exercise significant influence. The following bodies have been recognised as associates of Scottish Borders Council:

- Borders Sport and Leisure Trust
- Jedburgh Leisure Facilities Trust

Borders Sport and Leisure Trust
This organisation manages the delivery of a range of sport and leisure facilities at a number of locations throughout the Scottish Borders. The Council pays a management fee to the company and the leisure facilities are owned by the Council and leased to the company. The company is limited by guarantee and has charitable status. The Council is represented on the Board of Directors by three members. The percentage for consolidation is 45.7% based on the Council's contribution to incoming resources. Borders Sport and Leisure Trust's accounting period is to 31 March and, for the purposes of consolidation, the draft financial statements to 31 March 2015 have been used. The company's draft Statement of Financial Activities shows an operating deficit of £0.027m for the year to 31 March 2015 of which £0.012m (45.7%) has been included in the Group Accounts. The company's draft balance Sheet as at 31 March 2015 shows net assets of £1.797m of which £0.821m (45.7%) has been included in the Group Accounts.

The Trust's accounts can be obtained from the Trust, Melrose Road, Galashiels, TD1 2DU.

Jedburgh Leisure Facilities Trust
This organisation manages the delivery of a range of sport and leisure facilities in Jedburgh. The Council pays a management fee to the company and the leisure facilities are owned by the Council and leased to the company. The company is limited by guarantee and has charitable status. The Council is not represented on the Board of Directors. The percentage for consolidation is 42.3% based on the Council's contribution to incoming resources. Jedburgh Leisure Facilities Trust's accounting period is to 31 March and, for the purposes of consolidation, the draft financial statements to 31 March 2015 have been used. The company's draft Statement of Financial Activities shows an operating deficit of £0.009m for the year to 31 March 2015 of which £0.004m (42.3%) has been included in the Group Accounts. The company's draft balance Sheet as at 31 March 2015 shows net assets of £0.011m of which £0.004m (42.3%) has been included in the Group Accounts.

The Trust's accounts can be obtained from the Trust, Oxnam Road, Jedburgh, TD8 6QH.

Joint Arrangements
Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Council was not involved in any joint arrangements during 2014/15.

Group Movement in Reserves Statement

Movement in reserves during 2013/14

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	**Total Group Usable Reserves**	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	**Total Group Unusable Reserves**	**Total Group Reserves**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Restated Balance at 01/04/2013	(23,340)	(5,466)	**(28,806)**	54,205	(8,646)	**45,559**	**16,753**
Movement in reserves during 2013/14							
(Surplus)/deficit on provision of services	6,436	165	**6,601**	-	-	-	**6,601**
Other Comprehensive Income & Expenditure	-	(100)	**(100)**	(10,694)	378	**(10,316)**	**(10,416)**
Total Comprehensive Income & Expenditure	6,436	65	**6,501**	(10,694)	378	**(10,316)**	**(3,815)**
Adjustments between accounting basis & funding basis under regulations							
Charges for depreciation & amortisation of non-current assets	(19,993)	-	**(19,993)**	19,993	-	**19,993**	-
Impairment losses (charged to CI&ES)	(618)	-	**(618)**	618	-	**618**	-
Revaluation Losses	(3,064)	-	**(3,064)**	3,064	-	**3,064**	-
Capital grants and contributions applied	14,868	-	**14,868**	(14,868)	-	**(14,868)**	-
Icelandic Banks Statutory Adjustment	605	-	**605**	(605)	-	**(605)**	-
Icelandic Loss Adjustment	(585)	-	**(585)**	585	-	**585**	-
Employee - Statutory Adjustments	(1,370)	-	**(1,370)**	1,370	-	**1,370**	-
Profit/(Loss) on disposal of assets	(832)	-	**(832)**	832	-	**832**	-
Revenue Expenditure Funded from Capital	(529)	-	**(529)**	529	-	**529**	-
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	205	-	**205**	(205)	-	**(205)**	-
Net retirement charges per IAS 19	(24,093)	-	**(24,093)**	24,093	-	**24,093**	-
Loans Fund principal repayments and Statutory premia	11,717	-	**11,717**	(11,717)	-	**(11,717)**	-
Capital Expenditure charged to General Fund balance	432	-	**432**	(432)	-	**(432)**	-
Employers contribution payable to Pension Fund	11,609	-	**11,609**	(11,609)	-	**(11,609)**	-
Net (Increase)/Decrease before transfers	**(5,212)**	**65**	**(5,147)**	**954**	**378**	**1,332**	**(3,815)**
Net Transfers to or (from) other reserves	2,832	(275)	**2,557**	(2,832)	275	**(2,557)**	-
(Increase)/Decrease in 2013/14	**(2,380)**	**(210)**	**(2,590)**	**(1,878)**	**653**	**(1,225)**	**(3,815)**
Balance at 31/03/2014	**(25,720)**	**(5,676)**	**(31,396)**	**52,327**	**(7,993)**	**44,334**	**12,938**

Group Movement in Reserves Statement

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2014	(25,720)	(5,676)	(31,396)	52,327	(7,993)	44,334	12,938
Movement in reserves during 2014/15							
(Surplus)/deficit on provision of services	(179)	215	36	-	-	-	36
Other Comprehensive Income & Expenditure	-	(377)	(377)	(44,745)	(4,679)	(49,424)	(49,801)
Total Comprehensive Income & Expenditure	(179)	(162)	(341)	(44,745)	(4,679)	(49,424)	(49,765)
Adjustments between accounting basis & funding basis under regulations							
Charges for depreciation & amortisation of non-current assets	(20,886)	-	(20,886)	20,886	-	20,886	-
Impairment Losses (charged to CI&ES)	(3,085)	-	(3,085)	3,085	-	3,085	-
Revaluation Losses	(288)	-	(288)	288	-	288	-
Capital grants and contributions applied	20,768	-	20,768	(20,768)	-	(20,768)	-
Employee - Statutory Adjustments	1,270	-	1,270	(1,270)	-	(1,270)	-
Profit/(Loss) on disposal of assets	(1,035)	-	(1,035)	1,035	-	1,035	-
Revenue Exp Funded From Capital	(3)	-	(3)	3	-	3	-
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	206	-	206	(206)	-	(206)	-
Net retirement charges per IAS 19	(25,039)	-	(25,039)	25,039	-	25,039	-
Loans Fund principal repayments and Statutory premia	10,818	-	10,818	(10,818)	-	(10,818)	-
Capital Expenditure charged to General Fund balance	935	-	935	(935)	-	(935)	-
Employers contribution payable to Pension Fund	12,517	-	12,517	(12,517)	-	(12,517)	-
Net (Increase)/Decrease before transfers	(4,001)	(162)	(4,163)	(40,923)	(4,679)	(45,602)	(49,765)
Net Transfers to or (from) other reserves	1,825	(375)	1,450	(1,825)	375	(1,450)	-
(Increase)/Decrease in 2014/15	(2,176)	(537)	(2,713)	(42,748)	(4,304)	(47,052)	(49,765)
Balance at 31/03/2015	(27,896)	(6,213)	(34,109)	9,579	(12,297)	(2,718)	(36,827)

Group Comprehensive Income and Expenditure Statement

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
117,471	(4,796)	112,675	Education	118,088	(4,506)	113,582
35,621	(31,646)	3,975	General Fund Housing Services	38,690	(33,481)	5,209
12,055	(1,503)	10,552	Cultural & Related Services	16,335	(1,942)	14,393
24,500	(2,345)	22,155	Environmental Services	22,460	(2,852)	19,608
21,988	(6,095)	15,893	Roads & Transport Services	24,404	(5,844)	18,560
8,295	(3,323)	4,972	Planning & Development Services	8,661	(4,376)	4,285
87,375	(16,022)	71,353	Social Work	84,144	(14,947)	69,197
11,283	(3,000)	8,283	Central Services	8,439	(1,434)	7,005
2,445	-	2,445	Non-Distributed Costs	685	-	685
536	(259)	277	Common Good	594	(284)	310
140	(91)	49	Trust Funds	143	(141)	2
2,767	(2,797)	(30)	Share of Operating Results of Associates	2,757	(2,716)	41
324,476	**(71,877)**	**252,599**	**Services provided by the Council**	**325,400**	**(72,523)**	**252,877**
324,476	**(71,877)**	**252,599**	**Net Cost of Services**	**325,400**	**(72,523)**	**252,877**
		(290)	Roads Trading Operation (Surplus)/Deficit (External)			(165)
			Other Operating Expenditure			
		(785)	(Gain)/Loss on Disposal of Assets			288
			Financing & Investment Income and Expenditure			
		11,908	Interest Payable & Similar Charges			11,806
		(262)	Interest Receivable & Similar Income			(164)
		8,389	Net Interest Expense on the Net Defined Benefit Liability			8,973
		1	Share of Associates Interest Payable			4
		(30)	Share of Associates Interest & Investment Income			(29)
		-	Share of Associates Pension Interest Cost & Expected Return on Pension Assets			-
			Taxation and Non-Specific Grant Income			
		(176,318)	Revenue Support Grant			(175,625)
		(28,503)	Non-Domestic Rates Pool for Scotland			(31,013)
		(45,241)	Council Tax			(46,149)
		(14,868)	Capital Grants and Contributions			(20,768)
		6,600	**(Surplus)/Deficit on Provision of Services**			**35**

Group Comprehensive Income and Expenditure Statement

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		6,600	**(Surplus)/Deficit on Provision of Services**			**35**
		(5,357)	(Surplus)/Deficit on revaluation of Non Current Assets			(4,148)
		(200)	Any Other (Gains) Or Losses			(377)
		(4,859)	Actuarial (gains)/losses on pension assets/liabilities			(45,275)
		(10,416)	**Other Comprehensive Income and Expenditure**			(49,800)
		(3,816)	**Total Comprehensive Income and Expenditure**			**(49,765)**

Group Balance Sheet

2013/14 £'000		2014/15 £'000
	Property Plant and Equipment	
300,117	Other Land and Buildings	302,804
14,127	Vehicle, Plant, Furniture & Equipment	14,621
83,294	Infrastructure	86,483
6,721	Surplus Assets	4,730
18,452	Assets Under Construction	26,976
1,020	Heritage Assets	1,039
0	Investment Property	1,290
365	Intangible Assets	295
4,055	Long Term Investments	4,403
1,169	Investments in Associates	1,180
4,699	Long Term Debtors	4,316
434,019	**Long Term Assets**	**448,137**
-	Short Term Investments	52
922	Inventories	966
32,251	Short Term Debtors	38,291
(8,570)	less Bad Debt Provision	(8,838)
13,692	Cash and Cash Equivalents	15,001
38,295	**Current Assets**	**45,472**
(3,390)	Short Term Borrowing	(3,243)
(47,643)	Short Term Creditors	(49,105)
(2,599)	Provisions	(5,108)
(53,632)	**Current Liabilities**	**(57,456)**
(171,895)	Long Term Borrowing	(172,076)
(55,873)	Deferred Liabilities	(54,330)
-	Finance Leases/Bonds	-
(755)	Liabilities of Associates	(355)
(4,699)	Capital Grants Receipts in Advance	(6,493)
(233,222)	**Long Term Liabilities**	**(233,254)**
185,460	**Net Assets excluding pension liability**	202,899
(198,398)	Pension Liability	(166,072)
(12,938)	**Net Assets/(Liabilities) including pension liability**	**36,827**

Group Balance Sheet

2013/14 £'000	Financed By:	2014/15 £'000
	Useable Reserves	
(6,923)	Capital Fund	(7,552)
(17,136)	General Fund Balance	(18,991)
(300)	Property Maintenance Fund	(39)
(1,361)	Insurance Fund	(1,314)
(5,676)	Share of Group Entities Usable Reserves	(6,213)
	Unusable Reserves	
(91,771)	Capital Adjustment Account	(103,407)
5,601	Financial Instruments Adjustment Account	5,395
(68,361)	Revaluation Reserve	(65,671)
198,398	Pension Reserve	166,072
8,460	STACA Statutory Mitigation Account	7,190
(7,993)	Share of Group Entities Unusable Reserves	(12,297)
12,938	**Total Reserves**	**(36,827)**

The unaudited accounts were issued on 30 June 2015.

Group Cash Flow Statement

2013/14 £'000		2014/15 £'000	2014/15 £'000
6,600	**Net (Surplus) or deficit on the provision of services**	**35**	
59	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	(16)	
(43,356)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(34,558)	
13,891	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	19,201	
(22,806)	**Net Cash Flows From Operating Activities**		**(15,338)**
	Investing Activities		
27,100	Purchase of PP&E, investment property and intangible assets	33,307	
(1,169)	Proceeds from PP&E, investment property and intangible assets	(745)	
(3,024)	Purchase/(Disposal) of short & long term investments	291	
(16,443)	Other Items which are Investing Activities	(21,930)	
6,464	**Net Cash Flows from Investing Activities**		**10,923**
	Financing Activities		
66	Cash received from loans & other borrowing	(246)	
1,880	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,921	
6,136	Repayments of short and long term borrowing	167	
461	Other items which are financing activities	1,264	
8,543	**Net Cash Flows from Financing Activities**		**3,106**
(7,799)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(1,309)**
5,893	Cash and Cash Equivalents at the beginning of the reporting period		13,692
13,692	Cash and Cash Equivalents at the end of the reporting period		15,001
(7,799)	Movement		**(1,309)**

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 35 to 46.

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

Note 2 Group Cash Flow

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

2013/14 £'000	Reconciliation to General Fund Surplus	2014/15 £'000
6,600	Net (Surplus) or deficit on the provision of services	35
59	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	(16)
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(20,129)	Depreciation	(21,037)
(3,681)	Impairment & Revaluation Loss through I & E	(3,442)
(139)	Amortisation of intangible assets	(224)
(12,484)	Movement in pension liability	(12,522)
725	Gain/Loss on carrying amounts of assets disposed	(288)
(30)	Net movement in inventories charged to I & E	44
(4,293)	Net movement in debtors charged to I & E	5,832
(2,803)	Net movement in creditors charged to I & E	(3,267)
(522)	Net movement in provisions charged to I & E	346
(43,356)		(34,558)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
14,868	Capital grants received	20,768
(977)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,567)
13,891		19,201
(22,806)	Net Cash Outflow / (Inflow) from Operating Activities	(15,338)

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The surplus of £0.2m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £0.3m. Inclusion of group entities has had the overall effect of turning increasing Balance Sheet net assets from £18.3m to £36.8m with this increase being primarily due to the inclusion of the Common Good Funds and Trust Funds. The Group Balance Sheet position has improved significantly from a net liability of £13.0m in 2013/14 to a net assets position of £36.8m in 2014/15.

Glossary of Terms

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

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

- **Revenue Support Grant (RSG):** this is the largest part of AEF. It is a block grant which helps finance the overall cost of Council services.

- **Non-Domestic Rate Income (NDRI):** local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.

- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services/activities and can enable the Scottish Government to more directly influence service provision than with a block grant.

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

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

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

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

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

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

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

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

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

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

Common Good Funds: have been accumulated by former burghs since their foundation from the 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 8 former burghs, Duns, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related.
All of the Common Good Funds are presently registered as a single charity with OSCR.

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

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

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

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

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

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

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

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

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

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

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

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

IAS19: the International Accounting Standard (IAS) which lays down the disclosure and reporting requirements for Retirement Benefits paid from our Pension Fund.

IFRS: The Council's accounts are governed by International Financial Reporting Standards.

Impairment: an asset is impaired when its carrying amount exceeds its recoverable amount.

Infrastructure: assets of a general and supporting nature, e.g. the roads and bridges network, car parks, pathways, sea defences and water/drainage systems.

Insurance Fund: a fund that meets the costs of premiums for a range of external insurance cover, meets the cost of claims not covered by external insurance, and receives contributions from Council services.

Interest on Revenue Balances: the Council's loans fund acts as an internal banker and pays interest where it has utilised any internal credit balances, e.g. the General Fund Reserves.

Inventories: materials etc. that have been purchased but not yet consumed in the delivery of Council services.

Loan Charges: sometimes called debt charges, these are the annual repayments of principal, interest and expenses in respect of loans taken to finance capital expenditure.

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds.

Long-Term Borrowing: are sums borrowed to finance capital expenditure and not yet repaid, nor due to be repaid within one year. The majority of this is borrowed from the Public Works Loan Board and can be for periods of up to 60 years.

Pension Fund: under relevant legislation the Council administers a Pension Fund for its employees (other than teachers, who are members of a national scheme) and employees of certain other 'Admitted Bodies'. It is what is known as a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested.

Provision: a liability of uncertain timing or extent for which an estimate must be included in our annual accounts.

Ratios: financial analysis tools to support the evaluation of the financial health of the organisation.

Rents, Fees and Charges: add in charges for specific service; examples include home care charges, commercial rents, hall lets and library fines.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses/deficits generated by the various funds. They are split between 'usable' and 'unusable' reserves.

> **Usable Reserves:** Capital Fund, General Fund Balance, Property Maintenance Fund and Insurance Fund.
>
> **Unusable Reserves:** Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account .

Revaluation Reserve: the balance represents the difference between the depreciated revalued amount and the depreciated historic cost of fixed assets at 1 April 2007. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure: the day to day recurring costs of providing services. It includes wages and salaries, property costs such as power and light, transport costs and supplies and services. It also includes the annual repayment of loans which have financed capital expenditure. Revenue expenditure is always paid for in full as and when it happens either from Council Tax, rents, fees, charges, grants and Revenue Support Grant (RSG) and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Significant Trading Operations: services provided in a competitive environment and which are charged for on a basis other than a straightforward recharge of costs, e.g. quoted lump sums, fixed rates etc.

Trust Funds: The Council administers 183 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 6 of which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

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