

Scottish Borders Council

annual accounts

for the year to 31 March 2019



Scottish Borders Council

Annual Accounts 2018/19

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Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2019. 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 the financial year 2018/19.

During 2018/19 Scottish Borders Council has achieved significantly higher Financial Plan savings than ever before whilst maintaining frontline services for communities wherever possible with £16.4m delivered in year, £11.7m permanently. Capital investment in the area is also significantly higher than that in 2017/18.

The management commentary on the Council accompanying the Annual Accounts outlines:

- what we do as a Council;
- what our strategy and priorities are;
- how we are organised to deliver our priorities;
- our financial position for 2018/19;
- key aspects of our performance during 2018/19; and
- our plans for the future.

Highlights of 2018/19

Against a very difficult financial background, the Council has achieved the following during 2018/19:

- ✓ Achieved £16.4m of Financial Plan savings, £11.7m of which were on a permanent basis;
- ✓ Delivered £257.5m of revenue spending within budget;
- ✓ Delivered Capital Investment of £47.8m in schools, flood protection, roads, lighting and other assets;

- ✓ Undertaken a 5 yearly review of all our Planning & Economic Development assets;
- ✓ Delivered back office savings in order to protect front line services in the Borders wherever possible.

Our Plans for 2019/20

The next year presents many opportunities for the Council including:

- the launch of a revised 5 years programme of transformation across the Council – called 'Fit for 2024'. This programme has the aim of delivering a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible.
- the launch of a Communities Fund to create more flexibility, that supports and facilitates communities to come up with creative solutions to local priorities and also builds community capacity in line with participatory budgeting.
- preparatory work being done around digital developments which will allow significant transformation activity going forward.

During the period from 2013/14 to 2018/19 the Council's approach to longer term financial planning has delivered savings of £47m alongside significant improvements in performance set out on pages 15 – 26.

Councillor Shona Haslam

**Leader
Scottish Borders Council**

Management Commentary

Introduction

This management commentary provides a summary of Scottish Borders Council's financial performance for the year and how this has supported delivery of the 2018-2023 Corporate Plan. It also outlines the financial strategy and the challenges the Council faces in future years in delivering its objectives for the Scottish Borders.

About Scottish Borders Council



*Annual estimates are provided each year by National Records of Scotland (NRS) and are based on the Census, taking account of births, deaths and migration.

Scottish Borders Council



Management Commentary

Scottish Borders Council highlights 2018/19

Outdoor Community Spaces

The Council is embarking on a significant investment in community outdoor facilities, specifically including children's play parks skate parks and small wheels projects youth shelters and facilities for increasing health and well-being in older people. The initial investment is around destination play parks with Harestanes including for the first time in the Scottish borders, a wheelchair swing.



Pool cars

After a successful trial of pool cars at Council HQ, an expanded 55 car fleet has now been rolled out across the Borders. The expanded fleet will also be available for community use. There are currently 523 active members of the scheme with over 5,000 bookings to date.



Hawick Flood Protection works

Detailed design continued on the £60m programme of work to provide 1 in 75 year flood protection to Hawick.

Business World

The work to fully embed Business World ERP, the new integrated Finance, HR and Procurement system, continued during the year with the developments and roll out of new functionality, training and the upgrade to Milestone 7.2.

Early Years expansion

During 2018/19 expansion to 1140 hours has taken place in 13 early years settings. The authority has invested in refurbishment, extension and new-build of early learning settings to allow additional hours of care to be provided.

Lowood estate

During 2018/19 the Council took the strategic decision to purchase the Lowood estate for development purposes. The 44-hectare site will provide up to 350 jobs and an estimated Gross Added Value (GVA) of £150million over 30 years.



Strategic Housing Improvement Plan (SHIP)

During the year the Council and its strategic partners delivered 191 affordable housing units through the SHIP exceeding our annual delivery target.



Waste Management

A new residual waste contract was put out to tender during 2018/19 coinciding with the opening of the new Waste Transfer Station in the summer of 2019 and the decommissioning of the landfill site at Easter Langlee.

Integration Joint Board

During 2018/19 the Council opened Garden View as a discharge to assess unit which significantly assisted both with the management of delayed discharges and the delivery of the NHS winter plan.

Jedburgh Intergenerational Campus

The new £34m campus remains on track for opening in April 2020.

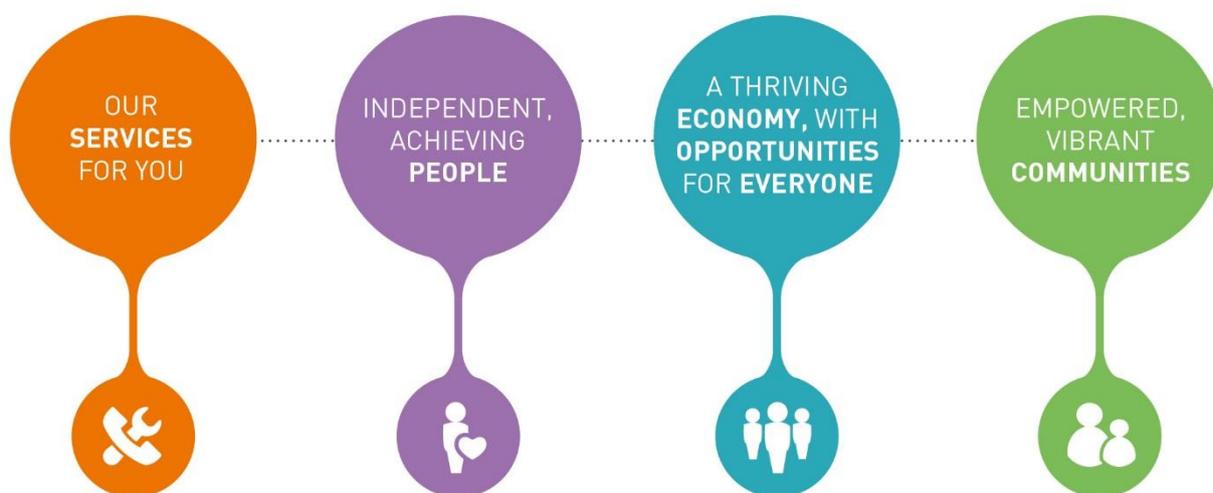
Management Commentary

Corporate Plan

The Corporate Plan sets a direction for Scottish Borders Council for the next 5 years (2018 to 2023) in order to:

- make the most of the opportunities we now have
- tackle the challenges we face
- take account of what our new Councillors want to achieve for the Scottish Borders
- ensure we respond to national policies and other statutory requirements.

The Council is committed to taking action to reshape and improve our services and ensure the Council continues to have a positive effect on quality of life, well-being, on our economy and in communities. This commitment is reflected over 4 themes:



A key feature of this new Corporate Plan is as well as outlining what the Council is going to do to improve services, we are asking individuals, families, businesses, partners and communities to **'play your part'**. This joint working approach offers the best opportunity for success. As the Council's delivers on each of the themes above over the next 5 years, the Council will consult, involve and engage with citizens, communities and partners and, increasingly, we will work to create solutions with you and your local area, through Area Partnerships.



Management Commentary

Financial Strategy

The Financial Strategy supports the delivery of the Council's Priorities and Corporate Plan. 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 provide good value** for money.

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2018/19 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension cost increases, the failure by managers to enact effective budgetary control, severe weather events, the economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

The level of un-allocated general fund balances is informed by an assessment of the risks facing the Council. This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the reasons reserves are held in the first place, the scale and complexity of the organisation and also provides appropriate transparency with regard to the level of balances held. The accumulated financial risk in the 2018/19 Risk Register was assessed to be £11.063m and the projected useable General Fund balance, at £6.315m, was sufficient to cover 57% of risks identified.

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's Priorities and Corporate Plan plans covering 5 and 10 years respectively. 2018/19 represented the first year of the new 5 year revenue Financial Plan, the first plan was published in 2013/14. The plans have been amended and updated each year since 2013/14 and to date savings of £47m have been delivered in a planned manner. Despite the resource challenges facing the Council and wider public services the approach to financial planning has so far delivered balanced budgets and small underspends in each year. The Capital 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

Management Commentary

Treasury Management Strategy provides the linkage between the financial strategy, capital investment plans and the borrowing strategy.

The Financial Strategy, the Financial Plans and the Treasury Management Strategy are approved by Council annually in February.

From 2019/20 a Capital Investment Strategy (CIS), which highlights the capital investment priorities and explain how these priorities will assist with the delivery of the Council's Corporate Plan will also be approved with the budget papers in February. The CIS is structured to reflect the themes of this Corporate Plan. The document complements the Council's 10 year capital investment plan 2019 – 2029 and the Treasury Strategy.

Equalities Mainstreaming

Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes 2017 – 2021. This is being implemented by:

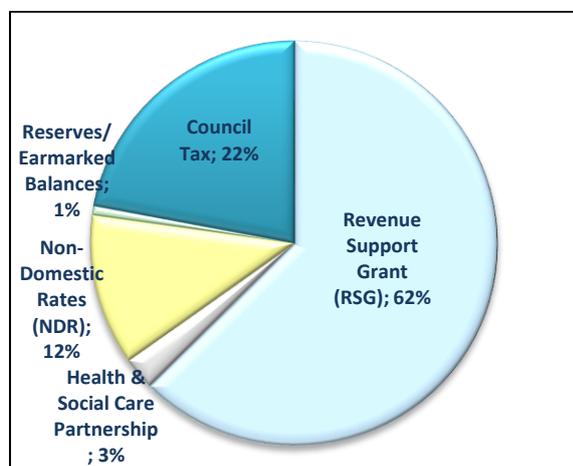
- providing effective support to embedding equalities and human rights into the Council's corporate, business planning, policy and performance processes;
- giving advice and support on equalities and human rights to the Scottish Borders Community Planning Partnership;
- providing operational support to Council services on equalities and human rights matters;
- promoting equalities, diversity and human rights;
- engaging with local equality and human rights groups; and
- ensuring all of the Council's budget proposals are equality impact assessed.

How are we are doing? - Financial Performance

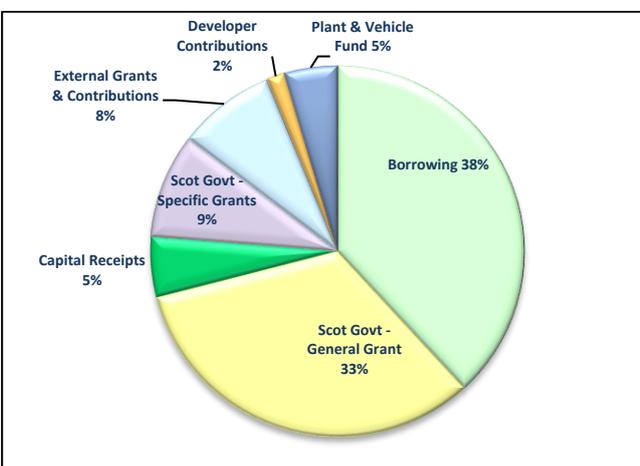
2018/19 Financial Resources Available

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

Sources of Revenue Funding



Sources of Capital Funding



Management Commentary

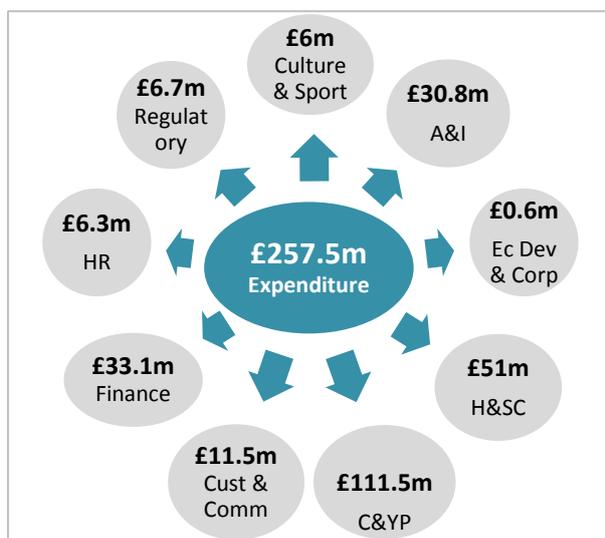
Financial Position at 31 March 2019

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

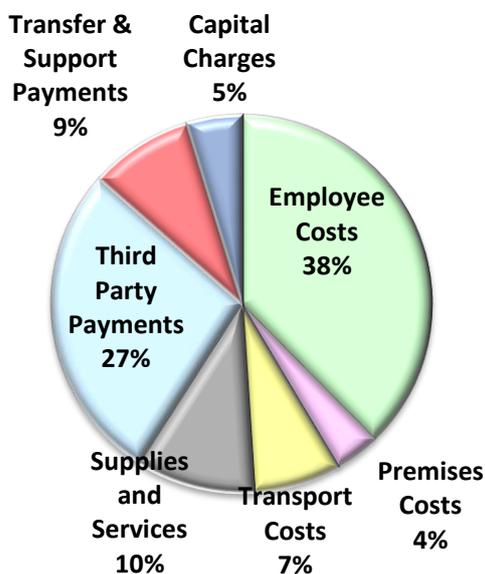
Revenue

The actual outturn for the financial year 2018/19 was a revenue expenditure of £257.5m representing a net underspend of £1.302m (0.5%) against the revised budget. Page 11 provides more analysis.

The following chart analyses the revenue spend by Council department:

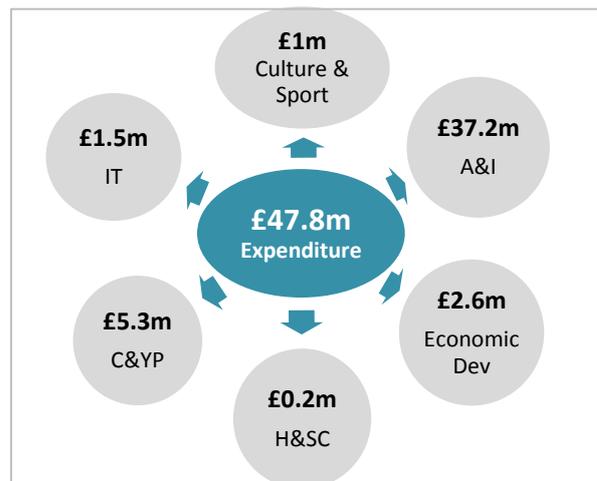


Revenue net expenditure for the year includes income of £135.2m, and gross expenditure of £392.7m as analysed in the chart below:



Capital

The actual outturn for the financial year 2018/19 was a capital expenditure of £47.8m representing a favourable timing movement of £16.7m (25%) against the revised budget.



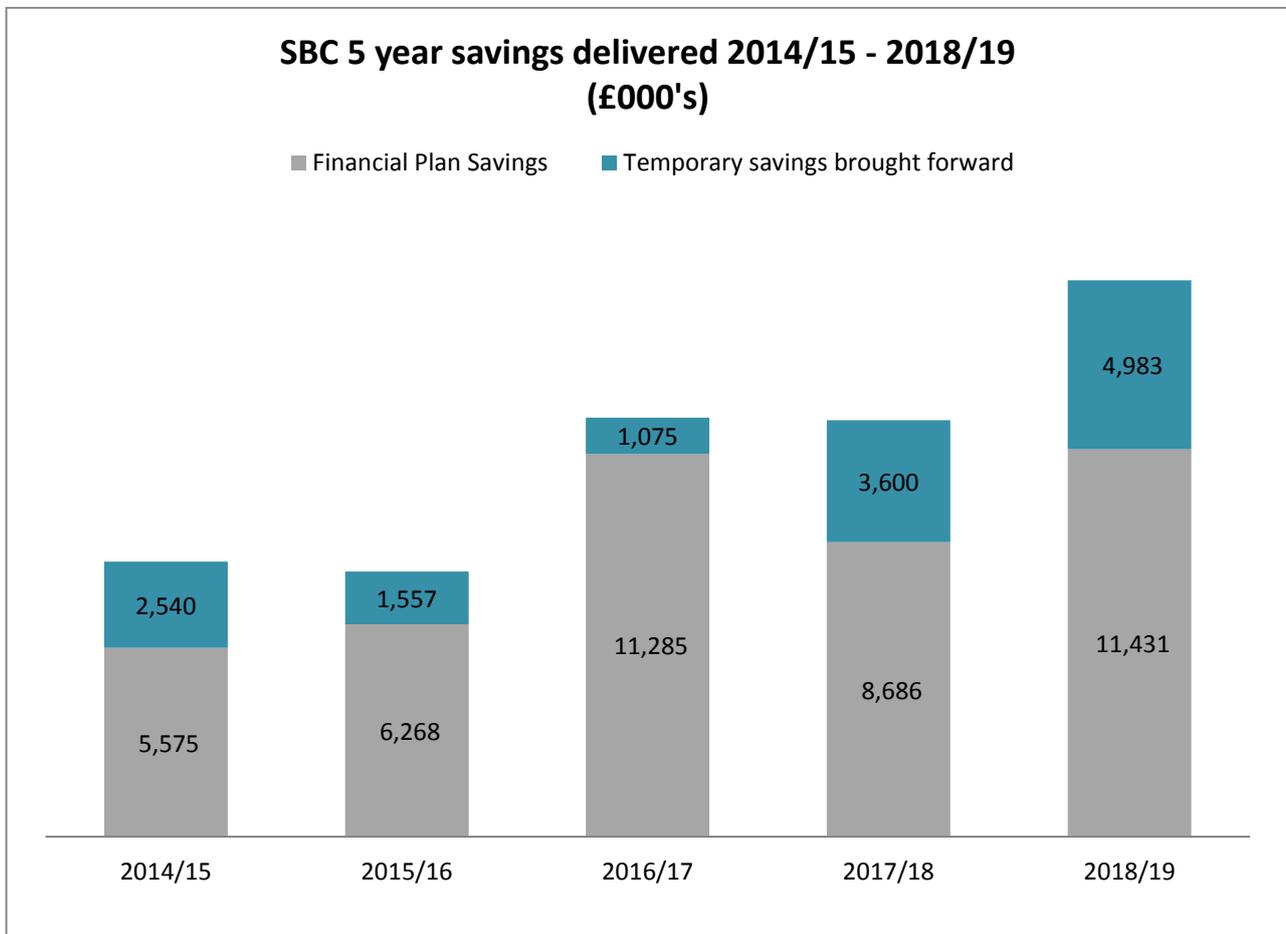
The capital programme delivered significant investment in the Scottish Borders during 2018/19 and the following table highlights some of the major projects undertaken:

Asset & Infrastructure	
• Roads & Bridge Maintenance	£10.4m
• Flood Protection Works	£5.6m
• Waste Infrastructure	£3.9m
• Land & Property Infrastructure	£14.7m
• Plant & Vehicle	£2.6m
Children & Young People	
• Early Learning & Childcare	£1.0m
• Broomlands Primary School	£0.4m
• Jedburgh Intergenerational Campus	£1.6m
• School Estate Block	£2.2m
IT/Econ Dev/Culture & Sport	
• Central Borders Business Park	£1.0m
• Great Tapestry of Scotland	£0.3m
• ICT Transformation	£1.5m
• Culture & Heritage	£0.9m
• Private Sector Housing adaptations	£0.5m
• Hawick regeneration	£0.5m

Management Commentary

Delivery of Targeted Savings

Overall, Financial Plan savings of £16.414m were delivered during 2018/19 in order to balance the costs of delivering services and the available resources. The regular Budget Monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals. Of the £16.414m savings delivered in 2018/19, £11.656m (71%) were delivered permanently. The chart below highlights the increasing level of targeted savings being delivered within the Council on an ongoing basis, demonstrating the scale of change undertaken within the Council over the last 5 years. The savings are categorised over those established as part of the Financial Plan in each year and those brought forward from previous years for permanent delivery. It should be noted, as shown below, that a significantly greater level of savings was required in 2018/19 compared to previous years. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2019/20 and beyond.



Management Commentary

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 49 shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2018/19 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2019. This results in the (statutory accounting) adjusted net cost of services of £279.7m compared with the reported departmental net cost of services of £257.5m. Note 5, page 69 provides additional analysis of the movement between these figures as well as an analysis between the outturn underspend and the deficit shown in the Comprehensive Income and Expenditure Statement.

Further statutory adjustments are then subsequently made in the comprehensive income and expenditure account shown on page 49 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 Deficit on the Provision of Council Services for the year of £16.9m.

Other Comprehensive Income and Expenditure

A reduction in the movement on the Deficit on the Provision of Council Services can be largely attributed to the statutory accounting adjustments mentioned above. The movement of (£12.1m) is primarily due to a reduction in impairment and revaluation losses charged to the Comprehensive Income and Expenditure Statement during 2018/19 as part of the rolling revaluation programme.

An Actuarial loss on the Pension Fund Net Assets/Liabilities of £17.0m (actuarial gain of £70.5 gain in 2017/18) has contributed towards a deficit on the Total Comprehensive Income/Expenditure of £30.4m (versus a surplus of £93.6m in 2017/18).

Balance Sheet

During 2018/19 the net asset position has reduced by £30.4m from £91.3m to £60.9m, this is largely attributed to an increase in the pension liability of £36.5m as well as a reduction in short term borrowing of £5m.

During the year the Council acquired the Lowood estate in an off-market sale, the valuation placed on the site is £9.544m which is the value reflected in the Council's balance sheet. The Council expects to recover the purchase price of the estate through the development process and will engage with a range of public and private sector partners to deliver its vision. The estate has been acquired for economic development purposes and will see a massive expansion of land adjacent to the railhead at Tweedbank. The project to develop the Lowood estate and existing sites in Council ownership will ultimately create up to 350 jobs through the development of the current Tweedbank Industrial Estate and is estimated will generate Gross Added Value (GVA) of £150million over 30 years and offer a £2 return on every £1 spent. The redevelopment of Lowood was a major strategic undertaking for the Council which will capitalise on the investment made in the Borders railway. A masterplan has already been completed for the area.

Management Commentary

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.

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

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

External Debt

The Council's outstanding external debt as at 31 March 2019 was £199m. Additional long term borrowing was undertaken during the year amounting to £10m, with £8m of this new borrowing used for the early repayment of 2 existing loans. Short term borrowing of £5m outstanding from the 2017/18 year end was repaid in April 2018 with no further requirement for short term borrowing during the 2018/19 year. The average rate of interest paid on outstanding external debt was 4.79%.

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 46).

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

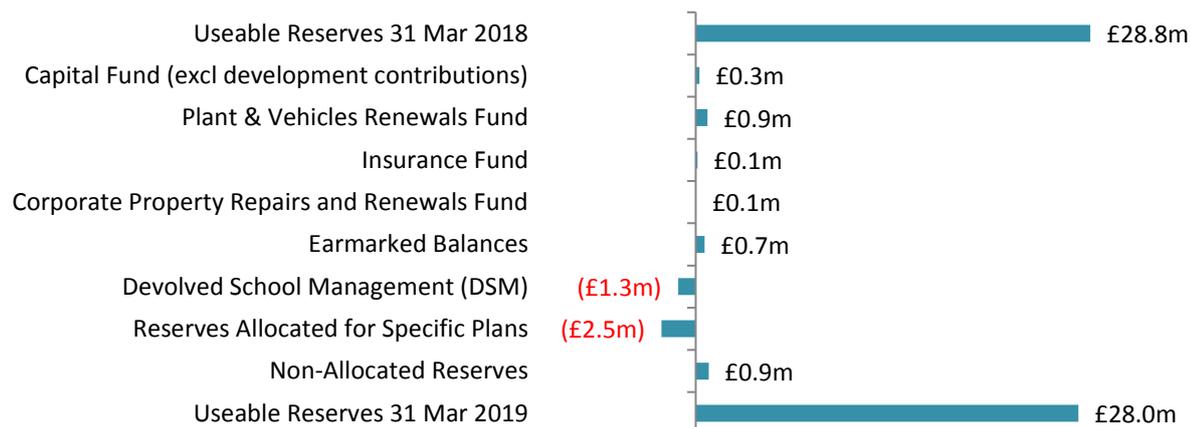
Note 31, page 101 provides additional information on the status of the usable and unusable reserves held by the Council.

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.

Management Commentary

As at 31 March 2019 the total Reserves Balance is £28.0m (£28.8m at 31 March 2018) a net decrease of £1m during the year. The net decrease, as can be seen from the chart below, can be attributed to an increase in the Plant & Vehicle Renewals Fund, net movement in earmarked balances including DSM, the value of which will vary from year to year, planned draw downs from the Allocated reserve and movements in the Non-Allocated reserves which is being maintained in line with the approved Financial Strategy.



Movements within the Allocated and Non-Allocated Reserves during 2018/19 comprised:

Reserves Allocated for Specific Plans - net effect of:

Planned draw down to support 2018/19 Financial Plan	(£2.000m)
Net movement in ER/VS reserve	(£0.351m)
Remove unrequired CFCRs not yet applied to capital	(£0.135m)

Non-Allocated Reserves

Increase to reserves as approved in 2018/19 Financial Plan	£0.677m
2017/18 year end outturn transferred into 2018/19 revenue budget	(£1.029m)
Transfer of statutory accounting balances to ER/VS	(£0.005m)
2018/19 year end outturn	£1.302m

Management Commentary

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2019 with a comparator year ending 31 March 2018. The Group Accounts for 2018/19 can be found from page 115. The Group comprises of the following:

Subsidiaries

- SBC Common Good Funds (*Registered Charity*)
- SBC Trust Funds:
 - *Registered Charities:*
 - SBC Charity Funds (*32 funds*)
 - SBC Community Enhancement Trust
 - SBC Welfare Trust
 - SBC Education Trust
 - Ormiston Trust for Institute *and*
 - 46 Non-Registered Trusts
- Bridge Homes LLP
- SBCares and SB Support LLP
- Live Borders
- Lowood Tweedbank Limited

Associates

- Jedburgh Leisure Facilities Trust

Joint Ventures

- Scottish Borders Health and Social Care Partnership

Management Commentary

How are we doing?

Our Priorities

Our Corporate Plan presents our commitment to improvement within the Scottish Borders as 4 themes over the five year period 2018 - 2023:



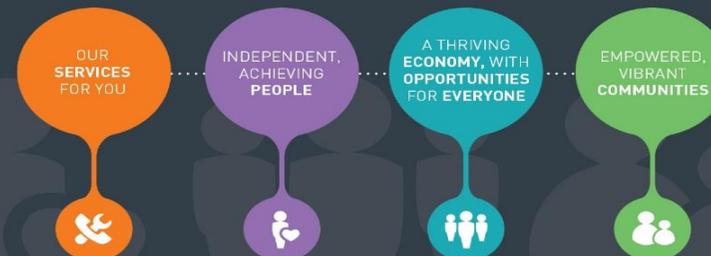
www.scotborders.gov.uk/performance

Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a monthly basis to the Corporate Management Team, and on a quarterly basis to the Executive Committee of the Council. Below is a summary of the key performance information for 2018/19 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

OUR PLAN for 2018-2023 and your part in it

HIGHLIGHTS DURING 2018-19 APRIL 2018 to MARCH 2019



FIT FOR 2024 LAUNCHES

Scottish Borders Council has launched a large scale programme of transformation to ensure it is in the best shape to meet future challenges.

The 'Fit for 2024' programme is aimed at making the Council more adaptable, efficient and effective, and will see a series of projects and initiatives established to fundamentally redesign the Council's structure and business processes over the next five years.

You can read more about **FIT FOR 2024** on page 3.

2018 ANNUAL PARTICIPATION MEASURE

The latest Annual Participation Measure has revealed that 92.8% of 16-19 year olds in the Scottish Borders are participating in education, training or employment. This compares to a national figure of 91.8%.

Skills Development Scotland (SDS) has worked with the Scottish Government to develop the Participation Measure.

The purpose of the Participation Measure is to identify what young people 16-19 are doing, to inform policy, planning and service delivery and determine the impact of the Scottish Government's Opportunities for All commitment. The Participation Measure covers all those aged 16 to 19, not just the school leavers.



INSPIRE LEARNING PROGRAMME

In February 2019, Scottish Borders Council announced an investment of £16million over a ten year period in a world-class digital learning environment in Scottish Borders schools starting in 2019/20.

The 'Inspire Learning' programme will transform learning and teaching across the Borders for the benefit of all children and young people and teachers. It aims to:

- raise attainment
- support equity and inclusion
- prepare young people for a digital future

The programme is a key part of our Digital Learning Strategy and supports the requirements as set out in the Scottish Government's national strategy for education, which now places Digital Learning as a priority for schools and a core skill across learning.

The programme will be rolled out from 2019/20, and is expected to take around two years to fully implement.

SCOTTISH BORDERS 2018 | 4,685 | 16-19 YEAR OLDS

92.8% (SCOT 91.8%) participating in education, training or employment	2.2% (SCOT 3.4%) were not participating	5.0% (SCOT 4.7%) with an unconfirmed status
<ul style="list-style-type: none"> • 72.6% in Education • 18.5% in Employment • 1.7% in Training & Personal Development 	<ul style="list-style-type: none"> • 0.9% Unemployed Seeking • 1.3% Unemployed Not Seeking 	

SCOTTISH BORDERS 2017

92.5% participating	3.0% not participating	4.5% unconfirmed
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For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019.



OUR PLAN for 2018-2023 and your part in it

HIGHLIGHTS DURING 2018-19 APRIL 2018 to MARCH 2019



THE BORDERLANDS INCLUSIVE GROWTH DEAL

The Borderlands Inclusive Growth Deal is currently being discussed with the UK and Scottish governments by the Borderlands Partnership. It comprises 5 projects & 6 programmes that have the potential to deliver benefits across the Borderlands area. The projects include establishing the feasibility of extending the Borders Railway from Carlisle to Tweedbank; and a Mountain Bike Innovation Centre in the Scottish Borders. The programmes are focused on Energy, Digital Connectivity, Place, Destination, Business Infrastructure and Learning & Skills.

The Borderlands Partnership is a unique collaboration that brings together the five cross-border local authorities -

Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council.

There has been a positive collective will from both Governments and the Partnership over the past two years in order to get to this stage of the process, with both Governments recently announcing a potential joint funding package of £345M for the Deal. The Borderlands Deal will complement the activities being delivered through the Edinburgh and South East Scotland City Region Deal and the South of Scotland Economic Partnership, and the upcoming establishment of South of Scotland Enterprise.

LOCALITIES BID FUND *your money your choice*



LOCALITIES BID FUND ROUND 2

Following 90 applications coming in for the second round of the Localities Bid Fund there are now 75 organisations going forward to the public vote in May/June 2019.



To be eligible to vote for a project you must live in the Borders and be aged 16 years and over. Residents will be able to vote online, at a voting event or by post.

Each voter will have a mandatory number of votes to cast - the number of mandatory votes determined by the number of projects in the area.

Further details available on www.scotborders.gov.uk/localitiesbidfund

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019.



CHANGE AND IMPROVEMENT

HIGHLIGHTS DURING 2018-19 APRIL 2018 to MARCH 2019
Programmes & projects that will impact on performance



FIT FOR 2024

Fit for 2024, the Council's new Transformation Programme was agreed by Council on 28th February this year. Characterised as 'the next generation' of transformation, the programme aims to fundamentally reshape the Council, from our engagement with our citizens and communities to the way we go about our business.

The purpose is to deliver a Council that is adaptable, efficient and effective, and capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible.

The new programme builds on the Council's strong record over the last decade in delivering transformation to support service improvement and achieve significant financial savings.

However, Fit for 2024 recognises that the challenges ahead represent something (in terms of scale and nature) beyond anything the Council has been required to respond to before now.

FIT FOR 2024 is built around 7 inter-connected areas of focus:

- Service by service review and redesign
- Enhanced community engagement, participation and empowerment
- Best use of physical assets – including reducing the Council estate
- Investment in well planned and designed Digital Solutions
- Development of Workforce Skills, flexibility and working patterns
- Optimising partnership resources
- Process improvement and productivity

These arrangements are designed to deliver service improvements in a joined-up, permanent and sustainable way. Monitoring will continue to be provided to Executive through regular reporting.

Existing transformation projects and activities are incorporated within the new programme and a selection of highlights from the last year are reported in the following pages.



OLDER PEOPLE'S STRATEGY

In the Borders it is predicted that the population aged over 65 years will increase significantly, whilst at the same time the working-age population will reduce. The aim of the Older People's Strategy is to ensure that, support is in the right place at the right time for our growing, ageing population.

Together with investment in social infrastructure and delivering service reform, the strategy will:

- Enable investment in existing homes.
- Increase the housing options of newly built houses including in the private and social rented sectors and also in specialist residential settings.
- Invest in extra care housing and other types of housing with on-site support.
- Invest in technology enabled care.
- Improve the availability of information and advice, including advice and assistance on moving home.



DISCHARGE FROM HOSPITAL

One focus of the Health & Social Care Partnership is to facilitate timely discharge of patients from an acute hospital setting to home or to a 'homely' setting. To enable this a number of initiatives have been progressed. These include:

- **Garden View (Tweedbank):** patients aged over 50, and who no longer require acute care, Garden View, where they receive up to two weeks of additional support to enable them return to their own homes.
- **Transitional Care (Galashiels):** patients no longer requiring acute care can receive up to 6 weeks rehabilitation and reablement support to enable them to retain independence and return home.
- **Hospital to Home:** is a district Nurse led model of care. It delivers reablement for patients in their own homes, following discharge from hospital.

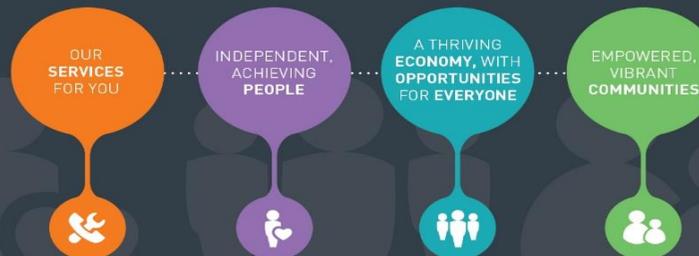


For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019.



CHANGE AND IMPROVEMENT

HIGHLIGHTS DURING 2018-19 APRIL 2018 to MARCH 2019
Programmes & projects that will impact on performance



COMMUNITY CAPACITY BUILDING

In 2018/19 the CCB team have undertaken a range of work across Scottish Borders with the aim of actively, fostering and encouraging the development of resilience within communities to allow them to become stronger and more self-reliant through offering the right support at the right time. The focus is on developing activities identified by the local community and then working with them and partner organisations to turn ideas into reality. Some of the highlights of the last year are:

- A meals delivery/befriending service for older adults in Peebles
- Development of an information leaflet in Tweeddale for carers supporting individuals with Dementia
- An event in Duns to celebrate Silver Sunday which celebrates the value and knowledge older adults contribute to their local communities as well as helping to address loneliness and isolation amongst the older population
- Walking netball developed in Peebles & Eyemouth
- Tea dances in Duns & Hawick
- Success for Gala Walking Football team set up in 2015 who came second in the Scottish Walking Football league



In addition to the activities delivered in communities, over £100k in funding was secured for organisations either directly set up or supported by the team.

2018/19 also saw the introduction of Community Link Workers to the team. The aim of these roles is to support isolated older adults and also support ongoing transformation work. To date, people who were previously supported by the Ability Centre in Galashiels and Saltgreens Day Centre in Eyemouth have been supported to access alternative community resources. This process will continue over the coming financial year.

External evaluation of Community Capacity Building work so far suggests a social return on investment in the region of £10 for every £1 invested. This reflects the effectiveness of the staff team and the relatively high cost of older peoples' physical and mental ill health.

The external evaluation analysis also identified that the community development approach used by the team delivers better and more sustainable outcomes for individuals and communities.

ENTERPRISE & SKILLS SOUTH OF SCOTLAND ECONOMIC PARTNERSHIP

SOUTH OF SCOTLAND ENTERPRISE AGENCY

In order to prepare for the South of Scotland Enterprise Agency, the Scottish Government has set up the South of Scotland Economic Partnership (SoSEP) as an interim solution to ensure that the South of Scotland benefits from a new approach to economic development as soon as possible.

The South of Scotland Enterprise (SOSE) Bill was introduced in the Scottish Parliament on 24 October 2018 with the aim of ensuring that the new Agency is operational by 1 April 2020, subject to Parliamentary approval.

The Bill is being scrutinised by the Rural Economy and Connectivity Committee and during Stage 1 the Committee took evidence from the Council and a range of other stakeholders.

Stage 1 concluded with a debate which took place on 26 March 2019, when the Parliament unanimously agreed to the general principles of the South of Scotland Enterprise Bill.

The new Agency is expected to have a transformational impact on the delivery of economic development support in the South of Scotland and Scottish Borders, enabling new investments and new, more effective, partnerships with businesses, communities and the 3rd Sector.

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019.

CHANGE AND IMPROVEMENT

HIGHLIGHTS DURING 2018-19 APRIL 2018 to MARCH 2019

Programmes & projects that will impact on performance



COMMUNITY FUND

Council have agreed to consolidate the existing community grants and funding into a single Scottish Borders Council Community Fund for 2019/20. The total Community Fund available for 2019/20 is £1.166M and is to be devolved to the five Area Partnerships. The allocation of funding for Villages Halls, Local Festivals and grants to Community Councils for 2019/20 will be on the same basis and with the same criteria as in 2018/19.

This will leave each Area Partnership to distribute the remaining funds, with at least the following available budget:



In addition there will be a Borders-wide fund of £35,000 allowing community groups/organisations to apply for projects that benefit the whole of the Scottish Borders.

The Community Fund opened on April 1 for applications, with non-constituted groups able to apply up to £5k; constituted groups able to apply up to £10k and in exceptional cases up to £30k.

Application form and guidance notes available at www.scotborders.gov.uk/communitygrants



POOL CARS AVAILABLE FOR COMMUNITY USE

An E-Car Community Car Club was launched on 22nd April building on the roll-out of 55 pool cars across the Borders.

Initially, 16 vehicles will be available for hire by members of the community out with normal office hours Mon-Thursday and over the weekend. The scheme aims to maximise the value of the pool car fleet and offset costs by generating income. The 16 cars can be hired from as little as one hour, through to several days at a time on a Pay-As-You-Go basis. The cars are initially available in Hawick(4), Galashiels(4), Peebles(2), Duns(2), Newtown St. Boswells(2), Kelso(1) and Eyemouth(1) with scope to expand if demand justifies.

Members of the public can sign-up to become an E-Car Club member at www.ecarclub.co.uk/join and use the code WELCOMESB for free membership and 2 hours of free driving credit. The vehicles are available from £5.50 per hour and £45 per day. Mileage is unlimited and is charged at £0.15 per mile. The E-Car Club is a growing national scheme and members can access cars elsewhere in the UK and, in turn, vehicles will be available to E-Car Club members visiting the Borders.

Community Car Club usage and the associated income will be reported to Elected Members in future quarterly Executive Performance reports.

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019.

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING 2018-19 APRIL 2018 to MARCH 2019

PLANNING PERMISSION #
LOCAL – NON HOUSEHOLDER



8.1 weeks – average time to determine **Local Developments - Non Householder** during Q2 2018/19

Up from 7.8 in Q2 17/18

PLANNING PERMISSION #
LOCAL – HOUSEHOLDER



7.2 weeks – average time to determine **Local Developments - Householder** during Q2 2018/19

Up from 6.8 in Q2 17/18



WASTE RECYCLING #
HOUSEHOLD RECYCLING



38.17% of our household waste on average, was recycled over the last 12 months

Down from 39.88% in 2017

WASTE RECYCLING #
HOUSEHOLD 'OTHER' TREATMENT



0.33% of our household waste required 'other' treatment, on average over the last 12 months

Down from 0.35% in 2017

ENERGY USE (26 key sites)
ELECTRICITY



7,921,217 kilowatt hours or Electricity used at a cost of **£0.975m**

Down from 8,395,393 Kwh in 2017/18
Up from £0.920m in 2017/18

WASTE RECYCLING #
HOUSEHOLD LANDFILLED



61.50% of our household waste on average, was sent to Landfill over the last 12 months

Up from 59.76% in 2017

WASTE RECYCLING #
COMMUNITY RECYCLING CENTRES



57.95% of waste was recycled at SBC Community Recycling Centres, on average, over the last 12 months

Down from 58.54% in 2017

ENERGY USE (26 key sites)
GAS



11,744,734 kilowatt hours or Gas used at a cost of **£0.313m**

Down from 12,671,961 Kwh in 2017/18
Up from £0.300m in 2017/18



CONTEXT INDICATORS UPDATE OUR SERVICES FOR YOU

INDICATOR	2018/19	2017/18	CHANGE
Planning Applications	1,369	1,307	↑
Killed on Borders Roads#	11	7	↑
Seriously injured on Borders Roads#	65	54	↑
Capital Receipts Cumulative **	£1,444.2k	£380.3k	↑
Properties surplus	30 (03/19)	21 (03/18)	↑
Properties marketed	5 (03/19)	7 (03/18)	↓
Properties under offer	16 (03/19)	7 (03/18)	↑

KEY # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019. # Performance indicators with a quarter lag in data.

OUR SERVICES FOR YOU

OUR PERFORMANCE DURING 2018-19 APRIL 2018 to MARCH 2019

<p>WELFARE BENEFITS</p> <p>1,329 people contacted us for Welfare Benefits advice receiving over £4.537m in additional benefits</p> <p>No direct comparison in 17/18</p>	<p>HOUSING BENEFIT – NEW CLAIMS</p> <p>24.20 days – average time to process New Claims</p> <p>Down from 29.11 days in 17/18</p>	<p>HOUSING BENEFIT – CHANGE EVENTS</p> <p>6.51 days – average time to process Change Events</p> <p>Down from 7.06 days in 17/18</p>
<p>CUSTOMER CALLS</p> <p>94,086 phone interactions were logged by our Contact Centres</p> <p>Down from 100,491 in 17/18</p>	<p>COUNCIL TAX</p> <p>96.84% of Council Tax due was collected</p> <p>Up from 96.81% in 17/18</p>	<p>FREEDOM OF INFORMATION REQUESTS (FOI)</p> <p>85.8% of FOI requests were completed on time</p> <p>Down from 93.3% in 17/18</p>
<p>CUSTOMER COMPLAINTS STAGE ONE</p> <p>Our average response times for complaints was 4.69 days at stage one</p> <p>Up from 4.0 days in 17/18</p> <p>We closed 85.3% of complaints at stage one within 5 working days</p> <p>Down from 86.4% in 17/18</p>	<p>CUSTOMER COMPLAINTS STAGE TWO</p> <p>Our average response times for complaints was 18.4 days at stage two</p> <p>Up from 17.7 days in 17/18</p> <p>We closed 73.2% of complaints at stage two within 20 working days</p> <p>Up from 67.4% in 17/18</p>	<p>CUSTOMER COMPLAINTS ESCALATED COMPLAINTS</p> <p>Our average response times for escalated complaints was 14.67 days</p> <p>Down from 18.0 days in 17/18</p> <p>We closed 78.8% of escalated complaints within 20 working days</p> <p>Up from 53.8% in 17/18</p>

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 28 May 2019. # Performance indicators with a quarter lag in data.



CONTEXT INDICATORS UPDATE OUR SERVICES FOR YOU

INDICATOR	2018/19	2017/18	CHANGE
Face to Face Interactions (CRM) by Customer Services	58,507	62,432	↓
Total logged customer contact with SBC	162,223	169,326	↓
Complaints Closed	699	691	↑
FOIs requests received	1,418	1,279	↑
Facebook Engagements	259,606	368,236	↓
Twitter Engagements	33,171	120,805	↓

KEY # 1 quarter lag **Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

INDEPENDENT, ACHIEVING PEOPLE OUR PERFORMANCE DURING 2018-19 APRIL 2018 to MARCH 2019

<p>SCHOOL ATTENDANCE PRIMARY SCHOOLS</p>  <p>95.3% of pupils attended their primary school (avg. of mthly attendance)</p> <p>Down from 95.4% in 17/18</p>	<p>SCHOOL EXCLUSIONS PRIMARY SCHOOLS</p>  <p>29 exclusions from primary school</p> <p>Down from 49 in 17/18</p>	<p>LOOKED AFTER CHILDREN AGED 12+</p>  <p>70% of looked after children (aged 12+) in a community family based placement (end of Mar-19)</p> <p>Down from 71% at end of 17/18</p>
<p>SCHOOL ATTENDANCE SECONDARY SCHOOLS</p>  <p>91.2% of pupils attended their secondary school (avg. of mthly attendance)</p> <p>Up from 91.1% in 17/18</p>	<p>SCHOOL EXCLUSIONS SECONDARY SCHOOLS</p>  <p>236 exclusions from secondary school</p> <p>Up from 166 in 17/18</p>	<p>LOOKED AFTER CHILDREN ALL AGES</p>  <p>84% of looked after children (all ages) in a community family based placement (end of Mar-19)</p> <p>In line with 84% at end of 17/18</p>
<p>SCHOOL ATTENDANCE OVERALL</p>  <p>93.2% of pupils attended school overall (avg. of mthly attendance)</p> <p>Down from 93.3% in 17/18</p>	<p>SCHOOL EXCLUSIONS OVERALL</p>  <p>265 exclusions from primary and secondary schools</p> <p>Up from 215 in 17/18</p>	<p>2018 PARTICIPATION MEASURE</p>  <p>92.8% of 16-19 year olds participated in education, training or employment</p> <p>Up from 92.5% in 2017</p>

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019. # Performance indicators with a quarter lag in data.



CONTEXT INDICATORS UPDATE INDEPENDENT, ACHIEVING PEOPLE

INDICATOR	2018/19	2017/18	CHANGE
Schools/Nurseries inspections	15	1	↑
Looked After Children	202 (03/19)	224 (03/18)	↓
Inter-agency Referral Discussions - child	590	559	↑
Child Protection Register	46 (03/19)	42 (03/18)	↑
New Modern Apprentices employed this year	33	n/a	n/a
Modern Apprentices securing employment with SBC after MA	11	n/a	n/a
Number of Current Modern Apprentices	34 (03/19)	30 (03/18)	↑

KEY # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

INDEPENDENT, ACHIEVING PEOPLE OUR PERFORMANCE DURING 2018-19 APRIL 2018 to MARCH 2019



SOCIAL CARE CARE AT HOME



78% of adults (aged 65yrs+) received care at home compared to a care home/residential setting (end Mar-19)

In line with 78% at end of 17/18

MEDIATION SERVICE

93.3% of cases showing agreement or improvement after mediation (end Mar-19)

Up from 87.7% at end of 17/18



SOCIAL CARE SELF DIRECTED SUPPORT

85.2% of adults are using the Self Directed Support approach (end Mar-19)

Up from 77.6% in 17/18

BED DAYS ASSOCIATED WITH EMERGENCY ADMISSIONS



868 bed days associated with emergency admissions, aged 75+ (rate per 1000 population) (Q3 2018/19)

DELAYED DISCHARGES FROM HOSPITAL



227 bed days associated with delayed discharges in residents aged 75+ (rate per 1000 population) (Q3 2018/19)

SOCIAL CARE NEW SERVICE USERS

93% of new service users received a service within 6 weeks of assessment (end Mar-19)

In line with 93% at end of 17/18



CONTEXT INDICATORS UPDATE INDEPENDENT, ACHIEVING PEOPLE

INDICATOR	2018/19	2017/18	CHANGE
Adult self-directed care per 1,000 pop	17.78 (03/19)	19.15 (03/18)	↓
Adult protection - Concerns	338	277	↑
Adult protection - Investigations	176	131	↑
Reported incidents of domestic abuse **	1,005	1,080	↓
Referrals To Domestic Abuse Services **	762	756	↑
ASB Incidents **	15,515	15,362	↑
ASB Early Interventions *	899	806	↑
Monitored for ASB **	1,561	1,688	↓
Referrals to mediation **	123	153	↓
Group 1-5 recorded crimes and offences **	3,704	3,404	↑

KEY # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

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Correct at time of publication: 28 May 2019. # Performance indicators with a quarter lag in data.

A THRIVING ECONOMY, WITH OPPORTUNITIES FOR EVERYONE

OUR PERFORMANCE DURING 2018-19 APRIL 2018 to MARCH 2019

BUSINESS GATEWAY NEW BUSINESSES



218 new businesses were created with our help

Down from 224 in 17/18

BUSINESS GATEWAY BUSINESSES SUPPORTED



1,497 businesses were supported

Up from 1,324 in 17/18

AFFORDABLE HOMES



191 additional homes were provided last year that were affordable to people in the Borders, based on our wages?

Up from 145 in 17/18

INVOICES PAID



84% of invoices, on average were paid within 30 days

Up from 78% in 17/18

OCCUPANCY RATES



88% of industrial and commercial properties owned by the council were occupied (end Mar-19)

Down from 88.8% at end of 17/18

TOP CAPITAL PROJECTS



Of the **top major projects** ongoing across the council (end Mar-19)

18 are on target

In line with 18 in 17/18

1 is slightly behind target

Down from 3 in 17/18

0 are not on target

In line with 0 in 17/18



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019. # Performance indicators with a quarter lag in data.



CONTEXT INDICATORS UPDATE A THRIVING ECONOMY, WITH OPPORTUNITIES FOR EVERYONE

INDICATOR	2018/19	2017/18	CHANGE
16 - 64 Employment rate #	74.3% [Q3 18/19]	74.5% [Q3 17/18]	↓
16 - 64 Claimant Count	2.47% [Q4 18/19]	1.63% [Q4 17/18]	↑
18 - 24 Claimant Count	4.53% [Q4 18/19]	3.43% [Q4 17/18]	↑
SB Business Loan Fund - loans	1	8	↓
SB Business Loan Fund - loans £	£20.0k	£129.9k	↓
SB Business Fund - grants	19	33	↓
SB Business Fund - grants £	£57.1k	£100.9k	↓

KEY # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

EMPOWERED VIBRANT COMMUNITIES

OUR PERFORMANCE DURING 2018-19 APRIL 2018 to MARCH 2019

SCOTTISH BORDERS COUNCIL
COMMUNITY ACTION TEAM
(WITH POLICE SCOTLAND)

335
hours of High Visibility
foot patrols



588.5
hours of mobile patrols



884
parking tickets issued



217
person Drug searches
(35% positive) and



65
premises Drug searches
(80% positive)



101
static road checks



23
Road Traffic Fixed Penalties



ASSET TRANSFER REQUESTS

0 asset transfer requests were
Received

Down from 4 in 17/18

3 asset transfer requests were
Agreed

Up from 0 in 17/18

0 asset transfer requests were
Refused

Down from 1 in 17/18

COMMUNITY RESILIENCE SB ALERT REGISTRATIONS

5,266 people were
registered for SB Alert



Up from 5,163 in 17/18

COMMUNITY PARTICIPATION

6 participation requests were
Received

Up from 1 in 17/18

3 participation requests were
Agreed

Up from 0 in 17/18

2 participation requests were
Refused

Up from 1 in 17/18

COMMUNITY BENEFIT CLAUSES

26 contracts awarded with
community benefit clauses

Up from 21 in 17/18

EMPLOYMENT AND SKILLS OPPORTUNITIES

25 opportunities delivered as a
result of community benefit clauses

Down from 28 in 17/18

CONTEXT INDICATORS UPDATE EMPOWERED VIBRANT COMMUNITIES

INDICATOR	2018/19	2017/18	CHANGE
Active community resilience plans	47 (03/19)	42 (03/18)	↑
Progressing community resilience plans	6 (03/19)	12 (03/18)	↓
Community Grant – grants	38	35	↑
Community Grant – grants £	£140.9k	£104.8k	↑
Community Grant – total project cost £	£452.2k	£405.8k	↑
Quality of Life Fund – £ **	£102.4k	£110.5k	↓
Neighbourhood Small Schemes Fund – £ **	£176.7k	£151.8k	↑
Volunteer work with SBC	155 (Q4)	213 (Q4)	↓

KEY # 1 quarter lag ** Cumulative in year ↑ Increased ↓ Reduced

Context Indicators are indicators where Scottish Borders Council has indirect influence (e.g. crime figures) or can include the context within which the council is operating (e.g. employment rate)

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 28 May 2019. # Performance indicators with a quarter lag in data.

Management Commentary

Our Plans for the Future

The Council has successfully delivered £47m of savings over the past 6 years through a Corporate Transformation Programme. In light of the challenges ahead this programme of change has been relaunched under the Fit for 2024 programme to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 2019/20 to 2023/24. This plan along with the Capital Investment Programme and Departmental Business Plans which will be delivered over the next 5 years within an environment of ever reducing financial resources and increasing public and government expectations.

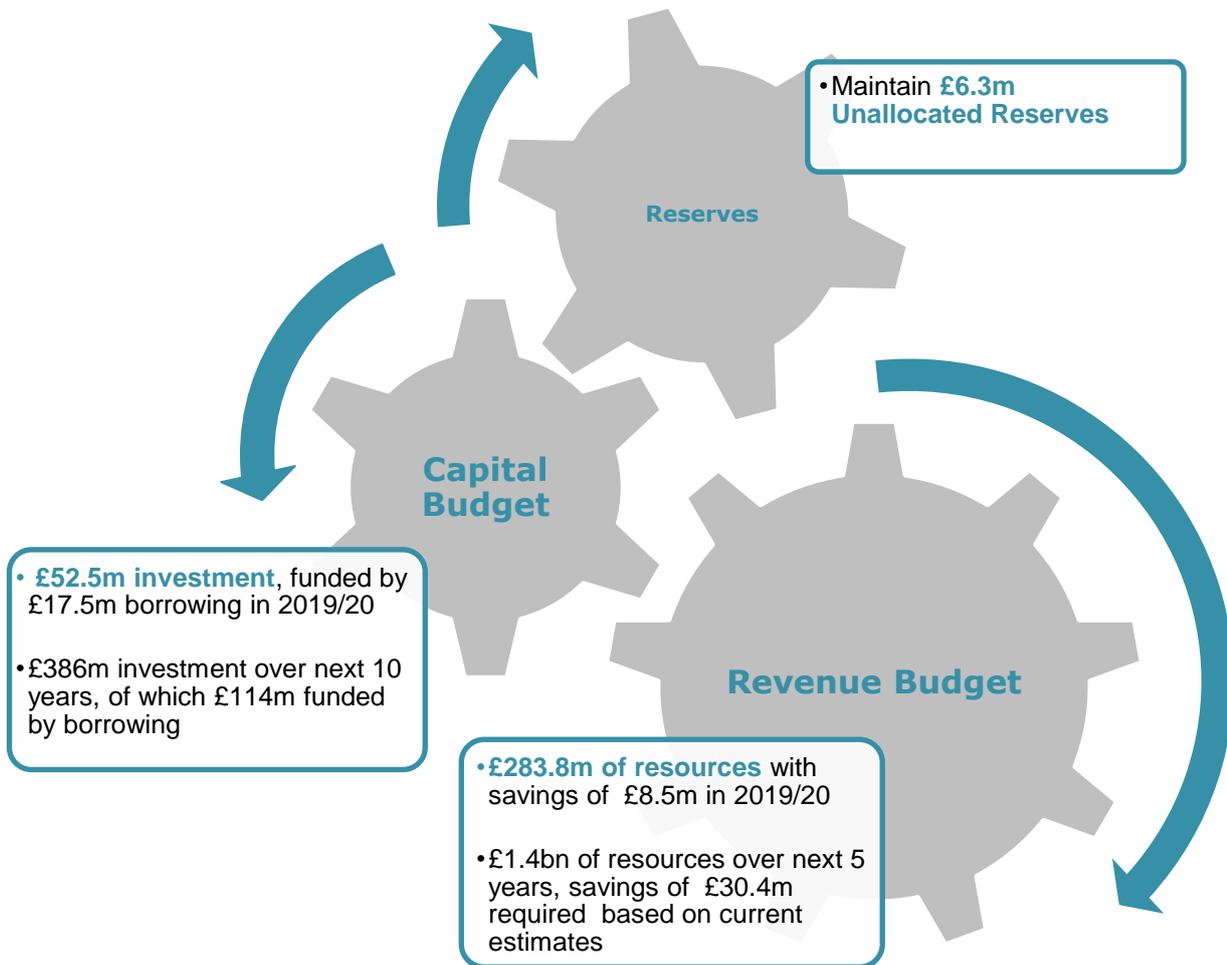


fitfor2024

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

Management Commentary

Future Financial Plans - 2019/20



The Revenue and Capital Financial Plans from 2019/20 onwards can be found on the Councils webpages at www.scotborders.gov.uk

Conclusion

The operating environment for the Council continues to be very challenging with financial and economic influences such as increasing demands on services, reducing Scottish Government funding, 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 the future.

Shona Haslam
Leader
Scottish Borders Council
26 September 2019

Tracey Logan
Chief Executive

David Robertson CPFA
Chief Financial Officer

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the 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 at its meeting on 26 September 2019.

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 2019.

Shona Haslam
Leader
Scottish Borders Council
26 September 2019

David Robertson CPFA
Chief Financial Officer

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The annual accounts comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Trust Funds, Common Good Funds and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Financial Officer and the Audit and Scrutiny Committee for the financial statements

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

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Independent Auditor`s Report

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

27 September 2019

Annual Governance Statement 2018/19

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2019, sets out the Council's governance arrangements and system of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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

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

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

Framework for Good Governance

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

The 'Framework' defines the seven core principles of good governance, namely:

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

Revisions were required to the Council's Local Code of Corporate Governance during 2017/18 to ensure it reflects the changing context of Scottish Borders Council and is consistent with the principles and recommendations of the 'Framework' and the supporting guidance notes for Scottish authorities (November 2016). This was approved by Council on 28 June 2018 on recommendation by Audit and Scrutiny Committee on 14 May 2018 and a copy of the Local Code of Corporate Governance was published on the Council's website.

Annual Governance Statement 2018/19

The Governance Framework

The Council's Local Code of Corporate Governance sets out the framework and 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:

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

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

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

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. An annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.

The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.

Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work Officer (CSWO). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc.

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

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

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

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Community Planning Partnership (of which the Council is a partner) has a Community Plan approved November 2017 (the Local Outcomes Improvement Plan (LOIP)) underpinned by 5 Locality Plans which are being developed through Area Partnerships for approval in 2019. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the new Corporate Plan 2018-2023 approved February 2018 which suggests where individuals, families, businesses, partners and communities can "play their part" to improve outcomes for the Scottish Borders #YourPart.

Asset management planning (which is under development) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

Equalities as well as environmental and rural implications are considered during the decision making process to promote fair access to services.

Annual Governance Statement 2018/19

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

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals, by way of the compulsory sections of the Committee report.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The corporate management structure consists of the Chief Executive and nine Executive/Service Directors. The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process in place during the year but subject to review and change.

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.

The Elected Members Development Programme includes the comprehensive Induction programme which is periodically supplemented by additional training and an annual programme of learning and development and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

F. Managing risks and performance through robust internal control and strong public financial management

The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The Executive Committee is the key decision-making and monitoring committee and the Audit and Scrutiny Committee (Scrutiny function) for reviewing policy decisions.

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

The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

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

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

A Medium Term Financial Strategy, and associated Risk Register, and plans for revenue (5-year) and capital (10-year) based on corporate priorities are developed, led by the Corporate Management Team, and presented for approval by Council in February each year, along with the Corporate Transformation Programme proposals.

Revenue and Capital Budget Monitoring reports are presented to the Executive Committee on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

Annual Governance Statement 2018/19

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

The independent and objective audit opinion of the Chief Officer Audit & Risk (Chief Audit Executive) within the Internal Audit Annual Assurance Report 2018/19 states that the systems of internal control, risk management and governance arrangements are operating satisfactorily, reasonable assurance can be provided on their adequacy, and further improvements have been agreed by Management. This is based on work carried out by an in-house team in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Review of Framework

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

The review was informed by the work of an officer Governance Self-Assessment Working Group which undertook an annual self-assessment against the Council's Local Code of Corporate Governance consistent with the principles and recommendations of the 'Framework'. 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 was also informed by assurances from: the Executive / Service Directors, who have responsibility for the development and maintenance of the governance environment within their directorates and services and who in turn identify actions to improve governance at a strategic level; the Chief Officer Audit & Risk's annual assurance report on the work of Internal Audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2018/19 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective, and are consistent with the principles and recommendations of the 'Framework'.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Council's Local code of Corporate Governance:

- (1) In response to unprecedented challenges, expectations and opportunities, commence a more ambitious change and transformation programme (Fit for 2024) through a consistent approach to enable delivery of efficient and effective services to customers in a sustainable way, collaboration with communities and other partners, optimised utilisation of assets across localities, digitally-led process improvement, and focus on delivering positive outcomes.
- (2) Continue to ensure that financial, people and business plans are developed concurrently and continue to be aligned to the Council's Corporate Plan and priorities thus managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
- (3) Realise full benefits arising from the implementation of the Corporate Landlord Model to review strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future and reduce the Council's property footprint.
- (4) Continue to monitor the contract performance outcomes of strategic external service providers in particular in light of the changing landscape for the public sector.
- (5) The ongoing implementation of the Performance Management Framework which will include the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value.
- (6) The ongoing implementation of the Business World ERP system to maximise use of its functionality, specified in Solution Design Documents, and ongoing review of policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial

Annual Governance Statement 2018/19

Regulations and of the HR procedures and guidelines associated with the implementation of the new Business World ERP System. Alignment with other computer-based systems and automation of routine processes.

- (7) Consolidation and refinement of procedures and practices to ensure comprehensive data and information management across the Council and within each Service in all relevant aspects of service delivery to ensure ongoing compliance with legislation and regulations.
- (8) Review of the Complaints Handling Procedure to ensure consistency of approach across the Council for dealing with complaints including raising staff awareness of customer care to fully utilise customer information and improve services through Digital Customer Access.

These actions to enhance the governance arrangements in 2019/20 will be driven and monitored by the Corporate Management Team supported by Directorate Management Teams on a regular basis in order to inform the next annual review. Internal Audit work planned in 2019/20 is designed to test improvements and compliance.

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 Local Code in all significant respects.

Shona Haslam
Leader
Scottish Borders Council
26 September 2019

Tracey Logan
Chief Executive

Remuneration Report

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

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

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

Remuneration Policy

Remuneration of Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/19 the salary for the Leader of Scottish Borders Council is £33,992. 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 £297,416. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £287,269. 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. At the Scottish Borders Council meeting of 25 May 2017 a new Scheme of Payment for Senior Councillors was agreed with sums payable from 18 May 2017.

Remuneration Report

Remuneration of Senior Employees

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

A senior employee is any employee who:

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

Remuneration Disclosures

General Disclosure by Pay Band

The Local Authority Accounts (Scotland) Regulations 2014 also requires information to be provided on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000. The numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions, is shown in the following table:

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£50,000 - £54,999	-	1	42	52	28	21	70	74
£55,000 - £59,999	2	-	25	23	1	9	28	32
£60,000 - £64,999	4	3	1	2	-	1	5	6
£65,000 - £69,999	2	1	3	2	-	1	5	4
£70,000 - £74,999	4	1	2	4	-	-	6	5
£75,000 - £79,999	1	4	1	2	2	1	4	7
£80,000 - £84,999	3	4	-	-	-	-	3	4
£85,000 - £89,999	3	2	-	-	-	-	3	2
£90,000 - £94,999	-	-	-	-	-	-	-	-
£95,000 - £99,999	-	-	-	-	-	1	-	1
£100,000 - £104,999	-	-	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	-	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	-	1	-	-	-	-	-	1
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	1	-	-	-	-	-	1	-
Total	20	17	74	85	31	34	125	136

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2017/18 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2018/19 £
29,488 (FYE 33,857) 25,295 (FYE 33,789) (FYE 25,392) 54,783	S Haslam	Leader of the Council from 18 May 2017	33,992	-	33,992
	D Parker	Leader of the Council to 4 May 2017; Convener from 18 May 2017	25,494	-	25,494
	Leader and Convener Remuneration		59,486	-	59,486
21,524 (FYE 22,893) (FYE 22,240) 18,223 (FYE 22,893) (FYE 18,450) 21,524 (FYE 22,893) (FYE 22,240)	A Aitchison	Executive Member for Education to 4 May 2017; Executive Member for Neighbourhoods & Locality Services from 18 May 2017	22,329	-	22,329
	S Bell	Executive Member for Economic Development to 4 May 2017; Chair of Audit & Scrutiny from 18 May 2017	18,524	-	18,524
	G Edgar	Executive Member for Roads and Infrastructure to 4 May 2017 and from 18 May 2017 (also Area Partnership Chair)	22,329	-	22,329
19,370 (FYE 22,240)	T Weatherston	Executive Member for Adult Social Care/Depute Convener from 18 May 2017	22,329	-	22,329
19,370 (FYE 22,240)	C Hamilton	Executive Member for Children & Young People from 18 May 2017	22,329	-	22,329
19,370 (FYE 22,240)	G Turnbull	Executive Member for Finance from 18 May 2017 to 30 August 2018; Executive Member for Community Safety from 31 August 2018	22,329	-	22,329
19,370 (FYE 22,240)	M Rowley	Executive Member for Business & Economic Development from 18 May 2017	22,329	258	22,587
19,370 (FYE 22,240)	S Mountford	Executive Member for Transformation & HR and Area Partnership Chair from 18 May 2017	22,329	144	22,473
19,370 (FYE 22,240)	E Jardine	Executive Member for Culture & Sport from 18 May 2017	22,329	-	22,329
19,370 (FYE 22,240)	T Miers	Executive Member for Planning & Environment from 18 May 2017	22,329	174	22,503
16,069 (FYE 18,450)	S Marshall	Area Partnership Chair from 18 May 2017 to 30 August 2018	7,669 (FYE 18,524)	-	7,669
16,069 (FYE 18,450)	J Fullarton	Area Partnership Chair from 18 May 2017	18,524	-	18,524
16,069 (FYE 18,450)	R Tatler	Area Partnership Chair from 18 May 2017; Executive Member for Finance from 31 August 2018 (also continuing as Area Partnership Chair)	20,754 (FYE 18,524) (FYE 22,329)	162	20,916
19,370 (FYE 22,240)	WMcAteer	Executive Member for Community Safety from 18 May 2017 to 30 August 2018	9,244 (FYE 22,329)	-	9,244
0	N Richards	Area Partnership Chair from 31 August 2018	10,855 (FYE 18,524)	-	10,855
264,438	Total Other Senior Councillor Remuneration		286,531	738	287,269
319,220	Total Senior Councillor Remuneration		346,017	738	346,755

The total remuneration figures relate to the salary, fees and allowances for 2018-19 are as included in the Comprehensive Income and Expenditure Statement. They are only in respect of monies paid to Councillors whilst actually holding a Senior Councillor position during that year.

Remuneration Report

Total Remuneration paid to Councillors

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

2017/18 £'000		2018/19 £'000
655	Salaries	668
93	Expenses	90
748	Total	758

The draft annual return of Councillors' salaries and expenses for 2018/19 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 and reflects the Council corporate management restructure.

2017/18			2018/19				
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 01/04/18							
134,726	TM Logan	Chief Executive (1)	121,376	-	-	7,870	129,246
21,381	P Barr	Executive Director (2)	21,701	-	-	-	21,701
87,935	JR Dickson	Executive Director (3)	42,681	-	-	-	42,681
87,151	KD Robertson	Chief Financial Officer	88,540	-	-	-	88,540
83,852	J Craig	Service Director Customer & Communities	84,936	-	-	-	84,936
73,350	C Hepburn	Service Director Human Resources	76,859	-	-	-	76,859
83,595	GB Frater	Service Director Regulatory Services	84,936	-	-	-	84,936
74,411	D Girdler	Chief Officer Roads	76,859	-	-	-	76,859
31,069	MR Leys	Interim Chief Social Work Officer (4) (appointed 18 September 2017 until 25 September 2018)	29,157	-	-	-	29,157
(FYE 57,952)			(FYE 59,980)				
-	CS Easingwood	Chief Officer Public Protection (appointed 26 September 2018 to 7 October 2018); Interim Service Director Children & Young People (appointed 8 October 2018) (5)	44,251	-	-	-	44,251
			(FYE 74,975)				
			(FYE 83,104)				
84,894	M Joyce	Service Director Assets & Infrastructure	86,364	-	-	-	86,364
Senior Employees departed post before 01/04/19							
87,849	D Manson	Service Director Children & Young People (left 18 October 2018)	48,175	-	-	-	48,175
			(FYE 87,849)				
850,213		Total	805,835	-	-	7,870	813,705

Notes

- (1) TM Logan figure of £121,376 includes £3,341.64 returning Officer fees for the 25% balance of Returning Officer fee for the General Election on 8 June 2017, 25% balance of Returning Officer fee for Scottish Parliament Election on 8 June 2017 and Returning Officer fee for the Selkirk By-Election on 22 February 2018. The "benefits other than in cash" figure for TM Logan relates to car salary sacrifice. Participation in the scheme ended 10 October 2018.
- (2) P Barr seconded to SB Cares (subsidiary) as Managing Director. The above figure represents 20% of time employed by SBC, with the remaining 80% (£86,805) met by SB Cares.
- (3) JR Dickson seconded to Scottish Government. The above figure represents 40% of time employed by SBC with the remaining 60% (£64,021) met by the Scottish Government. Secondment took effect from 1 December 2017 so, prior to this date, was employed 100% of time with SBC.
- (4) MR Leys employed 0.8 of a full time equivalent.
- (5) SC Easingwood duties include the role of Chief Social Work Officer from 26 September 2018.

The Council contributes £51,590 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). The Chief Officer post for the Integrated Joint Board between the Council and NHS Borders is funded jointly by both organisations. More information on the Integrated Joint Board can be found in their audited annual accounts.

Remuneration Report

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2017/18 and 2018/19:

2018/19

Exit Package Cost band (including special payments) 2018/19	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	5	-	5	11,057
£20,001- £40,000	2	-	2	73,281
£40,001- £60,000	1	-	1	48,477
£60,001- £80,000	1	-	1	79,091
£80,001- £100,000	-	-	-	-
£100,001- £150,000	3	-	3	401,135
£150,001- £200,000	-	-	-	-
Total	12	-	12	613,042

The total costs of £0.613m 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.

2017/18

Exit Package Cost band (including special payments) 2017/18	Number of Compulsory Redundancies	Number of Other Agreed Departures	Total Number of Exit Packages by Cost Band	Total cost of Exit Packages in each band £
£0 - £20,000	2	-	2	11,849
£20,001- £40,000	1	-	1	23,181
£40,001- £60,000	1	-	1	41,436
£60,001- £80,000	1	-	1	77,233
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	-	-	-	-
Total	5	0	5	153,699

Council Subsidiary Bodies

Separate disclosure of the remuneration and pension benefits of senior posts held in the Council subsidiary companies are required to be disclosed.

Bridge Homes LLP – Designated Member, David Robertson – details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables

SB Cares and SB Supports LLP – Managing Director, Philip Barr – details disclosed in the Council Remuneration and Pension Benefits of Senior Employee tables

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

2017/18	Name	Post Title	2018/19					In-year pension contributions		Accrued Pension Benefits	
			Salaries, fees and allowances £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration £	For year to 31 March 2018 £	For year to 31 March 2019 £	Type	As at 31 March 2019 £	Difference from 31 March 2018 £
75,000	Ewan Jackson	Chief Executive Officer	79,216	-	-	79,216	13,500	13,580	Pension	18,627	1,757
									Lump Sum	14,812	87

Remuneration Report

Pension Benefits

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

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

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

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much of their pay falls into each tier. The tiers and members contributions rates for 2018/19 were as follows:

Whole Time Pay	2018/19
On earnings up to and including £21,300 (2017/18 £20,700)	5.50%
On earnings above £21,300 and up to £26,100 (2017/18 £20,700 to £25,300)	7.25%
On earnings above £26,100 and up to £35,700 (2017/18 £25,300 to £34,700)	8.50%
On earnings above £35,700 and up to £47,600 (2017/18 £34,700 to £46,300)	9.50%
On earnings above £47,600 (2017/18 £46,300)	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 guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

As of 1 April 2015, the Local Government Pension Scheme (Scotland) Regulations 2014 came into effect. This changed the accrual rate of guaranteed pension to 1/49th of career average salary, effective from 1 April 2015.

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

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

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2019 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

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

Remuneration Report

Councillor Name	Responsibility	Restated In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2018	For year to 31 March 2019	Type	As at 31 March 2019	Difference from 31 March 2018
		£	£		£	£
S Haslam	Leader of the Council from 18 May 2017	5,444	6,119	Pension	1,358	726
				Lump Sum	-	-
D Parker	Leader of the Council to 4 May 2017, Convener from 18 May 2017	4,660	4,589	Pension	7,067	566
				Lump Sum	2,613	8
D P Moffat	Executive Member for Community Safety to 4 May 2017	3,148	3,059	Pension	4,530	391
				Lump Sum	1,625	2
J Brown	Executive Member for Community Planning/Vice Convener to 4 May 2017	3,148	3,059	Pension	5,579	427
				Lump Sum	5,067	91
A Aitchison	Executive Member for Education to 4 May 2017, Executive Member for Neighbourhoods & Locality Services from 18 May 2017	3,981	4,019	Pension	4,723	565
				Lump Sum	1,615	37
S Bell	Executive Member for Economic Development to 4 May 2017, Chair of Audit & Scrutiny from 18 May 2017	3,387	3,334	Pension	2,900	410
				Lump Sum	-	-
G Edgar	Executive Member for Roads and Infrastructure to 4 May 2017 and from 18 May 2017 (also Locality Committee Chair)	3,981	4,019	Pension	3,101	515
				Lump Sum	-	-
D Paterson	Executive Member for Environmental Services to 4 May 2017	3,148	3,059	Pension	9,429	519
				Lump Sum	16,620	366
T Weatherston	Executive Member for Adult Social Care/Depute Convenor from 18 May 2017	3,879	4,019	Pension	8,758	692
				Lump Sum	15,343	382
C Hamilton	Executive Member for Children & Young People from 18 May 2017	3,593	4,019	Pension	896	477
				Lump Sum	-	-
G Turnbull	Executive Member for Finance from 18 May 2017	3,879	4,019	Pension	4,302	569
				Lump Sum	1,528	43
M Rowley	Executive Member for Business & Economic Development from 18 May 2017	3,593	4,019	Pension	896	477
				Lump Sum	-	-
S Mountford	Executive Member for Transformation & HR and Locality Chair from 18 May 2017	3,879	4,019	Pension	2,604	540
				Lump Sum	-	-
E Jardine	Executive Member for Culture & Sport from 18 May 2017	3,593	4,019	Pension	896	477
				Lump Sum	-	-
T Miers	Executive Member for Planning and Environment from 18 May 2017	3,593	4,019	Pension	896	477
				Lump Sum	-	-
S Marshall	Locality Committee Chair from 18 May 2017	3,285	3,173	Pension	3,859	432
				Lump Sum	1,300	21
J Fullarton	Locality Committee Chair from 18 May 2017	3,285	3,334	Pension	4,201	442
				Lump Sum	1,557	17
R Tatler	Locality Committee Chair from 18 May 2017	2,999	3,736	Pension	792	442
				Lump Sum	-	-
W McAteer	Police, Fire & Rescue and Safer Communities Board Chair from 18 May 2017	3,879	3,456	Pension	1,871	436
				Lump Sum	-	-
N Richards	Area Partnership Chair from 31 August 2018	2,760	3,220	Pension	704	382
				Lump Sum	-	-
Total		73,084	76,309			

Notes

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

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2019 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 2019.

Name	Post Title	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2018	For year to 31 March 2019	Type	As at 31 March 2019	Difference from 31 March 2018
Senior Employees in post as at 01/04/18		£	£		£	£
TM Logan	Chief Executive	21,577	21,848	Pension Lump Sum	46,594 73,453	5,242 5,534
P Barr	Executive Director (1)	3,849	3,906	Pension Lump Sum	27,722 23,176	2,703 341
JR Dickson	Executive Director (2)	18,918	7,682	Pension Lump Sum	15,852 -	2,491 -
KD Robertson	Chief Financial Officer	15,649	15,937	Pension Lump Sum	34,622 54,971	2,473 994
J Craig	Service Director Customer & Communities	15,001	15,288	Pension Lump Sum	36,000 61,206	2,444 1,153
C Hepburn	Service Director HR and Communications	13,203	13,835	Pension Lump Sum	14,720 2,558	2,103 116
GB Frater	Service Director Regulatory Services	15,001	15,288	Pension Lump Sum	46,099 91,504	2,634 1,724
D Girdler	Chief Officer Roads	13,367	13,835	Pension Lump Sum	4,088 -	1,664 -
MR Leys	Interim Chief Social Work Officer (appointed 18 Septemebr 2017 until 25)	10,120	9,599	Pension Lump Sum	2,885 -	1,156 -
CS Easingwood	Chief Officer Public Protection (appointed 26 September 2018 to 7 October 2018); Interim Service Director Children & Young People (appointed 8 October 2018)	15,526	13,182	Pension Lump Sum	21,144 26,718	5,618 6,600
M Joyce	Service Director Assets & Infrastructure	15,269	15,557	Pension Lump Sum	8,334 -	1,949 -
Senior Employees departed post before 01/04/19						
D Manson	Service Director Children & Young People (left 18 October 2018)	15,813	7,906	Pension Lump Sum	6,784 -	1,141 -
				Pension	-	-
Total		173,293	153,863			

Notes

The lump sum figures in the above table show the statutory lump sum amounts payable to members of the LGPS, in respect of service under the scheme with the Council up to 31 March 2009 (when there was no longer an automatic entitlement to a lump sum). The accrued pension benefits include any transfer of benefits from another pension scheme but do not include benefits relating to additional voluntary contributions (i.e. contributions which do not require to be made by an individual under the LGPS). The in-year pension contributions represent the total contributions for the individual irrespective of the post(s) held for the year(s) that the post holder became/continued to be categorised as a Senior Employee.

- (1) P Barr seconded to SB Cares (subsidiary) from 1 April 2015. The above figure for in year contributions represents 20% of time employed by SBC with the remaining 80% (£15,625) relating to the time spent at SB Cares.
- (2) JR Dickson seconded to Scottish Government. The above figure for in year contributions represents 40% of time employed by SBC.

Remuneration Report

Trade Union (Facility Time Publication Requirements) Regulations 2017

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

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

Scottish Borders council has 23 staff members who are TU representatives.

The percentage of working time spent on TU activities by the 23 TU representatives can be broken down as follows:-

Percentage of Time	Number of TU Representatives
1% - 50%	20
51% - 99%	0
100%	3
Total	23

The percentage of the total pay bill spent on facility time is 0.093%.

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

Shona Haslam
Leader
Scottish Borders Council
26 September 2019

Tracey Logan
Chief Executive

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. Further detail on the movement in reserves can be found at Note 31 on page 103.

Movement in reserves during 2017/18

	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 01/04/2017	(18,294)	(6,521)	-	(1,125)	(25,940)	28,176	2,236	

Movement in reserves during 2017/18

Total Comprehensive Income & Expenditure	29,081	-	-	-	29,081	(122,666)	(93,585)	C I & E
Adjustments between accounting basis & Funding basis under regulations	(30,513)	(1,059)	(426)	62	(31,936)	31,936	-	31
Increase or Decrease In 2017/18	(1,432)	(1,059)	(426)	62	(2,855)	(90,730)	(93,585)	
Balance at 31/03/2018 carried forward	(19,726)	(7,580)	(426)	(1,063)	(28,795)	(62,554)	(91,349)	

Movement in reserves during 2018/19

	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 01/04/2018	(19,726)	(7,580)	(426)	(1,063)	(28,795)	(62,554)	(91,349)	

Movement in reserves during 2018/19

Total Comprehensive Income & Expenditure	16,933	-	-	-	16,933	13,431	30,364	C I & E
Adjustments between accounting basis & Funding basis under regulations	(14,762)	(1,223)	(21)	(134)	(16,140)	16,140	-	31
Increase or Decrease In 2018/19	2,171	(1,223)	(21)	(134)	793	29,572	30,364	
Balance at 31/03/2019 carried forward	(17,555)	(8,803)	(447)	(1,197)	(28,002)	(32,982)	(60,984)	

Comprehensive Income and Expenditure Statement

2017/18				2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
457,222	(428,142)	29,081	(Surplus)/Deficit on Provision of Services	447,647	(430,714)	16,933	
		(53,605)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,533)	
		1,431	Any Other (Gains) Or Losses			-	
		(70,492)	Actuarial (gains)/losses on pension assets/liabilities			16,964	
		(122,666)	Other Comprehensive Income and Expenditure			13,431	
		(93,585)	Total Comprehensive (Income)/Expenditure			30,364	

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'.

2017/18 £'000		2018/19 £'000	Notes
378,528	Property Plant and Equipment		
16,397	Other Land and Buildings	379,278	12
125,999	Vehicle, Plant, Furniture & Equipment	18,617	
4,742	Infrastructure	128,178	
9,807	Surplus Assets	3,561	
1,036	Assets Under Construction	21,488	
1,036	Heritage Assets	1,036	13
6	Intangible Assets	61	14
5,770	Long Term Debtors	6,315	29
542,285	Long Term Assets	558,534	
201	Intangible Assets - Current	14	14
677	Inventories	820	24
52,207	Short Term Debtors	48,463	30
(10,823)	less Bad Debt Provision	(11,244)	
10,825	Cash and Cash Equivalents	4,525	34
53,087	Current Assets	42,578	
(8,288)	Short Term Borrowing	(3,275)	29
(50,129)	Short Term Creditors	(47,425)	30
(512)	Provisions	(579)	25
(58,929)	Current Liabilities	(51,279)	
(194,433)	Long Term Borrowing	(195,846)	29
(70,323)	Other Long Term Liabilities	(67,322)	17
(696)	Due to Trust Funds and Common Good	(685)	
(3,767)	Provisions	(3,885)	25
(14,804)	Capital Grants Receipts in Advance	(23,509)	
(284,023)	Long Term Liabilities	(291,247)	
252,420	Net Assets excluding pension liability	258,586	
(161,071)	Pension Liability	(197,602)	20
91,349	Net Assets/(Liabilities) including pension liability	60,984	

Balance Sheet

2017/18 £'000	Financed By:	2018/19 £'000	Notes
	Useable Reserves		
(7,580)	Capital Fund	(8,803)	} 31
(19,726)	General Fund Balance	(17,555)	
(426)	Property Maintenance Fund	(447)	
(1,063)	Insurance Fund	(1,197)	
	Unusable Reserves		
(111,848)	Capital Adjustment Account	(122,348)	} 31
4,773	Financial Instruments Adjustment Account	6,760	
(122,328)	Revaluation Reserve	(120,329)	
161,071	Pension Reserve	197,602	
5,778	Employee Statutory Adjustment Account	5,333	
(91,349)	Total Reserves	(60,984)	

The unaudited accounts were issued on 25 June 2019 and the audited accounts were authorised for issue on 26 September 2019.

David Robertson CPFA
Chief Financial Officer
26 September 2019

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.

2017/18 £'000		2018/19		Notes
		£'000	£'000	
29,081	Net (Surplus) or deficit on the provision of services	16,933		
(73,120)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(51,931)		32
22,198	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23,802		32
(21,841)	Net Cash Flows From Operating Activities		(11,196)	
	Investing Activities			
46,963	Purchase of PP&E, investment property and intangible assets	49,459		
(434)	Proceeds from PP&E, investment property and intangible assets	(1,606)		
-	Purchase/(Disposal) of short & long term investments	-		
(25,152)	Other Items which are Investing Activities	(35,056)		
21,377	Net Cash Flows from Investing Activities		12,797	
	Financing Activities			
(10,300)	Cash received from loans & other borrowing	(10,000)		
3,655	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,999		
4,063	Repayments of short and long term borrowing	10,839		
125	Other items which are financing activities	860		
(2,457)	Net Cash Flows from Financing Activities		4,698	
(2,921)	Net (Increase) or Decrease in Cash and Cash Equivalents		6,300	
7,904	Cash and Cash Equivalents at the beginning of the reporting period		10,825	
10,825	Cash and Cash Equivalents at the end of the reporting period		4,525	34
(2,921)	Movement		6,300	

Notes to the Core Financial Statements

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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. CRC allowances purchased for future years responsibilities are shown as current intangible assets. When the allowances are surrendered to the CRC Registry, the current intangible asset will be reduced by the allowances surrendered and the liability decreased.

Notes to the Core Financial Statements

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 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.

Notes to the Core Financial Statements

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 2.7% (based on the yield at the 19 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:

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

Notes to the Core Financial Statements

- 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 are authorised for issue.

Two types of events can be identified:

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

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

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

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

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

Financial Instruments

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

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

Notes to the Core Financial Statements

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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amounts at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

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

Financial Assets Measured at Amortised Cost

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

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Notes to the Core Financial Statements

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [*other financial instruments as applicable*] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Notes to the Core Financial Statements

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

Government Grants

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

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

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

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

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.

Notes to the Core Financial Statements

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.

As a non-financial asset, investment properties are measured at highest and best use, 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 dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

Notes to the Core Financial Statements

- 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.

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.

Notes to the Core Financial Statements

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Property, Plant and Equipment

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

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

The Council has a de minimis limit of £5,000 for single items of expenditure and £20,000 for groups of items costing less than £1,000 each. Items below these amounts are charged to the Comprehensive Income and Expenditure Statement. These limits have been applied in order to exclude individual assets, or works below these amounts, from the asset register.

Measurement: assets are initially measured at cost, comprising:

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

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

- Infrastructure, vehicles, plant, furniture & equipment and assets under construction – depreciated historical cost.
- Surplus Assets – Fair value estimated at highest and best use from market participants perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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.

Notes to the Core Financial Statements

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.

Notes to the Core Financial Statements

- 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.

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.

Notes to the Core Financial Statements

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

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted during 2018/19.

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

The following Adopted International Financial Reporting Standards (IFRS) have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

Annual Improvements to IFRS Standards 2014-2016 Cycle

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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.

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

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

The items in the authority's balance sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming year is as follows;

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending in repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted process in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Significant changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for both surplus and financial assets.

Information about the valuations techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 12 and 29.

Notes to the Core Financial Statements

Provisions

The authority has made a provision of £0.268m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the authority or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.027m to the provision needed.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £78.723m. However, the assumptions interact in complex ways. During 2018/19, the authority's actuaries advised that the net pension liability had increased by £30.640m as a result of estimates being corrected and updating assumptions.

Arrears

At 31 March 2019, the authority had Accounts Receivable debtors due of £7.903m, Council Tax debtors of £20.611m and Non Domestic Rate debtors of £4.033m. Provision for bad debts amounted to £1.00m, £10.241m and £3.692m respectively. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, an increase in bad debts of 10% would require an additional £0.100m for Accounts Receivable debtors, £1.024m for Council Tax debtors and £0.369m for Non Domestic Rate debtors.

Notes to the Core Financial Statements

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

		2017/18 Restated				2018/19	
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
6,146	4,043	10,189	Culture & Sport	5,949	2,061	8,010	
28,959	14,219	43,178	Asset & Infrastructure	30,844	18,515	49,359	
651	611	1,262	Economic Development & Corporate Services	620	2,171	2,791	
49,409	1,553	50,962	Health & Social Care	51,018	1,308	52,326	
111,065	18,242	129,307	Children & Young People	111,442	(2,449)	108,993	
14,138	1,750	15,888	Customer & Communities	11,535	1,672	13,207	
31,698	(15,678)	16,020	Finance, IT & Procurement	33,115	(15,197)	17,918	
5,450	237	5,687	Human Resources	6,279	308	6,587	
6,691	6,642	13,333	Regulatory Services	6,713	6,792	13,505	
-	4,118	4,118	Non Distributed Costs	-	7,005	7,005	
254,207	35,737	289,944	Net Cost of services	257,515	22,186	279,701	
(255,639)	(5,225)	(260,864)	Other Income and Expenditure	(255,344)	(7,424)	(262,768)	
(1,432)	30,512	29,080	Surplus or Deficit on Provision of Services	2,171	14,762	16,933	
(18,294)			Opening General Fund Balance	(19,726)			
(1,432)			Less/Plus Surplus or (Deficit) on General Fund	2,171			
(19,726)			Closing General Fund as 31 March	(17,555)			

Notes to the Core Financial Statements

Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis. This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Culture & Sport	2,075	-	(7)	2,068	(7)	2,061
Asset & Infrastructure	12,974	2,814	(74)	15,714	2,801	18,515
Economic Development & Corporate Services	2,000	188	(13)	2,175	(4)	2,171
Health & Social Care	406	1,063	(68)	1,401	(93)	1,308
Children & Young People	3,476	2,082	(68)	5,490	(7,940)	(2,450)
Customer & Communities	223	1,553	(75)	1,701	(29)	1,672
Finance, IT & Procurement	(15,394)	360	(160)	(15,194)	(2)	(15,196)
Human Resources	-	328	(17)	311	(3)	308
Regulatory Services	749	890	(124)	1,515	5,277	6,792
Non Distributed Costs	1,017	5,988	-	7,005	-	7,005
	7,526	15,266	(606)	22,186	-	22,186
Other income and expenditure from the Expenditure and Funding Analysis	(13,578)	4,301	1,853	(7,424)	-	(7,424)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(6,052)	19,567	1,247	14,762	-	14,762

Adjustments between Funding and Accounting Basis 2017/18 - Restated

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-Statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Culture & Sport	4,055	-	(1)	4,054	(11)	4,043
Asset & Infrastructure	10,760	2,825	(625)	12,960	1,259	14,219
Economic Development & Corporate Services	488	203	(75)	616	(5)	611
Health & Social Care	550	1,101	(55)	1,596	(43)	1,553
Children & Young People	22,621	2,223	(89)	24,755	(6,513)	18,242
Customer & Communities	303	1,522	(65)	1,760	(10)	1,750
Finance, IT & Procurement	(16,064)	391	(4)	(15,677)	(1)	(15,678)
Human Resources	-	320	(84)	236	1	237
Regulatory Services	510	964	(154)	1,320	5,322	6,642
Non Distributed Costs	4,059	59	-	4,118	-	4,118
	27,282	9,608	(1,152)	35,737	-	35,737
Other income and expenditure from the Expenditure and Funding Analysis	(11,448)	5,929	294	(5,225)	-	(5,225)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	15,834	15,537	(858)	30,512	-	30,512

Notes to the Core Financial Statements

(Note 1) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

(Note 2) Changes for Pension Adjustments

Net change for the removal of pension contributions and addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

(Note 3) Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** – the other statutory adjustments column recognises adjustment to the General Fund for the timing differences for premiums and discounts.

(Note 4) Other Non-Statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- **For financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair values of investment properties.
- **For taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, eg for un-ring-fenced government grants.

The Authority's reportable segments are based on the management reporting structure.

Notes to the Core Financial Statements

The Council's Expenditure and Income is analysed as follows:-

Expenditure/Income	2017/18 £'000	2018/19 £'000
Expenditure		
Employee Benefits Expenses	148,573	152,434
Other Service Expenses	223,549	227,257
Support Services Recharges	402	471
Depreciation, Amortisation, Impairment	49,731	31,259
Interest Payments	11,681	14,366
Loss on Disposal of Assets	-	698
Total Expenditure	433,936	426,485
Income		
Fees, Charges and Other Service Income	(126,292)	(127,545)
Gain on Disposal of Assets	(143)	-
Interest and Investment Income	(5)	(9)
Income from Council Tax and Non Domestic Rates	(85,385)	(87,774)
Government Grants and Contributions	(193,030)	(194,224)
Total Income	(404,855)	(409,552)
(Surplus) or Deficit on the Provision of Services	29,081	16,933

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2018/19 financial year.

Note 7 Prior Year Adjustments

There has been no prior period adjustments made during 2018/19.

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:

2017/18 Restated £'000		2018/19 £'000	3 Year Cumulative £'000
(7,936)	External Turnover for the Year	(4,500)	(23,436)
91	(Surplus) / Deficit	(126)	(126)

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.
- A wide range of external contracts for the private sector.

Notes to the Core Financial Statements

SBC Contracts employs 41 manual workers and 18 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 2018/19 SBC Contracts recorded an annual operating surplus of £0.781m against a revised budget target of a £0.699m surplus. After technical adjustments for pension (IAS 19) and Employee benefits accrual the net final position was £0.518m surplus.

In 2018/19 turnover increased by £1m, or 6.7% to £16m. Of the total £4.5 million, 28% was generated by external work. The order book remains strong with major works programmed to start or continue on Langlee Waste Transfer Project, Dirtpot Corner, Cardrona and Advance Works for Hawick Flood Scheme all for SBC as well as Sergeants Park, Newtown St Boswells for Hart Builders. Road Surface Dressing Framework Agreements for both South Lanarkshire and East Lothian Councils continue along with our current ongoing framework agreement with Amey for the South East Trunk Roads.

SBC Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £7.2 million during 2018/19.

Significant trading operations are required to at least achieve a break-even figure over rolling three-year periods. For the 3 year period ending in financial year 2018/19 SBC Contracts recorded a cumulative external total surplus of £0.834 million.

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2018/19 Scottish Borders Council received £0.343m in commission from Scottish Water as part of the agency agreement. This amount is set in legislation by the new Water Order which came into force in April 2014 covering the period April 2014 to March 2019.

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 confirmed that the Council had no material transactions with any company in which any member had an interest. The total value of transactions between the Council and companies in which members have an interest in 2018/19 was £0 (2017/18: £0.2m). The Remuneration Report shows the total allowances paid to senior members in 2018/19. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest. The total value of transactions between the Council and companies in which Officers have an interest is £0.256m.

Notes to the Core Financial Statements

During 2018/19, the Scottish Borders Council Pension Fund had an average balance of £0.62m (2017/18: £1.98m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.004m (2017/18: £0.004m). In addition the Council charged the Pension Fund £0.263m in respect of expenses incurred in administering the Fund. There are no additional related party transactions that require to be disclosed. The Pension Fund balance due from Scottish Borders Council to the Pension Fund at the balance sheet date and disclosed in the net assets statement is as follows:

	2017/18	2018/19
Due to/ (from) the Scottish Borders Council Pension Fund	£ 1.037m	(£0.343m)

The Council provided routine material financial assistance to other bodies in 2018/19 as follows:

- Jedburgh Leisure Facilities Trust £0.115m
- VisitScotland £0.119m

The Council works closely with NHS Borders in order to provide a range of services across health and social care pathways. In terms of social care specifically, NHS Borders contributes towards the cost of the services provided in four main ways.

Resource Transfer – a total of £2.555m was transferred from NHS Borders and utilised as follows:

Children's Services	£0.107m
Older People	£1.220m
Adults with Learning Difficulties	£0.945m
People with Mental Health Needs	£0.075m
Support Services	£0.208m

Other funding from NHS Borders in 2018/19 to support services is:

Older people	£7.477m
Adults with Learning Difficulties	£1.709m
People with Mental Health Needs	£0.380m
People with Physical Difficulties	£0.330m
Other Support Services	£0.230m

This includes the additional Scottish Government allocation of Social Care Funding directed by the Health and Social Care Partnership Integration Joint Board during the financial year.

Borders Ability Equipment Store

The Store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £0.874m in 2018/19 with a contribution from the NHS Borders of £0.376m. The contribution from NHS Borders included an additional £0.125m to support equipment spend.

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 £0.026m to the Council. All other expenditure is incurred by the Council.

Notes to the Core Financial Statements

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 2018/19 and received full capital repayment of the outstanding £0.428m. It is envisaged that with all amounts now repaid, the LLP will be wound up within 2019/20.

The Council made further advances of £1.1011m to Bridge Homes LLP during 2018/19 in addition to a capital grant of £0.135m. The Council received interest on the advance from Bridge Homes LLP during the year. The Council's net advances to 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.

SB Supports is a registered Limited Liability Partnership between Scottish Borders Council and SBC Nominees. This was established on 1st April 2015 to work in partnership on the provision of adult social care services. In 2018/19 the Council made a payment of £17.635m (including management fee of £16.982m) to SB Supports.

The Scottish Borders Health and Social Care Integration Board was established on 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered. In 2018/19 the Council made a payment of £51.943m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31st March 2019 a debtor and creditor figure of £11.241m between the Board and Scottish Borders Council was outstanding.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. A payment of £5.80m (including management fee of £5.475m) was made to the trust in 2018/19.

Lowood Tweedbank Limited was established on 30 November 2018 to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements. Lowood Tweedbank Limited collected rental income amounting to £14k, which was subsequently paid over to Scottish Borders Council.

Common Good and Trusts

Interest payable to Common Good and Trust Funds in relation to investments in SBC Loans Fund was £3k for 2018/19.

Note 11 Audit Remuneration

In 2018/19 the agreed audit fee for the year was £0.275m in respect of services provided by Audit Scotland (2017/18 £0.270m). Within this fee £6k is in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Common Good and Trust Funds Annual Accounts. (£6k in 2017/18)

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2018/19

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2018	400,199	54,849	224,207	9,807	4,857	1,036	694,955
Acquisitions & Recognition in the year	15,737	7,811	11,116	13,108	9	-	47,781
Revaluation Increase/(Decrease) To Revaluation Reserve	2,040	-	-	-	763	-	2,803
Revaluation Increase/(Decrease) To CIES	(2,780)	-	-	-	(622)	-	(3,402)
Transfers	347	1,932	1,895	(1,391)	(15)	-	2,768
Disposals	(1,031)	(2,486)	-	-	(1,391)	-	(4,908)
Gross book value (GBV) at 31 March 2019	414,512	62,106	237,218	21,524	3,601	1,036	739,997
Cumulative depreciation at 31 March 2018	(21,671)	(38,452)	(98,208)	-	(115)	-	(158,446)
Depreciation for the year	(12,081)	(5,730)	(9,273)	-	(57)	-	(27,141)
Revaluation Written Out To Revaluation Reserve	1,383	-	-	-	34	-	1,417
Revaluation Written Out To CIES	551	-	-	-	42	-	593
Impairment Losses Recognised In Revaluation Reserve	(503)	-	(184)	-	-	-	(687)
Impairment Losses Recognised In CIES	(2,287)	(504)	(584)	(36)	-	-	(3,411)
Transfers	(703)	(1,289)	(791)	-	15	-	(2,768)
Disposals	77	2,486	-	-	41	-	2,604
Cumulative depreciation at 31 March 2019	(35,234)	(43,489)	(109,040)	(36)	(40)	0	(187,839)
Net book value at 31 March 2019	379,278	18,617	128,178	21,488	3,561	1,036	552,158
Net book value at 31 March 2018	378,528	16,397	125,999	9,807	4,742	1,036	536,509

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

Comparative Movements in 2017/18

	Property Plant & Equipment - Restated					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2017	343,161	53,792	213,216	27,259	4,026	1,036	642,490
Prior Period Adjustment	(510)	(44)	52	(695)	(181)	-	(1,378)
Revised Gross book value (GBV) at 31 March 2017	342,651	53,748	213,268	26,564	3,845	1,036	641,112
Acquisitions & Recognition in the year	3,789	4,706	10,939	39,141	12	-	58,587
Revaluation Increase/(Decrease) To Revaluation Reserve	28,042	-	-	-	(303)	-	27,739
Revaluation Increase/(Decrease) To CIES	(23,938)	-	-	-	(4,580)	-	(28,518)
Transfers	49,749	16	-	(55,898)	6,133	-	0
Disposals	(94)	(3,621)	-	-	(250)	-	(3,965)
Gross book value (GBV) at 31 March 2018	400,199	54,849	224,207	9,807	4,857	1,036	694,955
Cumulative depreciation at 31 March 2017	(38,601)	(36,292)	(89,682)	-	(188)	-	(164,763)
Prior Period Adjustment	33	(452)	241	-	103	-	(75)
Revised Cumulative depreciation at 31 March 2017	(38,568)	(36,744)	(89,441)	-	(85)	-	(164,838)
Depreciation for the year	(12,235)	(5,033)	(8,574)	-	(100)	-	(25,942)
Revaluation Written Out To Revaluation Reserve	27,419	-	-	-	50	-	27,469
Revaluation Written Out To CIES	4,942	-	-	-	655	-	5,597
Impairment Losses Recognised In Revaluation Reserve	(1,602)	-	-	-	-	-	(1,602)
Impairment Losses Recognised In CIES	(2,325)	(286)	(193)	-	-	-	(2,804)
Transfers	667	-	-	-	(667)	-	-
Disposals	31	3,611	-	-	32	-	3,674
Cumulative depreciation at 31 March 2018	(21,671)	(38,452)	(98,208)	-	(115)	-	(158,446)
Net book value at 31 March 2018	378,528	16,397	125,999	9,807	4,742	1,036	536,509
Net book value at 31 March 2017	304,083	17,004	123,827	26,564	3,760	1,036	476,274

Notes to the Core Financial Statements

The Council had no investment properties in 2018/19.

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

In accordance with IFRS13 Fair Value Measurement, all Surplus Assets are now valued at highest and best use from market participants perspective. All revaluations fall under Level 1 of the fair value hierarchy.

Capital Commitments

As at 31 March 2019 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 £9.648m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2019 £'000
Culture & Sport	372
Asset & Infrastructure	5,684
Economic Development & Corporate Services	389
Children & Young People	238
Finance, IT & Procurement	5,014
Total	11,697

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 2018/19 the fixed assets relating to Planning & Economic Development and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by 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 between three and five years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years.
- IT infrastructure has been depreciated over five years.

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

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

Revaluation Cycle

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

- 1 April 2018 – Planning, Economic Development, and Surplus Properties
- 1 April 2017 – Education & Lifelong Learning and Surplus Properties
- 1 April 2016 – Social Work, Resources and Surplus Properties
- 1 April 2015 – Technical Services and Surplus Properties
- 1 April 2014 – Common Good, Trust and Surplus Properties

Common Good & Trust Fund Properties will be revalued as at 1 April 2019 with the resulting adjustments incorporated into the 2019/20 accounts of the Council.

	Property Plant & Equipment					Heritage Assets £'000	Total Assets £'000
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000		
	Carried at Historical Cost	120,526	61,833	237,120	21,524		
New Certified Valuation							
1st April 2018	1,194	-	-	-	218	-	1,412
1st April 2017	36,465	-	-	-	(4,178)	-	32,287
1st April 2016	6,126	-	-	-	429	-	6,555
1st April 2015	7,742	273	89	-	234	-	8,338
1st April 2014	-	-	-	-	339	-	339
Prior to & Including 1st April 2013	242,459	-	9	-	5,569	-	248,037
Gross book value (GBV) at 31 March 2019	414,512	62,106	237,218	21,524	3,601	1,036	739,997

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 2017	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2018	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2019	161	771	104	1,036	1,036

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 three to five years.

2017/18 £'000		2018/19 £'000
1,730	Gross book value (GBV) at 31 March	1,732
-	Prior Period adjustment	52
1,730	Revised Gross book value (GBV) at 31 March	1,784
2	Expenditure in the year	56
-	Disposals	(438)
1,732	Gross book value (GBV) at 31 March	1,402
(1,678)	Cumulative amortisation at 31 March	(1,726)
22	Prior Period adjustment	(52)
(1,656)	Revised Cumulative amortisation at 31 March	(1,778)
(70)	Amortisation for the year	(1)
-	Disposals	438
(1,726)	Cumulative amortisation at 31 March	(1,341)
6	Net book value at 31 March	61

There were no revaluations of intangible assets in 2017/18 or 2018/19.

Carbon Reduction Commitment allowances purchased for future years responsibilities are shown as current intangible assets. When the allowances are surrendered to the CRC Registry, the current intangible asset is reduced by the allowances surrendered with the liability decreased.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2017/18 or 2018/19.

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. During 2017/18 the Council entered into an agreement for the provision of a new secondary school in Kelso, this has also been recognised as an asset 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 2019 are as follows:

Notes to the Core Financial Statements

	Payments for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2019/20	5,168	3,027	2,804	10,999
Payable within two to five years	22,880	11,836	11,162	45,878
Payable within six to ten years	35,590	14,789	12,847	63,226
Payable within eleven to fifteen years	42,774	17,802	9,983	70,559
Payable within sixteen to twenty years	48,569	19,884	5,667	74,120
Payable within twenty one to twenty five years	2,730	3,011	2,492	8,233
Total	157,711	70,349	44,955	273,015

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.

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:

2017/18 £'000		2018/19 £'000
	Net Asset Value	
84,316	Land and buildings	82,203
84,316		82,203

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 above (with the exception of £0.008m in relation to industrial units), relate to the Council's PPP arrangement for the provision of four secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2017/18 £'000		Land & Buildings 2018/19 £'000
	Finance Lease Liabilities	
3,060	Not later than 1 year	3,027
11,863	Later than 1 year and not later than 5 years	11,836
58,460	Later than 5 years	55,486
	Finance Costs Payable in Future Years	
2,766	Not later than 1 year	2,804
11,192	Later than 1 year and not later than 5 years	11,162
33,704	Later than 5 years	30,989
121,045	Minimum Lease Payments	115,304

The contingent rental figure, recognised as an expense in 2018/19 in respect of the Council's PPP arrangements, was £1.454m (2017/18 £1.162m).

Notes to the Core Financial Statements

Operating Leases

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

2017/18 £'000		2018/19 £'000	
90	Not later than 1year	291	
17	Later than 1year and not later than 5 years	1,233	
-	Later than 5 Years	1,722	
107	Total	3,246	

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:

2017/18 £'000		2018/19 £'000	
1,442	Not later than one year	1,727	
1,059	Later than one year and not later than five years	1,428	
5,998	Later than five years	5,640	
8,499	Total	8,795	

Notes to the Core Financial Statements

Note 18 Capital Expenditure and Capital Financing

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

2017/18 Restated £'000		2018/19 £'000	
286,604	Opening capital financing requirement		307,567
Capital Investment			
428	Consent to Borrow	1,146	
217	Subordinated Debt	-	
58,587	Property, plant and equipment	47,823	
2	Intangible assets	56	49,025
Sources of Finance			
(386)	Capital Receipts	(1,165)	
(23,902)	Government grants and other contributions	(28,118)	
(3,405)	NHT Repayment of Principal	(563)	
(10,578)	Loans fund repayments	(11,394)	(41,240)
307,567	Closing Capital Financing Requirement		315,352

2017/18 Restated £'000		2018/19 £'000	
Explanation of Movements in Year			
22,725	Increase in underlying need to borrow (supported by government financial assistance)		-
(1,762)	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)		7,785
20,963	Increase/(Decrease) in capital financing requirement		7,785

Note 19 Termination Benefits

During 2018/19 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 12 employees, incurring expenditure of £0.613m - 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 career average salary pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2018, as amended. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

Notes to the Core Financial Statements

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

Transactions relating to retirement benefits

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

2017/18 £'000	Comprehensive Income and Expenditure Statement	2018/19 £'000
	<i>Cost of Services</i>	
20,997	Current Service Costs	21,019
59	Past Service Costs, including curtailments	5,988
	<i>Financing and Investment Income and Expenditure</i>	
5,929	Net Interest Expense	4,301
26,985	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	31,308
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
(13,494)	Return on plan assets (excluding the amount included in the net interest expense)	(34,341)
(57,790)	Actuarial (gains) and losses arising on changes in financial assumptions	50,289
792	Other	1,016
(70,492)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	16,964
	<i>Movement in Reserves Statement</i>	
15,538	Reversal of net charges made for retirement benefits in accordance with the Code	19,567
	Actual amount charged against the General Fund Balance for pensions in the year	
9,950	Employers' contributions payable to the scheme	10,314
1,497	Retirement benefits payable to pensioners	1,427

Notes to the Core Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2018/19 £'000
755,271	Present value of the defined benefit obligation	833,535
(594,200)	Fair value of plan assets	(635,933)
161,071	Sub total	197,602
161,071	Net liability arising from defined benefit obligation	197,602

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the 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

2017/18 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2018/19 £'000
570,319	Opening Fair Value of Scheme Assets	594,200
15,309	Interest Income	15,055
	Remeasurement (gains) and losses:-	
13,494	Return on plan assets, excluding the amount included in the net interest expense	34,341
1,771	Other	-
11,447	Employer Contributions including unfunded pensions	11,741
3,359	Contributions by Scheme Participants	3,290
(21,499)	Estimated Benefits Paid	(22,694)
594,200	Closing Fair Value of Scheme Assets	635,933

Notes to the Core Financial Statements

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

2017/18 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2018/19 £'000
786,344	Opening Defined Benefit Obligation	755,271
20,997	Current Service Cost	21,019
20,988	Interest Cost	19,356
3,359	Contributions by Scheme Participants	3,290
	Remeasurement (gains) and losses:-	
(57,790)	Actuarial (gains)/losses arising from changes in financial assumptions	50,289
2,813	Other	1,016
59	Past Service Cost	5,988
(20,002)	Benefits Paid	(21,267)
(1,497)	Unfunded Pension Payments	(1,427)
755,271	Closing Defined Benefit Obligation	833,535

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 2019.

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.

2017/18 £'000	Local Government Pension Scheme assets comprised:	2018/19 £'000
666	Cash and cash equivalents	14,414
	Equity Instruments	
	<i>By industry type</i>	
47,799	Consumer	31,163
42,116	Manufacturing	34,301
5,568	Energy and utilities	5,628
56,063	Financial Institutions	43,527
17,804	Health and Care	12,429
38,838	Information Technology	27,708
-	Other	1,452
208,188		156,208
	Bonds	
	<i>By sector</i>	
64,095	UK Corporate	-
26,278	UK Government	-
90,373	Other	-
	Investment Funds - Quoted in Active Market	
56,054	Managed Fund - UK Equities Passive	139,094
78,432	Managed Fund - Global Equities	-
2,730	Managed Fund - Smaller Companies	-
83,833	Managed Fund - Property	92,386
-	Managed Fund - Bonds	100,508
221,049		331,988
	Investment Funds - Not Quoted	
73,924		133,323
594,200	Total Assets	635,933

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

2017/18 £'000	Fair Value of Scheme Assets	2018/19 £'000
	Equity instruments:	
	<i>By company size</i>	
208,188	Large capitalisation	156,208

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 Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary are shown below:

2017/18	Basis for Estimating Assets and Liabilities	2018/19
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
21.60	Men	21.60
24.20	Women	24.20
	- longevity at 65 for future pensioners (years)	
23.30	Men	23.30
26.00	Women	26.00
3.3%	Rate of inflation - RPI	3.4%
2.3%	Rate of inflation - CPI	2.4%
3.3%	Rate of increase in salaries	3.5%
2.3%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%

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

2017/18		Category Analysis of the Scheme Assets as at 31 March 2019	2018/19	
%	£'000		%	£'000
58	345,404	Equities	46	295,302
15	90,373	Gilts	-	-
-	-	Other Bonds	16	100,508
14	83,833	Property	15	92,386
-	666	Cash	2	14,414
7	43,036	Multi-Asset Fund	19	121,619
5	27,583	Private Credit	-	-
1	3,305	Infrastructure	2	11,704
100	594,200	Total	100	635,933

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

Notes to the Core Financial Statements

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employers Liability £'000
Adjustment to real discount rate - 0.5% decrease	9%
Adjustment to long term salary increase - 0.5% increase	2%
Adjustment to pension increase rate - 0.5% increase	8%
Adjustment to mortality rating assumption - 1 year increase	3-5%

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 2018/19 the Council paid £7.551m to teachers' pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay (£7.398m and 17.2% in 2017/18). The employer's contribution rate has increased as a result of a revaluation of the Scottish Teacher's pension scheme under the Public Service Pensions Act 2013. There were no contributions remaining payable at the year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, teachers' pensions use a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement and added years it has awarded outside of the terms of the teachers' Scheme. In 2018/19 these amounted to £0.713m representing 1.62% of pensionable pay (£0.706m and 1.64% in 2017/18).

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 17 employers in the Scottish Borders. As at 31 March 2019 there were 10,961 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

On 20 December 2018, the Court of Appeal upheld a claim from firefighters and a group of over 200 judges that changes made to their pension scheme were discriminatory based on a member's age (the McCloud case). The government's right to appeal this decision was denied in June 2019 meaning that this legal ruling is now expected to have an impact on other public sector workers who have also seen similar changes to their pension schemes. The impact of this judgment has been reflected in these audited accounts.

Notes to the Core Financial Statements

Note 24 Inventories

2017/18 £'000		2018/19 £'000
906	Balance outstanding at start of year	677
(229)	Movement during year	143
677	Balance outstanding at year-end	820

Note 25 Provisions

Provisions are recognised in the accounts when:

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

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

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2018	(49)	(238)	(68)	(3,924)	(4,279)
Additional charges to provisions	(28)	(30)	-	(137)	(195)
Payments made or released	5	-	-	5	10
Balance at 31 March 2019	(72)	(268)	(68)	(4,056)	(4,464)
Within 12 Months	(72)	(268)	(68)	(171)	(579)
Over 12 months	-	-	-	(3,885)	(3,885)
Total	(72)	(268)	(68)	(4,056)	(4,464)

Provision for contractual claims is the anticipated cost for remedial works relating to SBc Contracts.

Equal Pay Provision - Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay.

The Voluntary Severance/Early Retirement Provision has been created to meet the costs associated with employee voluntary severance and early retirement.

Provision for asset decommissioning reflect the Council's liability for restoration and ongoing maintenance in respect of the Langlee landfill site. This has been provided for based on the net present value of estimated future costs.

Notes to the Core Financial Statements

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £320,644, 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 £0 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 this has been included as a contingent liability in this years' annual accounts.
- The Council has a commitment to provide Bridge Homes LLP with a loan facility up to a maximum value of £18.8m in order to allow Bridge Homes LLP to deliver affordable housing in the Scottish Borders in line with the Council's Local Housing Strategy.
- The Council has agreed to act as guarantor for SB Cares and Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should either SB Cares or Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary, Barnett Waddingham, has provided figures based on the projected bond level that would be needed to be established to reflect these pension fund liabilities. For those employees that transferred over to SB Cares the pension liability has been calculated at £6.167m and for Live Borders £2.937m.
- Legal action has been raised against the Council in respect of a failure to conclude a land sale transaction. The matter is subject to ongoing process in the Court of Session.
- On 26 October 2018, The High Court ruled that Guaranteed Minimum Pensions (GMP) should be equalised between men and women to address the discrepancies in members' benefits arising from the contracting out of the additional state pension between 17 May 1990 and 6 April 1997. However due to ongoing legal appeals and clarification of what has to be included it is not possible to quantify the impact this will have on Scottish Borders Council at this time.
- During the year there was a part sale of land to Eildon Housing Association. There is a condition attached to the sale that may require Scottish Borders Council to purchase the land back.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- During 2016/17 a claim was lodged against Capita Plc by Dumfries and Galloway Council on behalf of itself and Scottish Borders Council for additional expenditure incurred by both Councils due to the delay in the rollout of broadband network and ICT infrastructure across the Scottish Borders and Dumfries and Galloway. This claim is still on-going.
- The European Commission issued a decision which found that European truck manufacturers had engaged in price fixing and other cartel activities over a 14 year period between 1997 and 2011 in relation to trucks over six tonnes. Scottish Borders Council is joining with other Scottish Local Authorities and public bodies to raise legal actions seeking compensation for losses it has suffered as a result of this illegal activity.

Notes to the Core Financial Statements

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2018/19.

2017/18 £'000		2018/19 £'000
	Credited to Taxation and Non Specific Grant Income	
(15,363)	General Capital Grant	(14,432)
(5,557)	Other Grants	(9,945)
(1,403)	Developer Contributions	(287)
(22,323)	Total	(24,664)
	Credited to Services	
(424)	Culture & Sport	(389)
(227)	Asset & Infrastructure	(34)
(982)	Economic Development & Corporate Services	(1,184)
(2,264)	Health & Social Care	(4,144)
(1,553)	Children & Young People	(4,576)
(28,733)	Customer & Communities	(27,060)
(105)	Human Resources	(116)
(1,160)	Regulatory Services	(1,328)
(35,448)		(38,831)

Note 29 Financial Instruments

Scottish Borders Council have taken into consideration the requirements of IFRS9 – Financial Instruments and, based on the financial instruments held, do not consider there to be any impact on these Financial Statements or prior year figures.

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

Fair Value Hierarchy:

Under IFRS 13 (Fair Value Measurement) the authority is required to maximise the use of relevant observable inputs and minimise the use of unobservable inputs. To achieve this objective, local authorities are required to follow the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into the three levels as listed below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Notes to the Core Financial Statements

Fair Value Hierarchy For Financial Assets And Liabilities That Are Not Measured At Fair Value

	31st March 2019			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(297,656)	-	(297,656)
Market Debt	-	(572)	-	(572)
Other debt	-	(67,553)	-	(67,553)
Total	-	(365,781)	-	(365,781)

	31st March 2018			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(281,384)	-	(281,384)
Market Debt	-	(574)	-	(574)
Other debt	-	(86,379)	-	(86,379)
Total	-	(368,337)	-	(368,337)

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value are shown at their carrying value since this is a reasonable approximation of their value. These are short term assets and liabilities such as accounts payables and receivables.

Notes to the Core Financial Statements

Financial Instruments - Balances

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

	Long Term		Current	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
Loans and Receivables				
Cash and Cash Equivalents	-	-	10,825	4,525
Debtors	5,770	6,315	41,384	37,219
Total Loans and Receivables	5,770	6,315	52,210	41,743
Borrowings				
Financial Liabilities (principal amount)	(194,433)	(195,846)	(5,000)	-
Accrued interest	-	-	(3,288)	(3,275)
Total Borrowings	(194,433)	(195,846)	(8,288)	(3,275)
Other Liabilities				
PPP and finance lease liabilities	(70,323)	(67,322)	(3,060)	(3,027)
Bonds	-	-	(1,460)	(1,400)
Total other long-term liabilities	(70,323)	(67,322)	(4,520)	(4,427)
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(45,609)	(42,998)
Total Creditors	-	-	(45,609)	(42,998)

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 2018			31 March 2019	
£'000	%		£'000	%
(44,801)	22	Bonds and Mortgages	(36,214)	18
(149,632)	74	Public Works Loan Board	(159,632)	80
(194,433)	96	Long term borrowing (> 1 year)	(195,846)	98
(8,288)	4	Short Term Borrowing repayable within 12 months	(3,275)	2
(202,721)	100	Total Borrowing	(199,121)	100

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2017/18 £'000		2018/19 £'000
(8,288)	Less than 1 year	(10,774)
-	Between 1 and 2 years	(2,793)
(14,977)	Between 2 and 7 years	(4,097)
(25,500)	Between 7 and 15 years	(25,500)
(153,956)	More than 15 years	(155,956)
(202,721)	Total	(199,120)

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

	2018/19		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	14,366	-	14,366
Interest payable and similar charges	14,366	-	14,366
Interest Income	-	(9)	(9)
Interest and investment income	-	(9)	(9)
Net (gain) / loss for the year	14,366	(9)	14,357

	2017/18		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	11,681	-	11,681
Interest payable and similar charges	11,681	-	11,681
Interest Income	-	(5)	(5)
Interest and investment income	-	(5)	(5)
Net (gain) / loss for the year	11,681	(5)	11,676

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31 March 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(149,632)	(281,384)	(159,632)	(297,656)
Other debt	(53,089)	(86,953)	(39,490)	(68,125)
Total debt	(202,721)	(368,337)	(199,122)	(365,781)
Creditors	(50,129)	(50,129)	(47,425)	(47,425)
Total financial liabilities	(252,850)	(418,466)	(246,547)	(413,206)

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 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	10,825	10,825	4,525	4,525
Debtors	41,384	41,384	37,219	37,219
Total loans and receivables	52,209	52,209	41,743	41,743

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

Nature and Extent of Risks Arising from Financial Instruments

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

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

Notes to the Core Financial Statements

Overall Procedures for Managing Risk

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

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

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

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

The annual Treasury Management Strategy for 2018/19 which incorporates the prudential indicators was approved by the Council on 20 February 2018. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £372.7m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £308.2m. 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 £308.2m and £107.9m 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%
1 to 2 years	0%	20%
2 to 5 years	0%	20%
5 to 10 years	0%	20%
Over 10 years	20%	100%

Notes to the Core Financial Statements

Credit Risk

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

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

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

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

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

The full Investment Strategy for 2018/19 was approved by the Council on 20 February 2018 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 2019 that this was likely to crystallise.

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

Liquidity Risk

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

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

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

Refinancing and Maturity Risk

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

Notes to the Core Financial Statements

The approved treasury indicator limits for the maturity structure of debt and the limits 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 20 February 2018:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31March 2018 £'000	Actual 31March 2019 £'000
Less than one year			61,540	20	8,288	10,774
Between one and two years			61,540	20	0	2,793
Between two and seven years			61,540	20	14,977	4,097
Between seven and fifteen years			61,540	20	25,500	25,500
More than fifteen years	61,540	20	307,700	100	153,956	155,956
Total					202,721	199,120

Market Risk

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

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

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

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

Notes to the Core Financial Statements

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

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

	£'000
Increase in interest receivable on variable rate investment	353
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)	63,926

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

- (ii) **Price Risk** - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.
- (iii) **Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies at the Balance Sheet date. It therefore has no exposure to loss arising from movements in exchange rates.

Notes to the Core Financial Statements

Note 30 Debtor and Creditor Analysis

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

Debtors

2017/18 £'000		2018/19 £'000
25,087	Trade Receivables	21,201
3,065	Prepayments	3,361
24,056	Other Receivable Amounts	23,901
52,207		48,463

Creditors

2017/18 £'000		2018/19 £'000
(20,674)	Trade Payables	(13,995)
(29,456)	Other Payables	(33,431)
(50,130)		(47,425)

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2017/18 £'000		2018/19 £'000
86	Less Than 2 Months	765
116	2 To 4 Months	442
20	4 To 6 Months	54
2,341	6 Months To 1Year	1,943
21,525	More Than 1Year	21,228
24,088		24,892

Notes to the Core Financial Statements

Note 31 Movement in Reserves

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

	Balance as at 31 March 2018	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2019
	£'000	£'000	£'000	£'000
Usable Reserves				
General Fund Balances	(19,726)	(14,762)	16,933	(17,555)
Capital Fund	(7,580)	(1,223)	-	(8,803)
Property Maintenance Fund	(426)	(21)	-	(447)
Insurance Fund	(1,063)	(134)	-	(1,197)
Unusable Reserves				
Capital Adjustment Account	(111,848)	(10,500)	-	(122,348)
Financial Instruments Adjustment Account	4,773	1,987	-	6,760
Revaluation Reserve	(122,328)	5,532	(3,533)	(120,329)
Pensions Reserve	161,071	19,567	16,964	197,602
Employee Statutory Adjustment Account	5,778	(445)	-	5,333
Total	(91,349)	-	30,364	(60,984)

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

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

A summary of all reserves movements are shown below:

Adjustments between accounting basis & funding basis under regulations 2017/18 - Restated

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(26,012)	-	-	-	(26,012)	26,012	-	12 & 14
Impairment losses (charged to CI&ES)	(2,805)	-	-	-	(2,805)	2,805	-	
Revaluation Losses	(22,921)	-	-	-	(22,921)	22,921	-	
Capital grants and contributions applied	22,323	-	-	-	22,323	(22,323)	-	28
Employee Statutory Adjustments	574	-	-	-	574	(574)	-	
Profit/(Loss) on disposal of assets	143	(434)	-	-	(291)	291	-	
Revenue Exp Funded From Capital under Statute	(18)	-	-	-	(18)	18	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	208	-	-	-	208	(208)	-	
Net retirement charges per IAS 19	(25,488)	-	-	-	(25,488)	25,488	-	
Loans Fund principal repayments and Statutory premia	10,578	-	-	-	10,578	(10,578)	-	
Capital Expenditure charged to General Fund balance	458	-	-	-	458	(458)	-	
Employers contribution payable to Pension Fund	9,950	-	-	-	9,950	(9,950)	-	
Net Transfers to or (from) other reserves	2,498	(625)	(426)	62	1,508	(1,508)	-	
Total in year adjustments	(30,513)	(1,059)	(426)	62	(31,936)	31,936	-	

Notes to the Core Financial Statements

Adjustments between accounting basis & funding basis under regulations 2018/19

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(27,141)	-	-	-	(27,141)	27,141	-	12 & 14
Impairment Losses (charged to CI&ES)	(3,412)	-	-	-	(3,412)	3,412	-	
Revaluation Losses	(2,809)	-	-	-	(2,809)	2,809	-	
Capital grants and contributions applied	24,664	-	-	-	24,664	(24,664)	-	28
Employee Statutory Adjustments	444	-	-	-	444	(444)	-	
Profit/(Loss) on disposal of assets	(698)	(1,606)	-	-	(2,304)	2,304	-	
Revenue Exp Funded From Capital under Statute	(42)	-	-	-	(42)	42	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	(1,986)	-	-	-	(1,986)	1,986	-	
Net retirement charges per IAS 19	(29,881)	-	-	-	(29,881)	29,881	-	
Loans Fund principal repayments and Statutory premia	11,394	-	-	-	11,394	(11,394)	-	
Capital Expenditure charged to General Fund balance	1,993	-	-	-	1,993	(1,993)	-	
Employers contribution payable to Pension Fund	10,314	-	-	-	10,314	(10,314)	-	
Net Transfers to or (from) other reserves	2,398	384	(21)	(134)	2,626	(2,626)	-	
Total in year adjustments	(14,762)	(1,223)	(21)	(134)	(16,140)	16,140	-	

Notes to the Core Financial Statements

Usable Reserves

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

The General Fund Balances are further analysed as follows:

2017/18	Analysis as at 31 March	2018/19
£'000		£'000
	Earmarked Reserves	
(2,442)	Children & Young People - Devolved School Management	(1,159)
	Specific Departmental Reserves	
(71)	Culture & Sport	(64)
(499)	Asset & Infrastructure	(228)
(313)	Economic Development & Corporate Services	(93)
	- Health & Social Care	(70)
	- Children & Young People	(393)
(520)	Customer & Communities	(629)
(11)	Finance, IT & Procurement	(412)
(13)	Human Resources	(231)
(864)	Revenue Support Grant / Council Tax	(63)
(3,266)	2nd Homes Council Tax	(4,022)
(5,058)	Allocated Reserves - Financial Plan 18/19	(3,244)
(13,057)		(10,608)
(6,669)	Non-Earmarked Reserve	(6,947)
(19,726)	Total General Fund Reserve	(17,555)

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.

Employee Statutory Adjustment Account

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

Notes to the Core Financial Statements

Note 32 Cash Flow

2017/18 £'000	Reconciliation to General Fund Surplus	2018/19 £'000
29,081	Net (Surplus) or deficit on the provision of services	16,933
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(25,942)	Depreciation	(27,140)
(25,726)	Impairment & Revaluation Loss through I & E	(6,221)
(70)	Amortisation of intangible assets	(1)
(15,538)	Movement in pension liability	(19,567)
143	Gain/Loss on carrying amounts of assets disposed	(698)
(229)	Net movement in inventories charged to I & E	10
3,835	Net movement in debtors charged to I & E	(2,206)
(9,183)	Net movement in creditors charged to I & E	3,839
(410)	Net movement in provisions charged to I & E	53
(73,120)		(51,931)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
22,323	Capital grants received	24,664
(125)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(861)
22,198		23,803
(21,841)	Net Cash Outflow / (Inflow) from Operating Activities	(11,196)

Note 33

Impairment & Revaluation Losses

During 2018/19 SBC recognised a net impairment and revaluation loss of £6,812m within the Net Cost of Services. This includes a reversal of £0.998m against losses in previous years.

Note 34

Cash and Cash Equivalents

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

2017/18 £'000		2018/19 £'000
49	Cash held by officers	46
7,996	Bank current accounts	2,479
2,780	Short term deposits	2,000
10,825	Total	4,525

Supplementary Financial Statements

Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

2017/18			2018/19	
£'000	£'000		£'000	£'000
	(65,657)	Gross Charges Levied		(68,275)
5,086		Less: Council Tax Reduction Scheme	5,140	
5,086			5,140	
7,173		Discounts and Exemptions	7,660	
706		Provision for bad debts	731	
(20)		Miscellaneous	(240)	
	12,945			13,291
	(52,712)			(54,984)
	(52,712)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(54,984)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2018

The calculation of the council tax base, ie the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) after providing for non-payment, as an equivalent number of band D dwellings and the level of non-payment provided for.

Band	Number of Properties 2017/18	Number of Properties 2018/19	Proportion	2017/18 £	2018/19 £
A	16,567	16,538	6/9	744.35	766.68
B	12,684	12,693	7/9	868.40	894.46
C	7,029	7,098	8/9	992.46	1,022.24
D	5,915	6,007	9/9	1,116.52	1,150.02
E	6,399	6,456	11/9	1,466.98	1,510.99
F	4,788	4,856	13/9	1,814.35	1,868.78
G	4,430	4,493	15/9	2,186.52	2,252.11
H	465	477	18/9	2,735.47	2,817.54
Total	58,278	58,618			

Supplementary Financial Statements

Council Tax Income Account

Note 2 Water and Waste Water Charges

The Council is required to bill and collect water and waste water charges on domestic properties along with Council Tax as part of an agency agreement. These charges were determined by Scottish Water and for 2018/19 the Band D charges were £202.41 for water and £234.99 for waste water.

Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2017/18			2018/19	
£'000	£'000		£'000	£'000
	(48,016)	Gross Rates Levied & Contribution in Lieu		(51,862)
15,436		Less: Reliefs and Other Deductions	15,888	
394		Write-offs of uncollectable debts & allowance for impairment	432	
-		Interest paid on overpaid rates	-	
	15,830			16,320
	(32,186)			(35,542)
	(173)	Net General Fund expenditure on discretionary reliefs		(174)
	(32,359)	Net Non-Domestic Rate Income		(35,716)
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	(32,359)	Contribution to National Pool		(35,716)
	32,673	Distribution received from National Pool		32,790
	(32,673)	Income Credited to the Comprehensive Income & Expenditure Statement		(32,790)

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 31 March 2019

Classification	Number	Rateable Value £'000
Shops	1,256	20,856
Public Houses	82	1,450
Offices Including Banks	910	8,002
Hotels Etc	128	3,682
Industrial Subjects Including Factories Warehouses and Stores	2,183	27,600
Leisure, Entertainment Caravans and Holiday Sites	1,009	5,753
Garages and Petrol Stations	216	2,334
Cultural	49	542
Sporting Subjects	1,230	2,394
Education and Training	104	10,755
Public Service Subjects	422	5,656
Communications (Non Formula)	6	15
Quarries Mines Etc	12	414
Petrochemical	5	1,307
Religious	291	1,272
Health Medical	99	4,272
Other	461	2,171
Care Facilities	88	1,975
Advertising	8	15
Undertaking	31	4,537
Total	8,590	105,002

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2018/19 was:
48.0p for properties with a rateable value up to £51,000 and a 2.6p supplement is charged for properties with a rateable value of over £51,000.

Trust Funds

Scottish Borders Council administers numerous charitable trusts and bequests. Elected members of the Council act as Trustees of these charities. Those registered with the Office of the Scottish Charity Regulator (OSCR) are detailed below:

- **Scottish Borders Council Education Trust**
- **Scottish Borders Council Community Enhancement Trust**
- **Scottish Borders Council Welfare Trust**

These three charities were registered with OSCR on April 1 2014 and each contains funds that are restricted by purpose and geographical area.

- **The Scottish Borders Council Charitable Trust** contains 32 separate trusts and bequests as at the Balance Sheet date, which is a reduction from the 76 separate trusts and bequests held in the previous year. Following OSCR approval the move of 7 trusts into the SBC Community and Enhancement Trust and 37 into the SBC Welfare Trust was successfully completed from 1st April 2018
- **The Ormiston Trust for Institute** remains as a separately registered trust with OSCR.

All OSCR registered charities are subject to audit, in line with OSCR requirements and a full set of financial statements compliant with those requirements are published separately. The Council also administers a further 46 non registered charities, a reduction of 131 from the previous year following the successful consolidation of a number of trusts and bequests into the SBC Community Enhancement and Welfare Trusts from 1 April 2018.

On 21st December 2017 Scottish Borders Council, following public consultation, approved the amalgamation of a number of Funds held under Other into the Scottish Borders Council Welfare Trust and the Scottish Borders Community Enhancement Trust. The amalgamation took place from 1st April 2018 and resulted in £316k transferring from Other to Charitable.

Trust Funds

A summary Income and Expenditure Statement and Balance Sheet are detailed below, recognising all registered and unregistered charities administered by the Council.

Comprehensive Income & Expenditure Statements

2017/18		Charitable	Other	2018/19
£'000		£'000	£'000	Total £'000
	Income			
(13)	Donations & Legacies	(3)	(11)	(14)
(73)	Investments	(76)	(46)	(122)
(75)	Charitable Activities	-	(11)	(11)
-	Unrealised Gain On Investments	(10)	(8)	(18)
(4)	Recognition Of Fixed Assets & Investments	(684)	-	(684)
	Expenditure			
165	Raising Funds	26	72	98
45	Charitable Activities	388	340	728
9	Other : Governance Costs	3	1	4
4	Unrealised Loss On Investments	-	-	-
58	(Surplus) / Deficit for the Year	(356)	338	(18)
(868)	(Surplus) brought forward	(382)	(595)	(977)
(98)	Funding (brought forward/carried forward) to Revaluation Reserve	(26)	(72)	(98)
(69)	Transfer to Capital Reserve	150	(138)	12
(977)	(Surplus) carry forward	(614)	(467)	(1,081)

Balance Sheet

2017/18		Charitable	Other	2018/19
£'000		£'000	£'000	Total £'000
	Non-current Assets			
1,691	Tangible Fixed Assets	235	1,359	1,594
1,785	Investments	1,019	782	1,801
1	Long term Loan	-	-	-
	Current Assets			
437	Short Term Investments	169	371	540
25	Sundry Debtors	4	11	15
	Current Liabilities			
(6)	Sundry Creditors	-	-	-
3,933	Net Assets	1,427	2,523	3,950
	Financed by			
(977)	Revenue Reserve	(613)	(467)	(1,080)
(1,334)	Capital Reserve	(631)	(715)	(1,346)
(1,622)	Revaluation Reserve	(183)	(1,341)	(1,524)
(3,933)		(1,427)	(2,523)	(3,950)

Common Good Funds

The Council administers the Common Good Funds for twelve towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2019, for each of the funds. The accounting policies applied are those as set out in pages 54 to 66.

All funds are invested in the Kames Capital Plc diversified income fund.

From 1 April 2018 Common Goods at Coldstream and Eyemouth have been recognised with the inclusion of several assets relating to both funds.

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

2017/18 Restated £'000		Coldstream £'000	Duns £'000	Eyemouth £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income													
(39)	Donations & Legacies	-	-	-	-	(1)	-	(1)	(1)	-	-	-	(1)	(4)
(75)	Investments	-	(1)	-	(9)	(25)	-	(5)	(14)	(5)	-	(24)	(5)	(54)
(26)	Charitable Activities	-	-	-	-	(15)	-	-	-	(11)	-	(56)	(6)	(243)
	Unrealised Gain On Investments	-	-	-	(1)	(5)	-	(10)	(2)	(3)	-	(4)	(3)	(28)
	Recognition Of Fixed Assets & Investments	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)
(330)		-	(1)	-	(11)	(146)	-	(62)	(17)	(29)	-	(84)	(80)	(430)
	Expenditure													
53	Raising Funds	9	-	-	34	98	17	12	43	15	3	46	54	431
85	Charitable Activities	-	-	-	3	42	-	5	2	2	-	19	18	101
60	Other: Governance Costs	-	-	-	2	11	-	4	2	10	-	8	11	48
8	Unrealised Loss On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
666		9	0	0	39	151	17	31	47	27	3	73	183	580
336	(Surplus) / Deficit carry forward	9	(1)	-	28	5	17	(31)	30	(2)	3	(11)	103	150

Common Good Funds

Balance Sheet

Total Restated 2017/18 £'000		2018/19												
		Coldstream £'000	Duns £'000	Eyemouth £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets													
10,765	Tangible Assets	216	-	2	518	3,518	256	442	713	983	32	766	3,044	10,490
2,659	Investments	-	17	-	160	460	-	910	267	250	-	447	269	2,780
35	Long Term Loan to Third Party	-	-	-	-	-	-	21	-	3	-	-	-	24
	Current Assets													
54	Sundry Debtors	-	-	-	1	31	-	4	1	8	-	2	52	99
259	Short Term Investments	-	1	-	6	23	-	64	29	39	-	66	(73)	155
	Current Liabilities													
(89)	Sundry Creditors	-	-	-	-	(10)	-	-	-	(1)	-	(3)	(1)	(15)
13,683	Net Assets	216	18	2	685	4,022	256	1,441	1,010	1,282	32	1,278	3,291	13,533

	Financed by													
(3,560)	Restricted Income Funds	(122)	(18)	(1)	(320)	(638)	(135)	(1002)	(297)	(302)	(18)	(562)	(268)	(3,683)
(10,123)	Revaluation Reserve	(94)	-	(1)	(365)	(3,384)	(121)	(439)	(713)	(980)	(14)	(716)	(3,023)	(9,850)
(13,683)	Total Reserves	(216)	(18)	(2)	(685)	(4,022)	(256)	(1,441)	(1,010)	(1,282)	(32)	(1,278)	(3,291)	(13,533)

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 117 to 123.

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
- SB Supports LLP
- SB Cares LLP
- Live Borders
- Lowood Tweedbank Limited

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 111 to 114. 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. SB Supports and SB Cares LLP are registered Limited Liability Partnerships between Scottish Borders Council and SBC Nominees, working in partnership to provide adult social care services. The financial statements for Bridge Homes LLP, SB Supports LLP and SB Cares LLP are available from Council Headquarters. It should be noted that the 2018/19 draft annual accounts for SB Cares LLP and SB Supports LLP have been used in the group consolidation.

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

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

Lowood Tweedbank Limited was established on 30 November 2018 to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements. The financial statements for Lowood Tweedbank Limited are available from Council Headquarters.

Group Accounts

Associates

Associate entities are those over which the Council has been deemed to exercise significant influence. The following body has been recognised as an associate of Scottish Borders Council:

- Jedburgh Leisure Facilities Trust

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 38.7% 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 financial statements for the period ending 31 March 2019 have been used. The company's Statement of Financial Activities shows an operating loss of £0.005m for the year to 31 March 2019 of which £0.002m has been included in the Group Accounts. The company's draft Balance Sheet as at 31 March 2019 shows net assets of £0.018m of which £0.006m has been included in the Group Accounts.

The Trust's accounts can be obtained from their registered office at 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 following body has been recognised as a Joint Venture.

- Scottish Borders Integration Joint Board

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

The boards draft Comprehensive Income & Expenditure Statement show gross expenditure and income of £186m for the year of which £0 has been consolidated into the Group Accounts. Both the Balance Sheet and Movement in Reserves Statement show a net position of £0 for 2018/19.

The financial statements for the Scottish Borders Integration Joint Board are available from the Council Headquarters.

Group Movement In Reserves Statement

Movement in reserves during 2017/18 - Restated

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	Total Group Usable Reserves	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01/04/2017	(25,940)	(8,329)	(34,269)	28,176	(5,768)	22,408	(11,861)

Movement in reserves during 2017/18

Total Comprehensive Income & Expenditure	29,081	184	29,265	(122,666)	997	(121,669)	(92,404)
Adjustments between accounting basis & funding basis under regulations	(31,936)	(374)	(32,310)	31,936	374	32,310	-
Increase or Decrease in 2017/18	(2,855)	(190)	(3,045)	(90,730)	1,371	(89,359)	(92,404)
Balance at 31/03/2018 carried forward	(28,795)	(8,519)	(37,314)	(62,554)	(4,397)	(66,951)	(104,265)

Movement in reserves during 2018/19

	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 01/04/2018	(28,795)	(8,519)	(37,314)	(62,554)	(4,397)	(66,951)	(104,265)

Movement in reserves during 2018/19

Total Comprehensive Income & Expenditure	16,933	(390)	16,543	13,431	4,013	17,444	33,987
Adjustments between accounting basis & funding basis under regulations	(16,140)	(370)	(16,510)	16,140	370	16,510	-
Increase or Decrease in 2018/19	793	(760)	33	29,571	4,383	33,954	33,987
Balance at 31/03/2019 carried forward	(28,002)	(9,279)	(37,281)	(32,983)	(14)	(32,997)	(70,278)

Group Comprehensive Income and Expenditure Statement

2017/18 Restated				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
15,650	(4,977)	10,674	Culture & Sport	13,067	(4,788)	8,279
57,941	(14,763)	43,178	Asset & Infrastructure	60,643	(11,284)	49,359
2,364	(1,102)	1,263	Economic Development & Corporate Services	4,686	(1,894)	2,792
123,051	(69,791)	53,260	Health & Social Care	128,082	(73,752)	54,330
134,146	(4,837)	129,309	Children & Young People	114,459	(5,466)	108,993
45,851	(29,964)	15,888	Customer & Communities	42,806	(29,599)	13,207
16,234	(215)	16,019	Finance, IT & Procurement	18,349	(431)	17,918
6,092	(404)	5,688	Human Resources	7,046	(460)	6,586
18,730	(5,535)	13,195	Regulatory Services	20,024	(6,554)	13,470
4,118	-	4,118	Non-Distributed Costs	7,005	-	7,005
659	(255)	404	Common Good	580	(247)	333
152	(88)	64	Trust Funds	830	(25)	805
72	(74)	(2)	Share of Operating Results of Associates & Joint Ventures	73	(71)	2
425,061	(132,004)	293,056	Services provided by the Council	417,651	(134,571)	283,079
425,061	(132,004)	293,056	Net Cost of Services	417,651	(134,571)	283,079
8,027	(7,936)	91	Roads Trading Operation (Surplus)/Deficit (External)	4,374	(4,500)	(126)
			Other Operating Expenditure			
291	(434)	(143)	(Gain)/Loss on Disposal of Assets	2,304	(1,606)	698
			Financing & Investment Income and Expenditure			
11,681	-	11,681	Interest Payable & Similar Charges	14,366	-	14,366
-	(68)	(68)	Interest Receivable & Similar Income	-	(192)	(192)
20,988	(15,059)	5,929	Net Interest Expense on the Net Defined Benefit Liability	19,356	(15,055)	4,301
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			Taxation and Non-Specific Grant Income			
-	(170,707)	(170,707)	Revenue Support Grant	-	(169,560)	(169,560)
-	(32,673)	(32,673)	Non-Domestic Rates Pool for Scotland	-	(32,790)	(32,790)
12,945	(65,657)	(52,712)	Council Tax	-	(54,984)	(54,984)
-	(22,323)	(22,323)	Capital Grants and Contributions	-	(24,664)	(24,664)
		32,131	(Surplus)/Deficit on Provision of Services			20,128

Group Comprehensive Income and Expenditure Statement

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		32,131	(Surplus)/Deficit on Provision of Services			20,128
		(53,920)	(Surplus)/Deficit on revaluation of Non Current Assets			(3,522)
		1,504	Any Other (Gains) Or Losses			(867)
		(72,119)	Actuarial (gains)/losses on pension assets/liabilities			18,248
		(124,535)	Other Comprehensive Income and Expenditure			13,859
		(92,404)	Total Comprehensive (Income)/Expenditure			33,987

Group Balance Sheet

2017/18 Restated £'000		2018/19 £'000
399,227	Property Plant and Equipment	400,657
17,305	Other Land and Buildings	19,519
125,999	Vehicle, Plant, Furniture & Equipment	128,178
4,742	Infrastructure	3,561
9,807	Surplus Assets	21,488
1,061	Assets Under Construction	1,061
6	Heritage Assets	61
4,444	Intangible Assets	4,583
8	Long Term Investments	6
1,205	Investments in Associates & Joint Ventures	728
563,805	Long Term Assets	579,842
201	Intangible Assets - Current	14
-	Short Term Investments	-
825	Inventories	1,014
43,205	Short Term Debtors	39,966
(10,823)	less Bad Debt Provision	(11,244)
14,169	Cash and Cash Equivalents	6,897
47,576	Current Assets	36,647
(8,288)	Short Term Borrowing	(3,275)
(45,534)	Short Term Creditors	(41,922)
(512)	Provisions	(579)
(54,333)	Current Liabilities	(45,776)
(194,556)	Long Term Borrowing	(195,855)
(70,323)	Deferred Liabilities	(67,322)
(3,767)	Provisions	(3,885)
(14,804)	Capital Grants Receipts in Advance	(23,509)
(283,449)	Long Term Liabilities	(290,571)
273,598	Net Assets excluding pension liability	280,142
(169,333)	Pension Liability	(209,864)
104,265	Net Assets/(Liabilities) including pension liability	70,278

Group Balance Sheet

2017/18 £'000	Financed By:	2018/19 £'000
	Useable Reserves	
(7,580)	Capital Fund	(8,803)
(19,726)	General Fund Balance	(17,555)
(426)	Property Maintenance Fund	(447)
(1,063)	Insurance Fund	(1,197)
(8,519)	Share of Group Entities Usable Reserves	(9,279)
	Unusable Reserves	
(111,848)	Capital Adjustment Account	(122,348)
4,773	Financial Instruments Adjustment Account	6,760
(122,328)	Revaluation Reserve	(120,329)
161,071	Pension Reserve	197,602
5,778	Employee Statutory Adjustment Account	5,333
(4,397)	Share of Group Entities Unusable Reserves	(15)
(104,265)	Total Reserves	(70,278)

The unaudited accounts were issued on 25 June 2019 and the audited accounts were authorised for issue on 26 September 2019.

David Robertson CPFA
Chief Financial Officer
26 September 2019

Group Cash Flow Statement

2017/18 Restated £'000		2018/19	
		£'000	£'000
32,131	Net (Surplus) or deficit on the provision of services	20,128	
2	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	(2)	
(74,686)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(54,173)	
22,159	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23,273	
(20,393)	Net Cash Flows From Operating Activities		(10,774)
	Investing Activities		
47,562	Purchase of PP&E, investment property and intangible assets	51,098	
(434)	Proceeds from PP&E, investment property and intangible assets	(1,606)	
122	Purchase/(Disposal) of short & long term investments	93	
(25,184)	Other Items which are Investing Activities	(36,256)	
22,066	Net Cash Flows from Investing Activities		13,329
	Financing Activities		
(10,312)	Cash received from loans & other borrowing	(10,011)	
3,655	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,999	
4,103	Repayments of short and long term borrowing	10,867	
125	Other items which are financing activities	860	
(2,429)	Net Cash Flows from Financing Activities		4,715
(756)	Net (Increase) or Decrease in Cash and Cash Equivalents		7,270
13,413	Cash and Cash Equivalents at the beginning of the reporting period		14,169
14,169	Cash and Cash Equivalents at the end of the reporting period		6,899
(756)	Movement		7,270

Notes to the Group Accounts

Note 1 Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies set out in pages 54 to 66.

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

Note 2 Group Cash Flow

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

2017/18 Restated £'000	Reconciliation to General Fund Surplus	2018/19 £'000
32,131	Net (Surplus) or deficit on the provision of services	20,128
2	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	(2)
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(26,746)	Depreciation	(28,032)
(25,740)	Impairment & Revaluation Loss through I & E	(6,280)
(70)	Amortisation of intangible assets	(1)
(18,477)	Movement in pension liability	(22,283)
143	Gain/Loss on carrying amounts of assets disposed	(698)
(200)	Net movement in inventories charged to I & E	57
4,635	Net movement in debtors charged to I & E	(1,197)
(7,821)	Net movement in creditors charged to I & E	4,208
(410)	Net movement in provisions charged to I & E	53
(74,686)		(54,173)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
22,323	Capital grants received	24,664
(164)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,391)
22,159		23,273
(20,393)	Net Cash Outflow / (Inflow) from Operating Activities	(10,774)

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The deficit of £30.4m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £34.0m. The net asset position of the Council's single entity Balance Sheet of £61.0m becomes £70.3m on group consolidation. Overall, the Group Balance Sheet position has decreased by £34.0m from 2017/18 largely as a result of the increased pension liability.

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.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

Loans Fund: established as part of the Local Government (Scotland) Act 1975, the Council's Loans Fund acts as an internal banker and makes use of internal funds as well as controlling the Council's external borrowing needs. These balances represent the sums held in the Loans Fund on behalf of various funds. The Local Government (Scotland) Act 1975 has been replaced by The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

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

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

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

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

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

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

Usable Reserves: Capital Fund, General Fund Balance, Property Maintenance Fund and Insurance Fund.

Unusable Reserves: Capital Adjustment Account, Financial Instruments Adjustment Account, Revaluation Reserve, Pension Reserve and STACA Statutory Mitigation Account.

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

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

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

Glossary of Terms

Trust Funds: The Council administers 273 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 97 of which have charitable status and have been reorganised into 5 charities registered with the Office of the Scottish Charity Regulator (OSCR).

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

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