

# Scottish Borders Council annual accounts

for the year to 31 March 2020



# Scottish Borders Council

## Annual Accounts 2019/20

Foreword by the Leader of the Council .....	3
Management Commentary.....	4
Statement of Responsibilities .....	27
Independent auditor’s report to the members of Scottish Borders Council and the Accounts Commission .....	28
Annual Governance Statement 2019/20 .....	31
Remuneration Report.....	37
Movement in Reserves Statement .....	48
Comprehensive Income and Expenditure Statement .....	49
Balance Sheet.....	51
Cash Flow Statement.....	53
Notes to the Core Financial Statements .....	54
Supplementary Financial Statements.....	108
Council Tax Income Account .....	108
Non-Domestic Rate Income Account.....	109
Trust Funds.....	111
Common Good Funds.....	113
Group Accounts .....	115
Notes to the Group Accounts .....	123
Glossary of Terms.....	124

## Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2020. 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 2019/20.

During 2019/20 Scottish Borders Council has delivered further financial plan savings to transform frontline services for communities with a range of improvements highlighted in this report.

The management commentary on performance of 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;
- the risks we face as an organisation;
- our financial position for 2019/20;
- key aspects of our performance during 2019/20; and
- our plans for the future.

## Highlights of 2019/20

Against a very difficult financial background, the Council has achieved the following during 2019/20:

- ✓ Achieved £13.3m of Financial Plan savings, £9.3m of which were on a permanent basis;
- ✓ Delivered a net underspend of £1.538m from a revenue budget of £263.3m;
- ✓ Delivered Capital Investment of £44.3m in schools, flood protection, roads, lighting and other assets;
- ✓ Undertaken a 5 yearly review of all our Common Good & Trust Fund assets;

- ✓ Delivered savings in processes and new digital developments in order to protect front line services in the Borders wherever possible.

## Our Plans for 2020/21

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

- the Council's response to the current worldwide COVID-19 pandemic including support to communities and reshaping the Council's finances in response to this new operating environment;
- the continued delivery of the Council's 'Fit for 2024'. The 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 continued roll out of the Council's Inspire Learning programme. Following full roll out to all Secondary pupils, Primary pupils will also benefit from the programme from early 2020/21.

From 2013/14 to 2019/20 the Council has delivered permanent savings of £55m alongside significant improvements in performance set out on pages 17 - 23. My thanks to all staff across the Council for their commitment and outstanding work during the COVID-19 outbreak to support people, businesses and communities.

*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 priorities for the Scottish Borders.

## About Scottish Borders Council



OUR KEY FACTS				
<b>POPULATION</b> <b>115,510</b> (Mid-2019 Estimate, NRS)	<b>SQ KM</b> <b>4723 sq km</b> (1827 sq miles)	<b>HOUSEHOLDS</b> <b>54,413</b> (Mid-2018 Household Estimates, NRS)		
<ul style="list-style-type: none"> <li>• <b>16.5%</b> aged 0 to 15 years (Scotland = 16.9%)</li> <li>• <b>58.8%</b> aged 16 to 64 years (Scotland = 64.0%)</li> <li>• <b>24.8%</b> aged 65+ years (Scotland = 19.1%)</li> </ul>	<b>4th most sparsely populated mainland area in Scotland</b>	<ul style="list-style-type: none"> <li>• <b>48%</b> of the population live in a rural area (Scotland = 17%)</li> <li>• <b>27%</b> of the population live in a small town (Scotland = 12%)</li> <li>• <b>25%</b> of the population live in other urban area (Scotland = 36%)</li> <li>• <b>0%</b> of the population live in a large urban area (Scotland = 35%)</li> </ul>		
		<b>km</b>		
ELECTED MEMBERS				
<b>COUNCILLORS</b> <b>34</b> councillors	<b>MULTI-MEMBER WARDS</b> <b>11</b> multi-member wards	<b>SERVICE DIRECTORATE</b> <b>7</b> service directorates manage Council services	<b>ADMINISTRATION</b> The Council has a <b>coalition administration</b> which consist of <b>Conservative and Independent Councillors</b>	
				
EMPLOYEES				
<b>EMPLOYEE NUMBERS</b> <b>4992</b> total FTE: 3898.57  <b>1295</b> male <b>3697</b> female	<b>AGE</b> <ul style="list-style-type: none"> <li>• <b>4.6%</b> aged 15 to 24 years</li> <li>• <b>13.7%</b> aged 25 to 34 years</li> <li>• <b>20%</b> aged 35 to 44 years</li> <li>• <b>32.3%</b> aged 45 to 54 years</li> <li>• <b>26.3%</b> aged 55 to 64 years</li> <li>• <b>3.1%</b> aged 65+</li> </ul>	<b>DISABILITY</b> <b>2.7%</b> of our employees have a disability	<b>ETHNIC MINORITY</b> <b>0.6%</b> of our employees are from ethnic minority	<b>EMPLOYMENT</b> <b>2586</b> full time <b>2406</b> part time
				

 #yourpart



## Scottish Borders Council significant events 2019/20

### COVID-19

The Council's emergency response to the COVID-19 pandemic commenced in the final quarter of 2019/20 with significant financial and service implications of the emergency forecast for 2020/21.

### Inspire Learning

Inspire Learning has now rolled out to all Secondary staff and pupils, enabling digital learning for pupils which has provided many home learning benefits during the COVID-19 response. The roll out will continue to Primary Schools in 2020/21 as planned.



### Peebles High School fire

A serious fire at Peebles High School in November 2019 resulted in an ongoing insurance claim process. Budget to reconfigure the building has been provided for from 2020/21. Temporary arrangements were put in place to ensure minimum disruption to pupil education.

### Hawick Flood Protection works

In February 2020 the Council approved a £82.6m programme of work to deliver a flood protection scheme in Hawick with the main works contract awarded in May 2020.

### SB Cares

SB Cares was successfully reintegrated back into the Council in December 2019 with SB Cares now operating as an in-house care provider.



### Jim Clark Museum

Formula One legend Jackie Stewart opened a new Jim Clark Museum in Duns in August 2019. Visitor numbers have exceeded all expectations with over 10,000 visits to the new facility during 2019/20.



### Storm damage

Storms Ciara and Dennis caused significant damage in the Borders during February 2020. Remedial works were contained within the revenue budget leaving the £1m adverse weather reserve intact to provide for future adverse weather impacts.



### Carbon emissions

In 2019/20 projects were completed under the Energy Efficiency Programme forecasted to reduce carbon emissions by 626 tonnes per year and 7,510 tonnes over the lifespan of the projects. This represents an annual reduction of 6.1% in the carbon emissions from our built estate.

### Jedburgh Intergenerational Campus

The new £34m campus building was completed at the end of 2019/20. The facility is not yet fully operational due to COVID-19 restrictions.

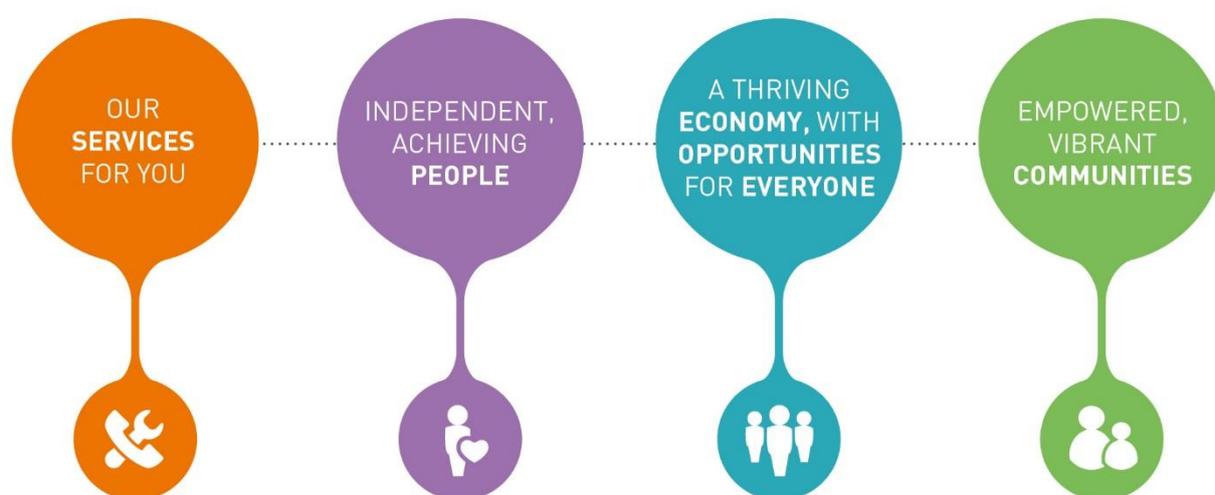
## Strategic Direction

### Corporate Plan

The Corporate Plan sets a direction for Scottish Borders Council for the current 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:



As well as outlining what the Council is going to do to improve services, a key feature of this Corporate Plan is 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.

### Fit for 2024

A key pillar of the Council's longer term planning is the Fit for 2024 transformation programme which aims to deliver a Council that is adaptable, efficient and effective, and one ultimately capable of not only meeting the challenges ahead, but of fully optimising outcomes for the citizens and communities for which it is responsible. The programme is designed to deliver savings in a more cross cutting, permanent and sustainable way in the future through a planned series of service reviews. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

## Financial Strategy

The Financial Strategy has met its objectives during 2019/20 in supporting the delivery of the Council's Priorities and Corporate Plan. In order to support the delivery of the Council's priorities, including the Fit for 2024 Programme the Financial Strategy has:-

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

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

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

## Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2019/20 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension costs, the failure by managers to enact effective budgetary control, severe weather events, an economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the scale and complexity of the organisation and the reasons reserves are held in the first place. It also provides appropriate transparency with regard to the level of balances held. The accumulated financial risk in the 2019/20 Risk Register was assessed to be £11.643m and the projected usable General Fund balance, at £6.315m, was sufficient to cover 54% of risks identified.

The Council's 3 key risks and uncertainties with mitigating actions are highlighted below.

COVID-19	<ul style="list-style-type: none"> <li>•Service and financial risks around operating in a new environment</li> <li>•<i>Mitigated through developing plans to re-open services and reporting of costs to SG and COSLA</i></li> </ul>
Health & Social Care Services	<ul style="list-style-type: none"> <li>•Demand and demographic increases are putting significant pressure on Council budgets</li> <li>•<i>Mitigated through budgeting to ensure activity levels can be resourced</i></li> </ul>
Delivery of financial plan savings	<ul style="list-style-type: none"> <li>•Permanent delivery of savings is key to financial sustainability and stability</li> <li>•<i>Mitigated through regular tracking and reporting</i></li> </ul>

## **Financial Plans**

The Revenue and Capital Financial Plan provides a financial representation of the Council's priorities and Corporate Plan covering 5 and 10 years respectively. These Financial Plans can be found on the Council's website: <http://www.scotborders.gov.uk>

2019/20 represented the second 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, permanent savings of £55m 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.

For the first time in 2019/20 a Capital Investment Strategy (CIS), which highlights the capital investment priorities and explains how these priorities will assist with the delivery of the Council's Corporate Plan, was approved with the budget papers in February. The CIS is structured to reflect the themes of this Corporate Plan. The document brings together the Council's 10 year Capital Investment Plan 2019 – 2029 and also the 10 year Treasury Strategy which sets out how the investment plans can be provided.

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

See page 57 of the Annual accounts for details of the Council's business model.

## **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. The Council also promotes the Fairer Scotland duty, this places a legal responsibility on the Council to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. This is being implemented by:

- providing effective support to embedding equalities and human rights into the Council's corporate plan, 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.

More information on the Fairer Scotland duty can be found on Scottish Borders Council's website: [https://www.scotborders.gov.uk/info/20062/strategies\\_plans\\_and\\_policies/928/equality\\_and\\_diversityfairer\\_scotland\\_duty/2](https://www.scotborders.gov.uk/info/20062/strategies_plans_and_policies/928/equality_and_diversityfairer_scotland_duty/2)

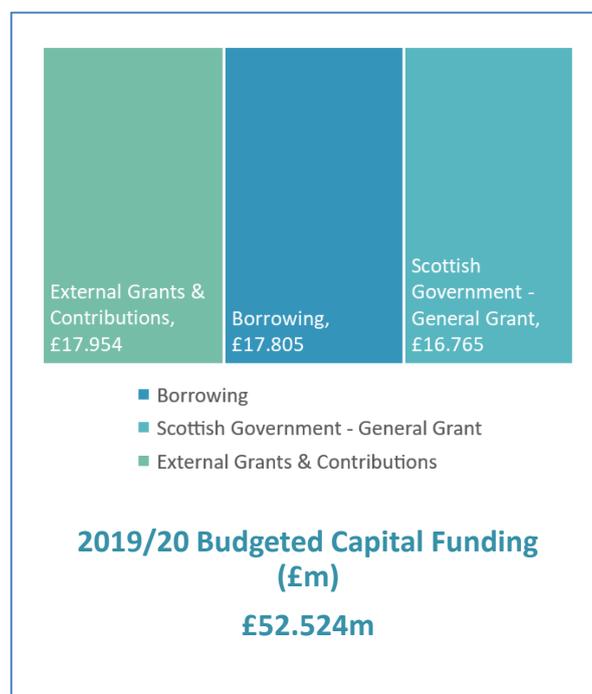
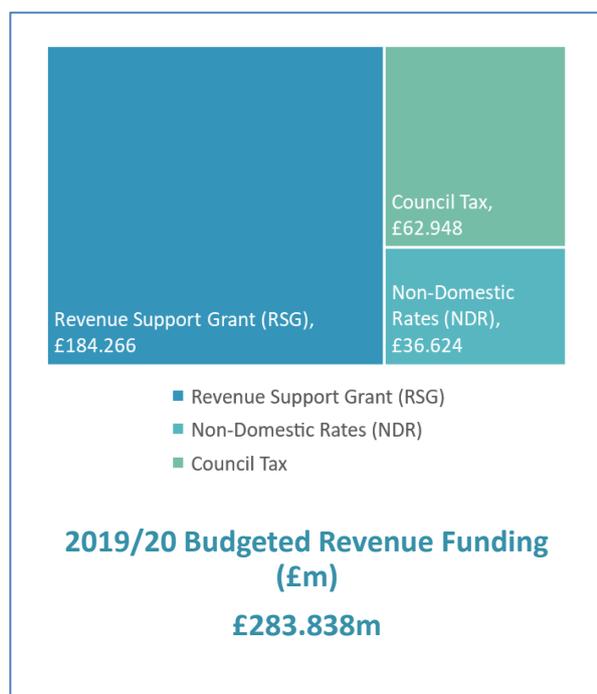
## How are we are doing? - Financial Performance

### 2019/20 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.

Funding from various streams has increased by around £23m during 2019/20. Expenditure has increased correspondingly, particularly with regards to employee costs as a consequence of the significant increase in employer contributions to the Teachers' pension scheme.

The income and expenditure table on page 73 has further analysis.



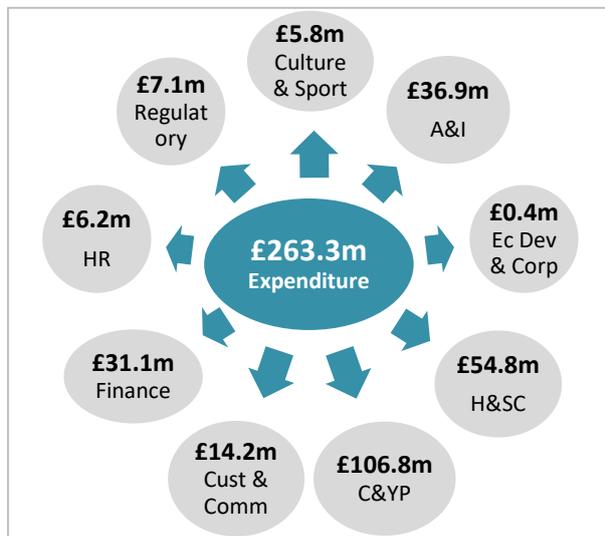
## Financial Position at 31 March 2020

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.

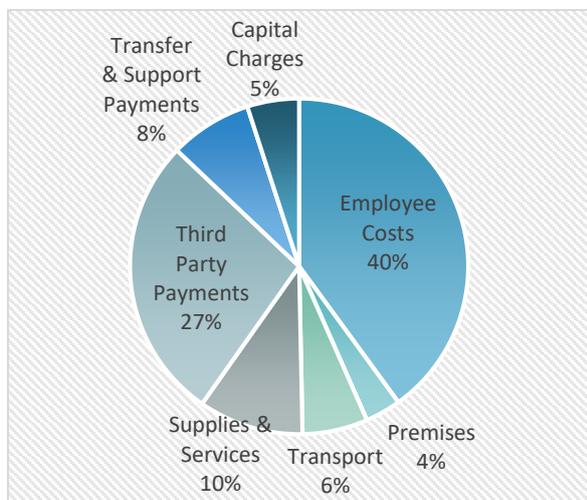
### Revenue

The actual outturn for the financial year 2019/20 was a revenue expenditure of £263.3m representing a net underspend of £1.538m (0.58%) against the final approved budget.

The following chart analyses the revenue spend by Council department:

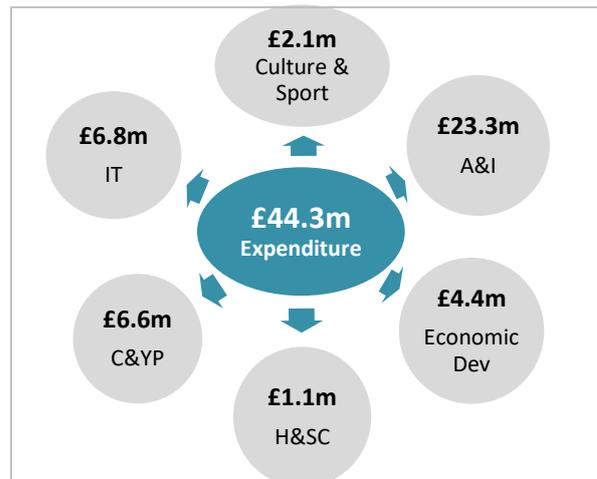


Revenue net expenditure of £263.3m for the year includes income of £140.5m, and gross expenditure of £403.8m as analysed in the chart below:



### Capital

The actual outturn for the financial year 2019/20 was capital expenditure of £44.3m with a favourable timing movement of £8.4m against the revised budget.



The capital programme delivered significant investment in the Scottish Borders during 2019/20 and the following table highlights some of the major projects undertaken:

#### Asset & Infrastructure

• Roads & Bridge Maintenance	£9.5m
• Flood Protection Works	£6.7m
• Waste Infrastructure	£2.2m
• Land & Property Infrastructure	£2.8m
• Plant & Vehicle	£2.1m

#### Children & Young People & H&SC

• Early Learning & Childcare	£2.3m
• Eyemouth Primary School	£0.6m
• Jedburgh Intergenerational Campus	£1.5m
• School Estate Block	£1.9m
• Social Care Infrastructure	£1.0m

#### IT/Econ Dev/Culture & Sport

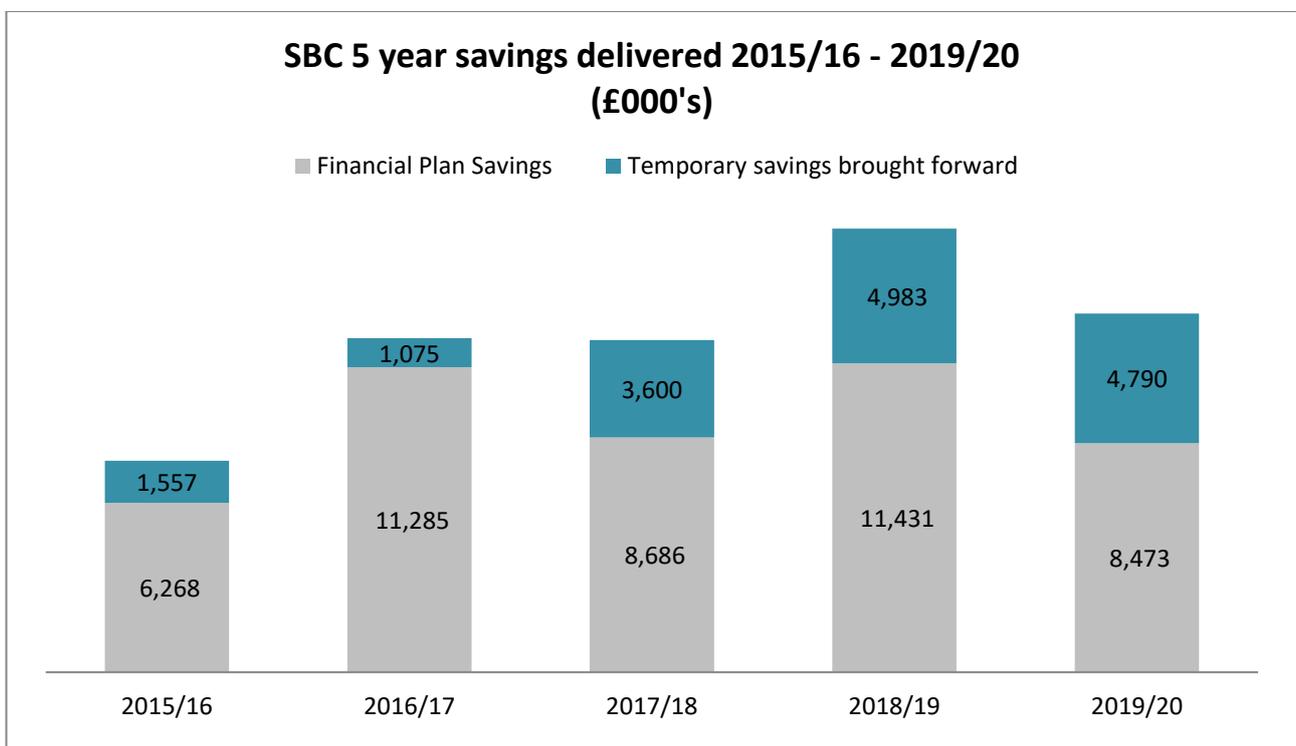
• Economic Regeneration	£4.0m
• ICT Transformation	£6.8m
• Culture & Sport	£2.1m
• Private Sector Housing adaptations	£0.4m

## Delivery of Targeted Savings

Overall, Financial Plan savings of £13.263m were delivered during 2019/20 in order to balance the costs of delivering services and the available resources. The regular Budget Monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals.

The total savings of £13.263m shown below are made up £8.473m savings included in the 2019/20 financial plan plus £4.790m brought forward from previous years. Of these savings delivered during 2019/20 £9.282m (70%) were delivered permanently.

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



To date the Council's approach to longer term financial planning has delivered *permanent* savings of £55m. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2020/21 and beyond and the challenges now posed by COVID-19.

## 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 2020. This results in the (statutory accounting) adjusted net cost of services of £289.0m compared with the reported departmental net cost of services of £263.3m.

### (Surplus)/Deficit on the Provision of Services

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 £9.9m.

The following table shows the movement from the Outturn position to the Deficit on Provision of Services.

			2019/20
	Net Expenditure Chargeable to the General Fund as per outturn £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
<b>Net Cost of services</b>	<b>263,267</b>	<b>25,766</b>	<b>289,033</b>
Other Income and Expenditure	(264,971)	(14,130)	(279,101)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,704)</b>	<b>11,636</b>	<b>9,932</b>
<b>Opening General Fund Balance</b>	<b>(17,555)</b>		
(Surplus)/Deficit on General Fund - outturn underspend	(1,538)		
Transfer (to)/from reserves	(86)		
<b>Closing General Fund as 31 March</b>	<b>(19,179)</b>		

Note 5 – Expenditure and Funding Analysis on pages 69 to 72 explains the movement in further detail.

### Other Comprehensive Income and Expenditure

Once further adjustments are made to reflect Actuarial (Gains)/losses on the Pension Fund Net Assets/Liabilities (£74.8m) in 2019/20 and an overall surplus on the revaluation of Property, Plant & Equipment (£0.8m) this revises the £9.9m deficit position on the Provision of Council Services into a Net Comprehensive Income surplus of £65.5m (deficit of £30.4m in 2018/19).

## Balance Sheet

During 2019/20 the Net Asset position increased by £65.5m to £126.5m (£61.0m 2018/19). The table below details the movement during the year.

	Balance Sheet as at		Movement £m
	31-Mar-19 £m	31-Mar-20 £m	
Long Term Assets	558.6	564.7	6.1
Current Assets	42.6	58.7	16.1
Current Liabilities	(51.3)	(51.9)	(0.6)
Long Term Liabilities	(291.3)	(303.4)	(12.1)
<b>Net Assets Excluding pension Liabilities</b>	<b>258.6</b>	<b>268.1</b>	<b>9.5</b>
Pension Liability	(197.6)	(141.6)	56.0
<b>Net Assets/(Liabilities) including Pension Liabilities</b>	<b>61.0</b>	<b>126.5</b>	<b>65.5</b>

More details in relation to the Net Assets Excluding pension liabilities can be found within the Balance Sheet on page 51.

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

## Treasury and Debt Management

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

### Cash Management

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

### Debt Management

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

### External Debt

The Council's outstanding external debt as at 31 March 2020 was £207m. Additional long term borrowing was undertaken during the year amounting to £7.5m, with no requirement for short term borrowing during the 2019/20 year. The average rate of interest paid on outstanding external debt was 4.67%.

## 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 48).

**Unusable Reserves** – result from accounting adjustments and cannot be spent

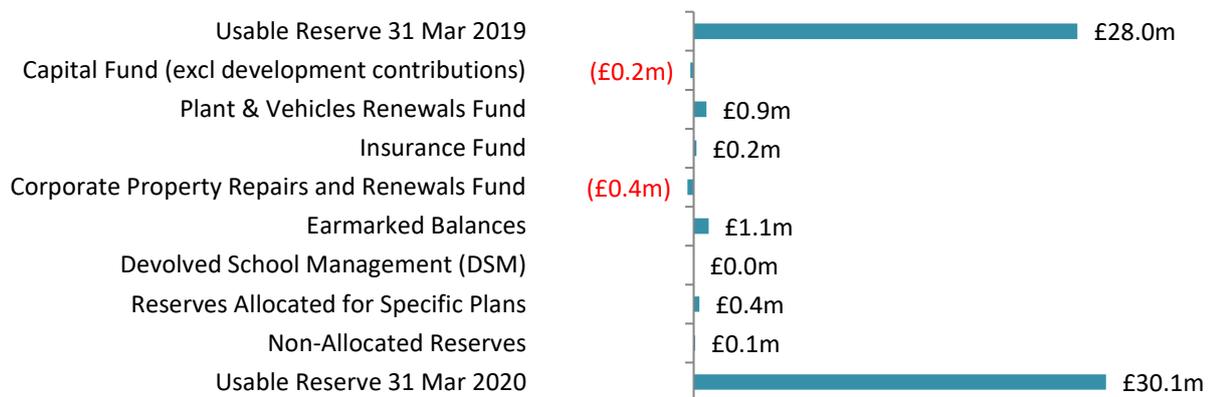
**Usable Reserves** – result from the Council’s activities and can be spent in the future

Note 31, page 103 provides additional information on the movement of the usable and unusable reserves held by the Council.

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

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

As at 31 March 2020 the total Usable Reserves Balance is £30.1m (£28m at 31 March 2019) a net increase of £2.1m during the year. The net increase, as can be seen from the chart below, can mainly be attributed to an increase in the Plant & Vehicles Renewals Fund and Earmarked balances. The remaining reserves all have smaller off-setting balance movements netting off to £0.1m.



Movements within the Allocated and Non-Allocated Reserves during 2019/20 comprised:

### **Reserves Allocated for Specific Plans - net effect of:**

Net movement in Workforce Transformation reserve	£0.353m
Net movement in IT transformation reserve	£0.078m
Draw down from Municipal Mutual reserve	(£0.009m)

### **Non-Allocated Reserves**

SB Cares reintegration into Scottish Borders Council	(£0.080m)
2019/20 year end outturn	£1.538m

## Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2020 with a comparator year ending 31 March 2019. The Group Accounts for 2019/20 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 Charitable Trust
    - SBC Community Enhancement Trust
    - SBC Welfare Trust
    - SBC Education Trust
    - Ormiston Trust for Institute *and*
  - 39 Non-Registered Trusts
- Bridge Homes LLP
- Live Borders

### Joint Ventures

- Scottish Borders Health and Social Care Partnership

## 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:



### *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 2019/20 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed. Due to the resourcing of the Council's COVID response since March 2020 it has not been possible to finalise the 2019/20 performance reporting. The following performance reporting therefore is being presented in a draft position and will be finalised ahead of the completion of with the audited accounts

# OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



**Planning Permission # Local – Non Householder** ●

**8.0 weeks** – average time to determine **LOCAL DEVELOPMENTS – NON HOUSEHOLDER** during 2019/20

Down from 9.0 in 18/19 (Yr)

**Planning Permission # Local – Householder** ●

**6.2 weeks** – average time to determine **LOCAL DEVELOPMENTS – HOUSEHOLDER** during 2019/20

Down from 7.0 in 18/19 (Yr)

**Road Condition** ●

**45.2% of roads requiring maintenance**

Down from 45.3% in previous period

**Waste Recycling Household Recycling**

**47.61%** of our household waste on average, **was recycled** over the **12 months ended Dec-19**

Up from 38.80% in 12 mths ended Dec-18

**Waste Recycling Household ‘Other’ Treatment**

**23.72%** of our household waste required ‘other’ treatment, on average over the **12 months ended Dec-19**

Up from 0.36% in 12 mths ended Dec-18

**Energy Use (26 key sites) Electricity** ●

**7,567,839 kilowatt hours** or **Electricity used** at a cost of **£1.022m**

Down from 7,921,217 Kwh in 2018/19  
Up from £0.975m in 2018/19

**Waste Recycling Household Landfilled**

**28.67%** of our household waste on average, **was sent to Landfill** over the **12 months ended Dec-19**

Down from 60.84% in 12 mths ended Dec-18

**Waste Recycling Community Recycling Centres**

**63.56%** of waste was **recycled** at **SBC Community Recycling Centres**, on average, over the **12 months ended Dec-19**

Up from 57.95% in 12 mths ended Dec-18

**Energy Use (26 key sites) Gas** ●

**12,183,596 kilowatt hours** of **Gas used** at a cost of **£0.366m**

Up from 11,744,733 Kwh in 2018/19  
Up from £0.313m in 2018/19

Note: Current year waste treatment figures not yet verified by SEPA



For more on performance visit [www.scotborders.gov.uk/performance](http://www.scotborders.gov.uk/performance) or email [performance@scotborders.gov.uk](mailto:performance@scotborders.gov.uk)  
Correct at time of publication: 08 Sep 2020

## Context Indicators Update

Indicator	2018/19	2019/20	Change
Planning Applications	1,369	1,200	↓
Fatalities on Borders Roads	11 2018	6 2019	↓
Seriously injured on Borders Roads	65 2018	68 2019	↑
Capital Receipts Cumulative **	£1.444m	£0.676m	↓
Properties surplus	30	39	↑
Properties marketed	5	7	↑
Properties under offer	16	15	↓

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)

# OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



## Welfare Benefits

**1,264** people contacted us for **Welfare Benefits** advice receiving over **£4.916m** in **additional benefits**

Down from 1,329 people in 18/19  
Up from £4.537m in 18/19

## Housing Benefit Reduction – New Claims

**13.63** days – average time to process **New Claims**

Down from 24.20 days in 18/19

## Housing Benefit Reduction – Change Events

**4.90** days – average time to process **Change Events**

Down from 6.51 days in 18/19

## Customer Calls

**78,703** phone interactions were logged by our Contact Centres (11mths to Feb-20)

94,086 in 18/19

## Council Tax

**96.62%** of Council Tax due was collected

Down from 96.84% in 18/19

Note: Final 2019/20 Complaints performance figures are not available at the time of publishing. The annual performance report on complaints for 2019/20 will be published later in the year.



For more on performance visit [www.scotborders.gov.uk/performance](http://www.scotborders.gov.uk/performance) or email [performance@scotborders.gov.uk](mailto:performance@scotborders.gov.uk)  
Correct at time of publication: 08 Sep 2020

## Context Indicators Update

Indicator	2018/19	2019/20	Change
Face to Face Interactions (CRM) by Customer Services	58.5k	49.2k 11mths to Feb	n/a
Total logged customer contact with SBC	162.2k	138.5k 11mths to Feb	n/a
Complaints Closed	645	614	↓

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)

# OUR SERVICES FOR YOU

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



## Context Indicators Update

Indicator	2018/19	2019/20	Change
FOIs requests received	1,418	1,254	↓
Facebook Engagements	259.6k	516.7k	↑
Twitter Engagements	33.2k	58.3k	↑

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)

### Freedom of Information Requests (FOI)

**88%** of FOI requests were completed on time

Up from **85.8%** in 18/19

### SBC Absence Rate – Staff

Annual absence rate **5.23%**

Up from **5.03%** in 18/19

### SBC Absence Rate – Teaching Staff

Annual absence rate **3.48%**

Up from **3.34%** in 18/19

### Staff Absence Rate – SB Cares

Note: Integrated into SBC Figs from Dec-19

**8.33%** in 18/19

### Council Tax Valuation List Time to add new properties

**90%** of new properties added to list within 3 months of the date of occupation/completion and the issue of the banding notice

Down from **91%** in 18/19

### Valuation Roll (Non Domestic) Time to amend valuation roll

**63%** amended on roll within 3 months of the date of completion and the issue of the valuation notice (new, altered or demolished properties)

Up from **56%** in 18/19



For more on performance visit [www.scotborders.gov.uk/performance](http://www.scotborders.gov.uk/performance) or email [performance@scotborders.gov.uk](mailto:performance@scotborders.gov.uk)  
Correct at time of publication: 08 Sep 2020

# INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR APRIL 2019 to MARCH 2020



## School Attendance Primary Schools

**94.4%** of pupils attended their **primary school** (avg. of mthly attendance)

Down from **95.3%** in 18/19

## School Exclusions Primary Schools

**46** exclusion incidents in **primary schools**  
**38** exclusions from **primary school**

Up from **31** in 18/19  
Up from **29** in 18/19

## Looked After Children Aged 12+

**64%** of looked after children (aged 12+) in a **community family based placement** (end of Mar-20)

Down from **70%** at end of Mar-19

## School Attendance Secondary Schools

**91.0%** of pupils attended their **secondary school** (avg. of mthly attendance)

Down from **91.2%** in 18/19

## School Exclusions Secondary Schools

**158** exclusion incidents in **secondary schools**  
**153** exclusions from **secondary school**

Down from **263** in 18/19  
Down from **236** in 18/19

## Looked After Children All Ages

**80%** of looked after children (all ages) in a **community family based placement** (end of Mar-20)

Down from **84%** at end of Mar-19

## School Attendance Overall

**92.7%** of pupils attended **school overall** (avg. of mthly attendance)

Down from **93.2%** in 18/19

## School Exclusions Overall

**204** exclusion incidents at **primary and secondary schools**  
**191** exclusions from **primary and secondary schools**

Down from **294** in 18/19  
Down from **265** in 18/19

## 2019 Participation Measure

**91.9%** of **16-19 year olds** participated in education, training or employment

Down from **92.8%** in 2018

## Context Indicators Update

Indicator	2018/19	2019/20	Change
Schools/Nurseries inspections	15	5	↓
Looked After Children	202	200	↓
Inter-agency Referral Discussions - child	590	475	↓
Child Protection Register	46	30	↓
New Modern Apprentices employed this year	33	39	↑
Modern Apprentices securing employment with SBC after MA	11	14	↑
Number of Current Modern Apprentices	34	50	↑

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)



Status

# INDEPENDENT, ACHIEVING PEOPLE

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



## Social Care Care at Home ●

**79% of adults (aged 65yrs+) received care at home** compared to a care home/residential setting (end Mar-20)

**Up** from 78% at end of Mar-19



## Mediation Service ●

**90.7% of cases showing agreement or improvement after mediation**

**Down** from 93.3% at end of 18/19

## Social Care Self Directed Support ●

**94.4% of adults are using the Self Directed Support approach** (end Mar-20)

**Up** from 85.2% at end of Mar-19

## Bed Days Associated With Emergency Admissions #

**3,285.38 bed days** associated with emergency admissions (aged 75+) (rate per 1000 population) (2019/20)

**Down** from 3,544.9 18/19

## Delayed Discharges From Hospital

**676 bed days** associated with delayed discharges in residents aged 75+ (rate per 1000 population) (2019/20)

**Down** from 761 during 18/19

Note: The suite of indicators reported here are under review with a view to representing a fuller assessment of Adult Social Care performance in future reports.

## Context Indicators Update

Indicator	2018/19	2019/20	Change
Adult protection - Concerns	338	356	↑
Adult protection - Investigations	176	205	↑
Referrals To Domestic Abuse Services **	762	693	↓
Reported incidents of domestic abuse **	1,008	1,129	↑
High Risk domestic abuse cases discussed at Multi Agency Risk Assessment Conference	93	102	↑
Number of reported ASB Incidents **	5,741	5,460	↓
ASB Early Interventions **	899	804	↓
Monitored for ASB **	1,561	1,636	↑
Referrals to mediation **	123	152	↑
Group 1-5 recorded crimes and offences **	3,652	3,577	↓

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)



# A THRIVING ECONOMY, WITH OPPORTUNITIES FOR EVERYONE

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



## Context Indicators Update

Indicator	2018/19	2019/20	Change
16 - 64 Employment rate #	75.7% Q4	74.9% Q4	↓
16 - 64 Claimant Count	2.47% Q4	2.77% Q4	↑
18 - 24 Claimant Count	4.53% Q4	5.17% Q4	↑
SB Business Fund - grants	19	11	↓
SB Business Fund – grants £	£57.1k	£36.3k	↓

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)

### Business Gateway New Businesses

**177 new businesses** were created with our help

Down from **218** in 18/19

### Invoices Paid

**90%** of invoices, on average were **paid within 30 days**

Up from **84%** in 18/19

### Top Capital Projects

Of the top **major projects** ongoing across the council

**12** are **rated Green \***

Down from **18** at Mar-19

### Business Gateway Businesses Supported

**971** businesses were **supported** in 3 quarters ended Dec-19

**1,497** in 18/19

### Occupancy Rates

**91%** of **industrial and commercial properties** owned by the council were **occupied** (end Mar-20)

Up from **88%** at end of Mar-19

**6** are **rated Amber \***

Up from **1** at Mar-19

**0** are **rated Red \***

In line with **0** at Mar-19

\* June 20 RAG's

### Affordable Homes

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

Down from **191** in 18/19



# EMPOWERED VIBRANT COMMUNITIES

OUR PERFORMANCE DURING THE YEAR **APRIL 2019** to **MARCH 2020**



## SCOTTISH BORDERS COUNCIL COMMUNITY ACTION TEAM (WITH POLICE SCOTLAND) 2019-20 Figs (18/19)

**585** (335)  
Hours of High Visibility foot patrols

**1,046** (588.5)  
Hours of mobile patrols

**742** (884)  
Parking tickets issued

**185** (217)  
Person Drug searches (37.3%  
positive)

**55** (65)  
Premises Drug searches (83.6%  
positive)

**117** (101)  
Static road checks

**47** (23)  
Road traffic fixed penalties



### Asset Transfer Requests

**4 asset transfer** requests were  
**Received**

Up from 0 in 18/19

**3 asset transfer** requests were  
**Agreed**

In line with 3 in 18/19

**0 asset transfer** requests were  
**Refused**

In line with 0 in 18/19

### Community Resilience SB Alert Registrations

**6,211 people** were registered  
for SB Alert at end of Mar-20

Up from 5,266 at end of Mar-19

### Community Participation

**3 participation** requests were  
**Received**

Down from 6 in 18/19

**3 participation** requests was  
**Agreed**

In line with 3 in 18/19

**1 participation** request was  
**Refused**

Down from 2 in 18/19

### Community Benefit Clauses

**18 contracts** awarded with  
community benefit clauses

Down from 26 in 18/19

### Employment and Skills opportunities

**46 opportunities** delivered as  
a result of community benefit  
clauses

Up from 25 in 18/19

## Context Indicators Update

Indicator	2018/19	2019/20	Change
Active community resilience plans	47 Q4	55 Q4	↑
Progressing community resilience plans	6 Q4	0 Q4	↓
Community Funding - Total Scottish Borders	n/a	£198.5k	n/a
Community Fund – Berwickshire	n/a	£17.1k	n/a
Community Fund – Cheviot	n/a	£26.0k	n/a
Community Fund – Eildon	n/a	£88.3k	n/a
Community Fund - Teviot & Liddesdale	n/a	£22.6k	n/a
Community Fund - Tweeddale	n/a	£43.4k	n/a
Community Fund - Borderswide	n/a	£1.1k	n/a
Neighbourhood Small Schemes Fund – £ **	£176.7k	£157.7k	↓
Volunteer work with SBC	155 Q4	181 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)

## Our Plans for the Future

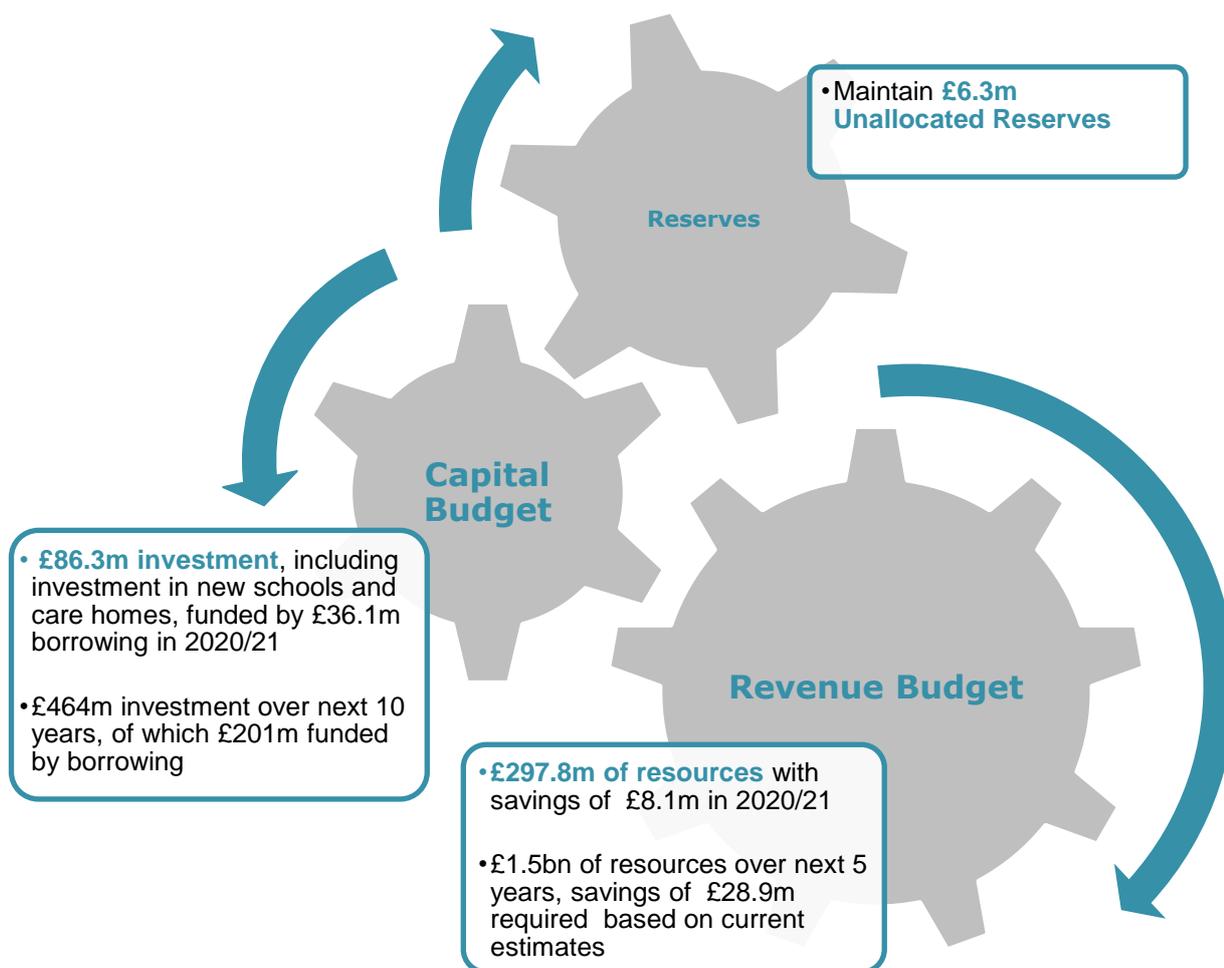
The Council has successfully delivered £55m of savings over the past 7 years through a Corporate Transformation Programme. The current Fit for 2024 programme was launched at the start of 2019/20 to deliver significant savings, ensure sustainability and deliver service improvements over the 5 years from 2019/20 to 2023/24. This plan along with the Capital Investment Programme and Departmental Business Plans which will be delivered 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](http://www.scotborders.gov.uk/fitfor2024)

## Future Financial Plans - 2020/21



The Revenue and Capital Financial Plans from 2020/21 onwards can be found on the Council's webpages at [www.scotborders.gov.uk](http://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 including the current COVID-19 challenges. New innovations, business processes, and technology solutions have been embraced in order for the Council to deliver vital services to the community in its Category 1 responder role. In addition to delivering key core services the Council has had to develop and operate a variety of brand new initiatives to support key workers and also those most at risk in the area. This is part of the national response with some funding provided by Scottish Government. For example, Non Domestic Rates reliefs including the Business Grants Scheme, Hardship Fund, Scottish Welfare Fund, Food Fund, and Supporting Communities Fund.

The logistics of delivering services in a radically different way, in order to keep staff safe, and adhere to social distancing and self-isolation measures at the same time, has meant significant changes in when and where services are provided, deployment of a large number of staff who do not deliver critical services to undertake alternative duties, rapidly modernised IT support, and significant partnership working across the community. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation



including daily COVID-19 Strategic Group virtual meetings, conference calls, systems remote access, and regular staff briefings.

Initial work is underway on assessing the financial impact on the Council and the longer-term disruption and consequences arising from the significant coronavirus (COVID-19) outbreak. Furthermore there has been invaluable learning from operating in this unprecedented period of change, challenge and uncertainty which will be of benefit during the recovery phase that will also pose its challenges. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

As well as the challenges posed by COVID-19, reducing Scottish Government funding 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.

Finally, the Council would like to pay tribute to the late Councillor Kevin Drum who sadly passed away after a short illness during 2019/20. During his time as a Councillor he worked tirelessly to support the people of Leaderdale & Melrose and is sorely missed.

*Shona Haslam*

**Shona Haslam**  
**Leader**  
**Scottish Borders Council**

05 November 2020

*Rob Dickson*

**Rob Dickson**  
**Executive Director**  
**Corporate Improvement**  
**& Economy**

05 November 2020

*David Robertson*

**David Robertson CPFA**  
**Executive Director**  
**Finance & Regulatory**

05 November 2020

## 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 Executive Director Finance & Regulatory.
- 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 5 November 2020.

### The Executive Director Finance & Regulatory responsibilities:-

The Executive Director Finance & Regulatory 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 Executive Director Finance & Regulatory 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 Executive Director Finance & Regulatory 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 2020.

*Shona Haslam*

**Shona Haslam**  
**Leader**  
**Scottish Borders Council**

05 November 2020

*David Robertson*

**David Robertson CPFA**  
**Executive Director**  
**Finance & Regulatory**

05 November 2020

# 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 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements 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 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 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 2019/20 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 under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four 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.

### Emphasis of Matter – Property valuation

I draw attention to Note 4 'Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty' in the notes to the accounts, which describes that less certainty can be attached to valuations, due to the Coronavirus pandemic, declared by the valuer for property valuations. My opinion is not modified in respect of this matter.

### 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 Executive Director Finance and Regulatory has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue

## Independent Auditor's Report

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.

### Risks of material misstatement

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

### Responsibilities of the Executive Director Finance and Regulatory and Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director Finance and Regulatory 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 Executive Director Finance and Regulatory 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 Executive Director Finance and Regulatory 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### Other information in the annual accounts

The Executive Director Finance and Regulatory 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*

Gillian Woolman MA FCA CPFA

Audit Director

Audit Scotland

102 West Port

Edinburgh

EH3 9DN

05 November 2020

# Annual Governance Statement 2019/20

## 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 2020, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

## Scope of Responsibility

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

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Scottish Borders Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, 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) is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

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

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

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), was approved by Council on 28 June 2018.

# Annual Governance Statement

## The Governance Framework

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

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

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, 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 and Public Protection Officer (CSWO). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc.

### **B. Ensuring openness and comprehensive stakeholder engagement**

Council 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 in May 2018 (the Local Outcomes Improvement Plan (LOIP)) supplemented by 5 Locality Plans which were developed through Area Partnerships in 2019. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the new Corporate Plan 2018-2023 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 continues to be developed) and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. 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

### **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 (January 2020, following a restructure). 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 Induction Programme 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 Executive Director Finance & Regulatory (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.

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

### **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 2019/20. 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 (Audit function) is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Quarterly Performance Reports were presented to the Executive Committee for monitoring and control of the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report for 2019/20, setting out the financial position in accordance with relevant accounting regulations, have been prepared.

### **Review of Adequacy and Effectiveness of the Council's Governance Framework**

An annual review of the adequacy and effectiveness of the Council's overall governance framework is carried out. The output is this Annual Governance Statement which is presented to the Audit and Scrutiny Committee.

The review was informed by assurances from the: Governance Self-Assessment Working Group; Executive/Service Directors; Internal Audit annual opinion and recommendations; comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies; and findings and recommendations within the Accounts Commission's Best Value Assurance Report for Scottish Borders Council (published October 2019).

The conclusion from the review activity outlined above is that in 2019/20 the Council continued to demonstrate improvements to its governance arrangements by way of progressing the implementation of the 8 improvement areas of governance within the previous year's annual governance statement, namely: commence Fit for 2024 programme; develop concurrent financial, people and business plans; implement Corporate Landlord Model; monitor strategic contract performance outcomes; apply self-assessment processes across the Council; maximise use of Business World ERP system functionality; refine information management practices; and review complaints handling processes. Where these are either not fully implemented or not evidenced as operating effectively, further improvement actions are noted in the section below.

### **Improvement Areas of Governance**

The collective review activity outlined above has identified the following areas where improvement in governance arrangements can be made.

The Scottish Borders Council Best Value Assurance Report, published in October 2019, provided a range of findings following an intensive process of scrutiny of the Council's Vision & Strategic Direction, Performance, Use of Resources, Partnership Working and Continuous Improvement. Scottish Borders Council had welcomed the scrutiny of the 2019 Best Value Assurance audit, providing an opportunity to showcase the Council's achievements and further strengthen the ongoing ambitious improvement programme with valuable external perspectives. In response to the audit findings, senior officers had developed an Action Plan. The Council at its meeting on 19 December 2019 approved the 'Best Value Audit Action Plan' to address the recommendations (1-7 below) in order to demonstrate Best Value:

- (1) Embed a culture of Continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.
- (2) Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Integration Joint Board.

## Annual Governance Statement

- (3) Improve how the Community Planning Partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment Act.
- (4) Establish a structured programme of ongoing staff consultation and engagement.
- (5) Update its people plan for 2017-21 and ensure longer-term workforce plans are reflected in service and financial plans.
- (6) Support members' Continuing Professional Development by tailoring training to meet their individual needs and use technology to make training more accessible.
- (7) Ensure performance reports to members and the public are more comprehensive, balanced and that they cover service performance and the delivery of the Fit for 2024 programme.

Significant progress has been made on implementing the Best Value Action Plan improvement actions that underpin the recommendations though not all of these are yet fully implemented. Progress updates on the implementation of the Best Value Action Plan will be presented to the Audit and Scrutiny Committee.

In addition, other improvement actions (8-10 below) have been agreed during the year that are not specifically covered by the above in order to enhance governance and internal controls:

- (8) Increase the pace of the Fit for 2024 transformation programme 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.
- (9) Refresh the Performance Management Framework to include oversight by Directorates to ensure performance monitoring and reporting is accurate, robust and provided on time.
- (10) Ongoing review of policies, procedures and guidelines to ensure they are fit for purpose, specifically those relating to business critical services to ensure they meet current legislation.

These actions to enhance the governance arrangements in 2020/21 will be driven and monitored by the Corporate Management Team on a regular basis in order to inform the next annual review. Internal Audit work planned in 2020/21 is designed to test compliance and improvements.

### Conclusion and Opinion on Assurance

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

### Covid-19 Response

The above assurance opinion reflects the assessment of governance in place during normal operations in 2019/20 prior to the significant coronavirus (COVID-19) outbreak in late March 2020. The latter clearly had an impact on business as usual in the delivery of services. The Council moved to Critical Service delivery on the evening of Monday 23 March 2020 following the announcements by the First Minister and Prime Minister on new coronavirus restrictions. This means that as a Category 1 responder the Council's primary responsibilities are working with other resilience partners to protect life, especially the vulnerable, and to support businesses and the wider public, and as such local authority workers are part of the essential response during the COVID-19 outbreak.

The Council approved at a meeting held via teleconference on 26 March 2020 some additions to Standing Orders and thus endorsed a more agile way of decision-making for urgent decisions within its governance arrangements, whilst ensuring the safety of officers, elected members and the community. All formal Council and Committee meetings had been cancelled, and further decision-

## Annual Governance Statement

making responsibility was delegated to the Chief Executive, in consultation with the Convener, the Leader, and the Leader of the Opposition, on a temporary basis during the COVID-19 outbreak.

New innovations, business processes, and technology solutions have been embraced in order for the Council to deliver vital services to the community in its Category 1 responder role. In addition to delivering key core services the Council has had to develop and operate a variety of brand new initiatives to support key workers and also those most at risk in the area. This is part of the national response with some funding provided by Scottish Government. For example, Non Domestic Rates reliefs including the Business Grants Scheme, Hardship Fund, Scottish Welfare Fund, Food Fund, and Supporting Communities Fund.

The logistics of delivering services in a radically different way, in order to keep staff safe, and adhere to social distancing and self-isolation measures at the same time, has meant significant changes in when and where services are provided, deployment of a large number of staff who do not deliver critical services to undertake alternative duties, rapidly modernised IT support, and significant partnership working across the community. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including daily COVID-19 Strategic Group virtual meetings, conference calls, systems remote access, and regular staff briefings.

Initial work is underway on assessing the financial impact on the Council and the longer-term disruption and consequences arising from the significant coronavirus (COVID-19) outbreak. Furthermore there has been invaluable learning from operating in this unprecedented period of change, challenge and uncertainty which will be of benefit during the recovery phase that will also pose its challenges. The current COVID-19 pandemic will have a fundamental impact on the way the Council is organised and delivers services going forward with the Fit for 2024 programme instrumental in ensuring the Council builds on all transformational benefits the pandemic presents including digital advancements.

*Shona Haslam*

**Shona Haslam**  
**Leader**  
**Scottish Borders Council**

05 November 2020

*Rob Dickson*

**Rob Dickson**  
**Executive Director**  
**Corporate Improvement**  
**& Economy**

05 November 2020

# 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 39
- Senior Officer Remuneration Page 41
- Pay Bandings Information Page 38
- 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 2019/20 the salary for the Leader of Scottish Borders Council is £34,944. 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 £305,746. 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 £298,061. 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£50,000 - £54,999	1	2	52	87	21	13	74	102
£55,000 - £59,999	-	-	23	66	9	19	32	85
£60,000 - £64,999	3	-	2	34	1	2	6	36
£65,000 - £69,999	1	3	2	7	1	6	4	16
£70,000 - £74,999	1	2	4	1	-	-	5	3
£75,000 - £79,999	4	4	2	4	1	-	7	8
£80,000 - £84,999	4	1	-	2	-	-	4	3
£85,000 - £89,999	2	1	-	3	-	-	2	4
£90,000 - £94,999	-	2	-	-	-	-	-	2
£95,000 - £99,999	-	2	-	-	1	-	1	2
£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	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	1	-	-	-	-	-	1
<b>Total</b>	<b>17</b>	<b>18</b>	<b>85</b>	<b>204</b>	<b>34</b>	<b>40</b>	<b>136</b>	<b>262</b>

# Remuneration Report

## Remuneration of Senior Councillors

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

Total Remuneration 2018/19 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2019/20 £
33,992	S Haslam	Leader of the Council	34,944	-	34,944
25,494	D Parker	Convener	26,208	-	26,208
<b>59,486</b>		<b>Leader and Convener Remuneration</b>	<b>61,152</b>	<b>-</b>	<b>61,152</b>
22,329	A Aitchison	Executive Member for Neighbourhoods & Locality Services	22,954	-	22,954
18,524	S Bell	Chair of Audit & Scrutiny	19,043	-	19,043
22,329	G Edgar	Executive Member for Roads and Infrastructure (also Area Partnership Chair)	22,954	-	22,954
22,329	T Weatherston	Executive Member for Adult Social Care/Depute Convener	22,954	-	22,954
22,329	C Hamilton	Executive Member for Children & Young People	22,954	-	22,954
22,329	G Turnbull	Executive Member for Community Safety	22,954	226	23,180
22,587	M Rowley	Executive Member for Business & Economic Development	22,954	258	23,212
22,473	S Mountford	Executive Member for Transformation & HR to 30 November 2019 (also Area Partnership Chair to 24 October 2018)	15,303 (FYE 22,954)	103	15,406
22,329	E Jardine	Executive Member for Culture & Sport	22,954	-	22,954
22,503	T Miers	Executive Member for Planning & Environment	22,954	174	23,128
18,524	J Fullarton	Area Partnership Chair	19,043	-	19,043
20,916 (FYE 18,524) (FYE 22,329)	R Tatler	Area Partnership Chair to 30 August 2018; Executive Member for Finance from 31 August 2018 (also continuing as Area Partnership Chair)	22,954	162	- 23,116
10,855 (FYE 18,524)	N Richards	Area Partnership Chair from 31 August 2018	19,043	-	19,043
8,067 (FYE 18,524)	S Hamilton	Area Partnership Chair from 25 October 2018	19,043	283	19,326
<b>278,423</b>		<b>Total Other Senior Councillor Remuneration</b>	<b>298,061</b>	<b>1,206</b>	<b>299,267</b>
<b>337,909</b>		<b>Total Senior Councillor Remuneration</b>	<b>359,213</b>	<b>1,206</b>	<b>360,419</b>

The total remuneration figures relate to the salary, fees and allowances for 2019-20 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.

2018/19 £'000		2019/20 £'000
668	Salaries	679
90	Expenses	64
<b>758</b>	<b>Total</b>	<b>743</b>

The draft annual return of Councillors' salaries and expenses for 2019/20 is available on the Council's website at [www.scotborders.gov.uk](http://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.

2018/19		2019/20					
Total Remuneration £	Name	Post Title	Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
<b>Senior Employees in post as at 01/04/19</b>							
129,246	TM Logan	Chief Executive (1)	143,432	-	-	-	143,432
42,681	JR Dickson	Executive Director (2)	47,582	-	-	-	47,582
88,540	KD Robertson	Executive Director (3)	95,788	77	-	-	95,865
84,936	J Craig	Service Director Customer & Communities	87,684	-	-	-	87,684
76,859	C Hepburn	Service Director HR & Communications	84,618	41	-	-	84,658
44,251 (FYE 74,975)	SC Easingwood	Chief Officer Public Protection (appointed 26 September 2018 to 7 October 2018); Interim Service Director Children & Young People (appointed 8 October 2018)	91,239	-	-	-	91,239
(FYE 83,104)							
86,364	M Joyce	Service Director Assets & Infrastructure	92,733	20	-	-	92,753
-	J Hedley	Chief Officer Roads (commenced post 13 February 2019)	77,224	-	-	-	77,224
-	JM Holland	Chief Operating Officer SB Cares (from 1 December 2019)	25,741	-	-	-	25,741
			(FYE 77,224)				
<b>Senior Employees departed post before 01/04/20</b>							
21,701	P Barr	Executive Director (left 31 December 2019) (4)	16,764 (FYE 22,352)	-	-	-	16,764
84,936	GB Frater	Service Director Regulatory Services (left 2 February 2020) (5)	73,621 (FYE 87,484)	15	-	-	73,636
76,859	D Girdler	Chief Officer Roads (left 19 April 2019) (6)	10,768 (FYE 79,165)	-	43,269	-	54,037
<b>736,373</b>		<b>Total</b>	<b>847,195</b>	<b>153</b>	<b>43,269</b>	<b>-</b>	<b>890,616</b>

### Notes

- (1) TM Logan figure of £143,432 includes £5,422.50 for returning Officer fee for the European Parliamentary Election on 23 May 2019 and the Returning Officer fee for the General Election on 12 December 2019.
- (2) JR Dickson seconded to Scottish Government. The above figure represents 40% of time employed by SBC with the remaining 60% (£67,971) met by the Scottish Government. The figure of £47,582 includes £1,468.33 for Depute Returning Officer fee for both for the European Parliamentary Election on 23 May 2019 and the General Election on 12 December 2019.
- (3) KD Robertson figure of £95,788 includes £170 fee for European Parliamentary Election on 23 May 2019 and £215 fee for the General Election on 12 December 2019.
- (4) P Barr seconded to SB Cares (subsidiary) as Managing Director. The above figure represents 20% of time employed by SBC with the remaining 80% (£67,057) met by SB Cares.
- (5) GB Frater figure of £73,621 includes £215 fee for the General Election on 12 December 2019.
- (6) D Girdler figure of £10,768 includes payment of £7,940.87 in respect of leave accrued prior to departure on 19 April 2019.

## Remuneration Report

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.

### Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2018/19 and 2019/20:

#### 2019/20

Exit Package Cost band (including special payments) 2019/20	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	4	-	4	35,795
£20,001- £40,000	-	1	1	32,042
£40,001- £60,000	-	1	1	43,269
£60,001- £80,000	-	-	-	-
£80,001- £100,000	-	-	-	-
£100,001- £150,000	-	-	-	-
£150,001- £200,000	-	-	-	-
<b>Total</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>111,107</b>

The total costs of £0.111m 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.

#### 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	-	-	-	-
<b>Total</b>	<b>12</b>	<b>-</b>	<b>12</b>	<b>613,042</b>

# Remuneration Report

## 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. SB Cares and SB Supports LLP both ceased trading on 30 November 2019 and their functions were re-integrated into Scottish Borders Council.

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

2018/19			2019/20					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 2019	For year to 31 March 2020	Type	As at 31 March 2020	Difference from 31 March 2019	
Total Remuneration	Name	Post Title	£	£	£	£	£	£	£	£	£	
79,216	Ewan Jackson	Chief Executive Officer	79,216	-	-	79,216	13,580	14,259	Pension	21,000	2,373	
									Lump Sum	15,553	741	

## 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 2019/20 were as follows:

Whole Time Pay	2019/20
On earnings up to and including £21,800 (2018/19 £21,300)	5.50%
On earnings above £21,801 and up to £26,700 (2018/19 £21,300 to £26,100)	7.25%
On earnings above £26,701 and up to £36,600 (2018/19 £26,100 to £35,700)	8.50%
On earnings above £36,601 and up to £48,800 (2018/19 £35,700 to £47,600)	9.50%
On earnings above £48,801 (2018/19 £47,600)	12.00%

## Remuneration Report

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 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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 1/49<sup>th</sup> 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 2020 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		Restated In-year pension contributions		Accrued pension benefits			
		Responsibility	For year to 31 March 2019	For year to 31 March 2020	Type	As at 31 March 2020	Difference from 31 March 2019
			£	£		£	£
S Haslam	Leader of the Council	6,119	6,290	Pension	2,106	748	
				Lump Sum	-	-	
D Parker	Convenor	4,589	4,717	Pension	7,665	599	
				Lump Sum	2,620	7	
A Aitchison	Executive Member for Neighbourhoods & Locality Services	4,019	4,132	Pension	5,304	581	
				Lump Sum	1,657	42	
S Bell	Chair of Audit & Scrutiny	3,334	3,428	Pension	3,327	427	
				Lump Sum	-	-	
G Edgar	Executive Member for Roads and Infrastructure (also Area Partnership Chair)	4,019	4,132	Pension	3,630	529	
				Lump Sum	-	-	
T Weatherston	Executive Member for Adult Social Care/Depute Convener	4,019	4,132	Pension	9,474	716	
				Lump Sum	15,761	418	
C Hamilton	Executive Member for Children & Young People	4,019	4,132	Pension	1,388	492	
				Lump Sum	-	-	
G Turnbull	Executive Member for Community Safety	4,019	4,132	Pension	4,886	584	
				Lump Sum	1,575	46	
M Rowley	Executive Member for Business & Economic Development	4,019	4,132	Pension	1,388	492	
				Lump Sum	-	-	
S Mountford	Executive Member for Transformation & HR to 30 November 2019 (also Area Partnership Chair to 24 October 2018)	4,019	3,803	Pension	3,102	499	
				Lump Sum	-	-	
E Jardine	Executive Member for Culture & Sport	4,019	4,132	Pension	1,388	492	
				Lump Sum	-	-	
T Miers	Executive Member for Planning & Environment	4,019	4,132	Pension	1,388	492	
				Lump Sum	-	-	
J Fullarton	Area Partnership Chair	3,334	3,428	Pension	4,662	461	
				Lump Sum	1,580	23	
R Tatler	Area Partnership Chair to 30 August 2018; Executive Member for Finance from 31 August 2018 (also continuing as Area Partnership Chair)	3,736	4,132	Pension	1,282	490	
				Lump Sum	-	-	
N Richards	Area Partnership Chair from 31 August 2018	3,220	3,428	Pension	1,111	407	
				Lump Sum	-	-	
S Hamilton	Area Partnership Chair from 25 October 2018	3,059	3,548	Pension	1,106	421	
				Lump Sum	-	-	
<b>Total</b>		<b>63,562</b>	<b>65,830</b>				

## 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 2020 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 2020.

Name		In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2019	For year to 31 March 2020	Type	As at 31 March 2020	Difference from 31 March 2019
Senior Employees in post as at 01/04/19		£	£		£	£
TM Logan	Chief Executive	21,848	24,463	Pension	51,885	5,291
				Lump Sum	80,367	6,914
JR Dickson	Executive Director (1)	7,682	7,913	Pension	18,492	2,640
				Lump Sum	-	-
KD Robertson	Executive Director	15,937	17,173	Pension	38,835	4,213
				Lump Sum	59,232	4,261
J Craig	Service Director Customer & Communities	15,288	15,747	Pension	38,803	2,803
				Lump Sum	63,042	1,836
C Hepburn	Service Director HR and Communications	13,835	14,539	Pension	16,936	2,216
				Lump Sum	2,689	131
CS Easingwood	Chief Officer Public Protection (appointed 26 September 2018 to 7 October 2018); Interim Service Director Children & Young People (appointed 8 October 2018)	13,182	15,450	Pension	25,801	4,657
				Lump Sum	31,314	4,596
M Joyce	Service Director Assets & Infrastructure	15,557	16,015	Pension	10,347	2,013
				Lump Sum	-	-
J Hedley	Chief Officer Roads (commenced post 13 February 2019)	-	13,900	Pension	24,647	5,923
				Lump Sum	32,077	7,391
JM Holland	Chief Operating Officer SB Cares (from 1 December 2019)	-	13,900	Pension	1,693	1,693
				Lump Sum	-	-
<b>Senior Employees departed post before 01/04/20</b>						
P Barr	Executive Director (2) (left post 31 December 2019)	3,906	3,018	Pension	29,852	2,130
				Lump Sum	23,700	524
GB Frater	Service Director Regulatory Services (left 2 February 2020)	15,288	13,213	Pension	48,584	2,485
				Lump Sum	93,820	2,316
D Girdler	Chief Officer Roads (left 19 April 2019)	13,835	509	Pension	4,146	58
				Lump Sum	-	-
<b>Total</b>		<b>136,358</b>	<b>155,840</b>			

### 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) JR Dickson seconded to Scottish Government. The above figure for in year contributions represents 40% of time employed by SBC.
- (2) 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.

# 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%	17
51% - 99%	3
100%	3
<b>Total</b>	<b>23</b>

The percentage of the total pay bill spent on facility time is 0.107%

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

*Shona Haslam*

**Shona Haslam**  
**Leader**  
**Scottish Borders Council**

05 November 2020

*Rob Dickson*

**Rob Dickson**  
**Executive Director**  
**Corporate Improvement**  
**& Economy**

05 November 2020

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Balances of the General Fund line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked Balances of the General Fund undertaken by the Council. Further detail on the movement in reserves can be found at Note 31 on page 103.

### 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	CI & E
Adjustments between accounting basis & Funding basis under regulations	(14,762)	(1,223)	(21)	(134)	(16,140)	16,140	-	31
<b>(Increase) or Decrease In 2018/19</b>	<b>2,171</b>	<b>(1,223)</b>	<b>(21)</b>	<b>(134)</b>	<b>793</b>	<b>29,572</b>	<b>30,364</b>	
Balance at 31/03/2019 carried forward	(17,555)	(8,803)	(447)	(1,197)	(28,002)	(32,982)	(60,984)	

### Movement in reserves during 2019/20

	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 01/04/2019	(17,555)	(8,803)	(447)	(1,197)	(28,002)	(32,982)	(60,984)	

### Movement in reserves during 2019/20

Total Comprehensive Income & Expenditure	9,932	-	-	-	9,932	(75,456)	(65,523)	CI & E
Adjustments between accounting basis & Funding basis under regulations	(11,557)	(741)	446	(200)	(12,052)	12,052	-	31
<b>(Increase) or Decrease In 2019/20</b>	<b>(1,624)</b>	<b>(741)</b>	<b>446</b>	<b>(200)</b>	<b>(2,119)</b>	<b>(63,404)</b>	<b>(65,523)</b>	
Balance at 31/03/2020 carried forward	(19,179)	(9,544)	(1)	(1,397)	(30,121)	(96,386)	(126,507)	

# Comprehensive Income and Expenditure Statement

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

2018/19			2019/20				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
8,454	(444)	8,010	Culture & Sport	9,164	(791)	8,373	
60,643	(11,284)	49,359	Asset & Infrastructure	65,761	(10,484)	55,277	
4,686	(1,894)	2,792	Economic Development & Corporate Services	4,499	(3,283)	1216	
123,979	(71,653)	52,326	Health & Social Care	136,118	(78,507)	57,611	
114,459	(5,466)	108,993	Children & Young People	117,832	(9,413)	108,420	
42,806	(29,599)	13,207	Customer & Communities	43,328	(26,808)	16,520	
18,349	(431)	17,918	Finance, IT & Procurement	21,151	(3,755)	17,396	
7,046	(460)	6,586	Human Resources	7,291	(681)	6,611	
19,820	(6,315)	13,505	Regulatory Services	20,734	(6,447)	14,287	
7,005	-	7,005	Non-Distributed Costs	3,322	-	3,322	
<b>407,247</b>	<b>(127,546)</b>	<b>279,701</b>	<b>Net Cost of Services</b>	<b>429,201</b>	<b>(140,168)</b>	<b>289,033</b>	
4,374	(4,500)	(126)	Roads Trading Operation (Surplus)/Deficit (External)	5,140	(5,200)	(60)	8
			<b>Other Operating Expenditure</b>				
2,304	(1,606)	698	(Gain)/Loss on Disposal of Assets	2,627	(2,556)	71	
			<b>Financing &amp; Investment Income and Expenditure</b>				
14,366	-	14,366	Interest Payable & Similar Charges	12,756	-	12,756	29
-	(9)	(9)	Interest Receivable & Similar Income	-	(407)	(407)	
19,356	(15,055)	4,301	Net Interest Expense on the Net Defined Benefit Liability	20,249	(15,274)	4,975	20
			<b>Taxation and Non-Specific Grant Income</b>				
-	(169,560)	(169,560)	Revenue Support Grant	-	(171,088)	(171,088)	
-	(32,790)	(32,790)	Non-Domestic Rates Pool for Scotland	-	(36,624)	(36,624)	
-	(54,984)	(54,984)	Council Tax	-	(57,763)	(57,763)	
-	(24,664)	(24,664)	Capital Grants and Contributions	-	(30,961)	(30,961)	28
-	-	-		-	-	-	
<b>447,647</b>	<b>(430,714)</b>	<b>16,933</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>469,973</b>	<b>(460,040)</b>	<b>9,933</b>	

# Comprehensive Income and Expenditure Statement

2018/19				2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
447,647	(430,714)	16,933	(Surplus)/Deficit on Provision of Services	469,794	(459,861)	9,932	
		(3,533)	(Surplus)/Deficit on revaluation of Non Current Assets			(763)	
		-	Any Other (Gains) Or Losses			80	
		16,964	Actuarial (gains)/losses on pension assets/liabilities			(74,773)	
		13,431	<b>Other Comprehensive Income and Expenditure</b>			(75,456)	
		30,364	<b>Total Comprehensive (Income)/Expenditure</b>			(65,523)	

## Balance Sheet

The Balance Sheet shows the value as at the 31<sup>st</sup> 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'.

2018/19 £'000		2019/20 £'000	Notes
379,278	Property Plant and Equipment		
18,617	Other Land and Buildings	374,119	12
128,178	Vehicle, Plant, Furniture & Equipment	21,754	
3,561	Infrastructure	129,942	
21,488	Surplus Assets	4,790	
1,036	Assets Under Construction	26,326	
61	Heritage Assets	1,036	13
6,315	Intangible Assets	40	14
	Long Term Debtors	6,647	29
<b>558,534</b>	<b>Long Term Assets</b>	<b>564,654</b>	
14	Intangible Assets - Current	-	14
820	Inventories	951	24
48,463	Short Term Debtors	59,056	30
(11,244)	less Impairment of Receivables	(11,472)	
4,525	Cash and Cash Equivalents	10,488	34
<b>42,578</b>	<b>Current Assets</b>	<b>59,024</b>	
-	Bank Overdrafts	(367)	29
(3,275)	Short Term Borrowing	(4,054)	29
(47,425)	Short Term Creditors	(48,171)	30
(579)	Provisions	(389)	25
<b>(51,279)</b>	<b>Current Liabilities</b>	<b>(52,982)</b>	
(195,846)	Long Term Borrowing	(202,574)	29
(67,322)	Other Long Term Liabilities	(64,182)	17
(685)	Due to Trust Funds and Common Good	(879)	
(3,885)	Provisions	(3,607)	25
(23,509)	Capital Grants Receipts in Advance	(31,343)	
<b>(291,247)</b>	<b>Long Term Liabilities</b>	<b>(302,584)</b>	
258,586	<b>Net Assets excluding pension liability</b>	268,111	
(197,602)	Pension Liability	(141,604)	20
<b>60,984</b>	<b>Net Assets/(Liabilities) including pension liability</b>	<b>126,507</b>	

## Balance Sheet

2018/19 £'000	Financed By:	2019/20 £'000	Notes
	<b>Useable Reserves</b>		
(8,803)	Capital Fund	(9,544)	} 31
(17,555)	General Fund Balance	(19,179)	
(447)	Property Maintenance Fund	(1)	
(1,197)	Insurance Fund	(1,397)	
	<b>Unusable Reserves</b>		
(122,348)	Capital Adjustment Account	(137,271)	} 31
6,760	Financial Instruments Adjustment Account	6,441	
(120,329)	Revaluation Reserve	(113,445)	
197,602	Pension Reserve	141,604	
5,333	Employee Statutory Adjustment Account	6,285	
<b>(60,984)</b>	<b>Total Reserves</b>	<b>(126,507)</b>	

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.



**David Robertson CPFA**  
**Executive Director**  
**Finance & Regulatory**

05 November 2020

## 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.

2018/19 Restated £'000		2019/20		Notes
		£'000	£'000	
16,933	<b>Net (Surplus) or deficit on the provision of services</b>		9,932	
(54,495)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(43,517)		32
23,802	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29,696		32
<b>(13,760)</b>	<b>Net Cash Flows From Operating Activities</b>		<b>(13,821)</b>	
	<b>Investing Activities</b>			
48,426	Purchase of PP&E, investment property and intangible assets	42,496		
(1,606)	Proceeds from PP&E, investment property and intangible assets	(2,556)		
-	Purchase/(Disposal) of short & long term investments	-		
(33,693)	Other Items which are Investing Activities	(38,355)		
<b>13,127</b>	<b>Net Cash Flows from Investing Activities</b>		<b>1,585</b>	
	<b>Financing Activities</b>			
(10,000)	Cash received from loans & other borrowing	(7,500)		
3,035	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,942		
13,036	Repayments of short and long term borrowing	-		
862	Other items which are financing activities	1,266		
<b>6,933</b>	<b>Net Cash Flows from Financing Activities</b>		<b>(3,292)</b>	
<b>6,300</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(5,596)</b>	
10,825	Cash and Cash Equivalents at the beginning of the reporting period		4,525	
4,525	Cash and Cash Equivalents at the end of the reporting period		10,121	34
<b>6,300</b>	<b>Movement</b>		<b>(5,596)</b>	

# Notes to the Core Financial Statements

## Accounting Policies

### General Principles

The Annual Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

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

### Accruals of Income and Expenditure

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

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

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

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

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

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

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

### Cash and Cash Equivalents

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

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

# Notes to the Core Financial Statements

## Charges to Revenue for Non-Current Assets

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

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

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

## Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

### Post Employment Benefits

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

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

## 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

## Notes to the Core Financial Statements

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

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

### Discretionary Benefits

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

### Events after the Reporting Period

Events after the Balance Sheet are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts 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 principle (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. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

However, the 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 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.

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

# Notes to the Core Financial Statements

## 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 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.

# Notes to the Core Financial Statements

## The Council as Lessee

### Finance Leases

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

- A charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

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

### Operating Leases

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

## The 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.

## Notes to the Core Financial Statements

### 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.

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.

## Notes to the Core Financial Statements

**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.

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.

## Notes to the Core Financial Statements

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

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

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

- Land and Buildings
  - Land is not depreciated
  - Buildings are written off over their estimated life.
  
- Vehicles, Plant, Furniture and Equipment
  - Historic costs are written off over each asset's estimated life.
  
- Infrastructure
  - Historic costs are written off over the estimated useful life of the asset.
  
- Surplus Assets
  - Land is not depreciated
  - Buildings are written off over their estimated life.

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

### Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

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

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

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

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

## Notes to the Core Financial Statements

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.

### Revenue Expenditure Funded from Capital under Statute

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

### VAT

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

# Notes to the Core Financial Statements

## Note 1 First Time Adoption of Accounting Standards

There has been no first time adoption of Accounting Standards during 2019/20.

## 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 2015-2017 Cycle

Amendments to IAS 28 Investments in Associates and Joint Ventures

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

## 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 2020 for which there is a significant risk of material adjustment in the forthcoming year is as follows;

### Property, Plant and Equipment

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

The impact of the current Coronavirus pandemic is not fully known and as a result there continues to be uncertainty surrounding the position of the property market. As a result, less weight can be placed upon previous market evidence for comparison purposes, to inform opinions of value, which therefore gives rise to increased uncertainty over the valuations of the current year of the Council's 5 year rolling valuation programme. It should be noted that the Council's Surveyors did not deem this uncertainty great enough to require the valuations to be issued on the basis of 'material valuation uncertainty' but have since agreed that it would be prudent to note that less certainty can be attached to the valuations than may otherwise be the case.

### 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

## Notes to the Core Financial Statements

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.

### 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 £69.704m. However, the assumptions interact in complex ways. During 2019/20, the authority's actuaries advised that the net pension liability had decreased by £83.391m as a result of estimates being revised and updating assumptions.

### Arrears

At 31 March 2020, the authority had Accounts Receivable debtors due of £7.448m, Council Tax debtors of £22.319m and Non Domestic Rate debtors of £3.599m. Provision for bad debts amounted to £1.00m, £10.472m and £3.183m 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, £1.047m for Council Tax debtors and £0.318m 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.

		2018/19				2019/20	
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	
5,949	2,061	8,010	Culture & Sport	5,848	2,525	8,373	
30,844	18,515	49,359	Asset & Infrastructure	36,921	18,356	55,277	
620	2,171	2,791	Economic Development & Corporate Services	368	848	1,216	
51,018	1,308	52,326	Health & Social Care	54,836	2,775	57,611	
111,442	(2,449)	108,993	Children & Young People	106,824	1,596	108,420	
11,535	1,672	13,207	Customer & Communities	14,170	2,350	16,520	
33,115	(15,197)	17,918	Finance, IT & Procurement	31,092	(13,696)	17,396	
6,279	308	6,587	Human Resources	6,149	462	6,611	
6,713	6,792	13,505	Regulatory Services	7,059	7,228	14,287	
-	7,005	7,005	Non Distributed Costs	-	3,322	3,322	
<b>257,515</b>	<b>22,186</b>	<b>279,701</b>	<b>Net Cost of services</b>	<b>263,267</b>	<b>25,766</b>	<b>289,033</b>	
(255,344)	(7,424)	(262,768)	Other Income and Expenditure	(264,971)	(14,130)	(279,101)	
<b>2,171</b>	<b>14,762</b>	<b>16,933</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,704)</b>	<b>11,636</b>	<b>9,932</b>	
(19,726)			Opening General Fund Balance	(17,555)			
2,171			Less/Plus (Surplus) or Deficit on General Fund	(1,704)			
-			Transfer (to)/from reserves	80			
<b>(17,555)</b>			<b>Closing General Fund as 31 March</b>	<b>(19,179)</b>			

### Note to the Expenditure and Funding Analysis

## Notes to the Core Financial Statements

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 2019/20

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	2,719	-	(132)	2,587	(61)	2,526
Asset & Infrastructure	11,432	3,807	468	15,707	2,648	18,355
Economic Development & Corporate Services	606	248	(4)	850	(2)	847
Health & Social Care	400	2,273	371	3,044	(269)	2,774
Children & Young People	5,702	3,173	396	9,271	(7,676)	1,595
Customer & Communities	201	2,119	54	2,374	(23)	2,351
Finance, IT & Procurement	(14,091)	526	(192)	(13,757)	62	(13,695)
Human Resources	-	420	20	440	22	462
Regulatory Services	678	1,234	16	1,928	5,300	7,227
Non Distributed Costs	3,322	-	-	3,322	-	3,322
	<b>10,969</b>	<b>13,800</b>	<b>996</b>	<b>25,766</b>	-	<b>25,766</b>
Other income and expenditure from the Expenditure and Funding Analysis	(18,329)	4,975	(776)	(14,130)	-	(14,130)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,360)</b>	<b>18,775</b>	<b>220</b>	<b>11,636</b>	-	<b>11,636</b>

### 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
	<b>7,526</b>	<b>15,266</b>	<b>(606)</b>	<b>22,186</b>	-	<b>22,186</b>
Other income and expenditure from the Expenditure and Funding Analysis	(13,578)	4,301	1,853	(7,424)	-	(7,424)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(6,052)</b>	<b>19,567</b>	<b>1,247</b>	<b>14,762</b>	-	<b>14,762</b>

#### (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:

## Notes to the Core Financial Statements

- **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.

It should be noted that the tables on pages 69 and 70 are analysed as per the Council's management reporting structure.

### Note 5 Expenditure and Funding Analysis (continued)

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

## Notes to the Core Financial Statements

Expenditure/Income	2018/19 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee Benefits Expenses	152,434	166,555
Other Service Expenses	227,257	234,444
Support Services Recharges	471	469
Depreciation, Amortisation, Impairment	31,259	32,469
Interest Payments	14,366	12,756
Loss on Disposal of Assets	698	71
<b>Total Expenditure</b>	<b>426,485</b>	<b>446,764</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(127,545)	(139,989)
Interest and Investment Income	(9)	(407)
Income from Council Tax and Non Domestic Rates	(87,774)	(94,387)
Government Grants and Contributions	(194,224)	(202,049)
<b>Total Income</b>	<b>(409,552)</b>	<b>(436,832)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>16,933</b>	<b>9,932</b>

### Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations during the year.

### Note 7 Prior Year Adjustments

It should be noted that the prior year cash flow statements and group accounts have been restated. The cash flow statements have been restated as a consequence of a cash flow process review undertaken during 2019/20. The group accounts were restated to reflect the removal of two associates, in agreement with our external auditors, on the grounds of materiality.

### 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:

2018/19 £'000		2019/20 £'000	3 Year Cumulative £'000
(4,500)	External Turnover for the Year	(5,200)	(17,636)
(126)	(Surplus) / Deficit	(60)	(95)

SBc Contracts undertakes a wide range of activities including:

- Revenue and Capital works for Council Services including

## Notes to the Core Financial Statements

- Highway and Bridge construction
  - Planned and reactive maintenance
  - Flood Prevention and Repair works
  - Public Realm and Cycleway works
  - Construction and Maintenance works to Council Buildings and Property
- External contracts for other local authorities and the Scottish Government.
  - Sub-contractor on a number of public contracts.
  - A wide range of external contracts for the private sector.

SBc Contracts employs 130 manual workers and 22 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation.
- Maintaining very competitive charge-out rates to offer “Best Value” for Council Revenue and Capital projects.

In 2019/20 SBc Contracts recorded an annual operating surplus of £1.217m 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 £0.321m surplus.

In 2019/20 a restructure of the Roads Service and SBc Contracts was implemented, the turnover increased by £9m to £25.6m primarily as a result of SBc Contracts carrying out works previously undertaken by the Roads Service. Of the total, £5.2 million, 20% was generated by external work.

The order book remains strong with major works programmed to continue on Early Years Facilities in Peebles and Innerleithen, Advance Works for Hawick Flood Scheme all for SBC as well as Sergeants Park, Newtown St Boswells and Langhaugh Road, Galashiels for Hart Builders. Road Surface Dressing Framework Agreements for both South Lanarkshire Council and East Lothian Council continue this year. Negotiations are ongoing with the newly appointed South East Trunk Road contractor BEAR and other potential Contracts within the Public and Private sector are being pursued.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £7.9 million during 2019/20.

Significant trading operations are required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2019/20 SBc Contracts generated a cumulative total surplus of £0.827million.

### Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2019/20 Scottish Borders Council received £0.359m 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 2020.

### 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

## Notes to the Core Financial Statements

the Council and companies in which members have an interest in 2019/20 was £0 (2018/19: £0m). The Remuneration Report shows the total allowances paid to senior members in 2019/20. The Members' Register of Interests can be inspected and is available on the Council's web site at [www.scotborders.gov.uk](http://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 £0.119m.

During 2019/20, the Scottish Borders Council Pension Fund had an average balance of £1.50m (2018/19: £0.62m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.005m (2018/19: £0.004m). In addition the Council charged the Pension Fund £0.343m 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:

	2018/19	2019/20
Due to/ (from) the Scottish Borders Council Pension Fund	(£0.343m)	(0.142m)

The Council provided routine material financial assistance to other bodies in 2019/20 as follows:

- Jedburgh Leisure Facilities Trust £0.115m

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 2019/20 to support services is:

Older people	£7.623m
Adults with Learning Difficulties	£1.673m
People with Mental Health Needs	£0.512m
People with Physical Difficulties	£0.382m
Other Support Services	£2.520m

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 £0.933m in 2019/20 with a contribution from the NHS Borders of £0.443m. The contribution from NHS Borders is now a 50% contribution of spend.

### Galashiels Resource Centre

## Notes to the Core Financial Statements

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.

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 2019/20 and all capital monies have been fully repaid. Tweedside NHT 2011 LLP will be formally wound up during 2020/21.

The Council made no further advances to Bridge Homes LLP during 2019/20. 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 was a registered Limited Liability Partnership between Scottish Borders Council and SBC Nominees. This was established on 1<sup>st</sup> April 2015 to work in partnership on the provision of adult social care services. In 2019/20 the Council made a contract management payment of £11.482m to SB Supports. SB Supports ceased trading on 30<sup>th</sup> November 2019, with all operations being re-integrated to Scottish Borders Council on this date.

The Scottish Borders Health and Social Care Integration Board was established on 6<sup>th</sup> 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 2019/20 the Council made a payment of £55.426m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31<sup>st</sup> March 2020 a debtor of £1.924m and creditor figure of £5.593m 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 1<sup>st</sup> April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. A payment of £6.176m (including management fee of £5.684m) was made to the trust in 2019/20.

Lowood Tweedbank Limited was established on 30 November 2018 to act as mid-landlord of the residential properties at Lowood Estate in order to ensure the continuation of the tenancy arrangements. Rental income for 2019/20 due to Lowood Tweedbank Limited amounted to £48k.

### Common Good and Trusts

Interest payable to Common Good and Trust Funds in relation to investments in SBC Loans Fund was £4k for 2019/20.

### Note 11 Audit Remuneration

In 2019/20 the agreed audit fee for the year was £0.280m in respect of services provided by Audit Scotland (2018/19 £0.275m). 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 2018/19)

### Note 12 Property, Plant & Equipment

# Notes to the Core Financial Statements

## Movement on Balances

### Movements in 2019/20

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
<b>Gross book value (GBV) at 31 March 2019</b>	<b>414,512</b>	<b>62,106</b>	<b>237,218</b>	<b>21,524</b>	<b>3,601</b>	<b>1,036</b>	<b>739,997</b>
Acquisitions & Recognition in the year	5,905	12,132	10,569	13,473	19	-	<b>42,098</b>
Revaluation Increase/(Decrease) To Revaluation Reserve	581	-	-	-	135	-	<b>716</b>
Revaluation Increase/(Decrease) To CIES	15	-	-	-	(1,541)	-	<b>(1,526)</b>
Transfers	4,478	-	-	(7,618)	3,128	-	<b>(12)</b>
Disposals	(417)	(3,232)	-	(36)	(507)	-	<b>(4,192)</b>
<b>Gross book value (GBV) at 31 March 2020</b>	<b>425,074</b>	<b>71,006</b>	<b>247,787</b>	<b>27,343</b>	<b>4,835</b>	<b>1,036</b>	<b>777,081</b>
<b>Cumulative depreciation at 31 March 2019</b>	<b>(35,234)</b>	<b>(43,489)</b>	<b>(109,040)</b>	<b>(36)</b>	<b>(40)</b>	<b>-</b>	<b>(187,839)</b>
Depreciation for the year	(12,444)	(6,838)	(8,250)	-	(51)	-	<b>(27,583)</b>
Revaluation Written Out To Revaluation Reserve	85	-	-	-	227	-	<b>312</b>
Revaluation Written Out To CIES	-	-	-	-	24	-	<b>24</b>
Impairment Losses Recognised In Revaluation Reserve	(266)	-	-	-	-	-	<b>(266)</b>
Impairment Losses Recognised In CIES	(3,369)	(397)	(555)	(1,017)	-	-	<b>(5,338)</b>
Transfers	243	-	-	-	(231)	-	<b>12</b>
Disposals	30	1,472	-	36	26	-	<b>1,564</b>
<b>Cumulative depreciation at 31 March 2020</b>	<b>(50,955)</b>	<b>(49,252)</b>	<b>(117,845)</b>	<b>(1,017)</b>	<b>(45)</b>	<b>0</b>	<b>(219,114)</b>
<b>Net book value at 31 March 2020</b>	<b>374,119</b>	<b>21,754</b>	<b>129,942</b>	<b>26,326</b>	<b>4,790</b>	<b>1,036</b>	<b>557,967</b>
<b>Net book value at 31 March 2019</b>	<b>379,278</b>	<b>18,617</b>	<b>128,178</b>	<b>21,488</b>	<b>3,561</b>	<b>1,036</b>	<b>552,158</b>

\* VPFE – Vehicles, Plant, Furniture and Equipment

### Comparative Movements in 2018/19

## Notes to the Core Financial Statements

	Property Plant & Equipment					Heritage Assets	Total Assets £'000
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
<b>Gross book value (GBV) at 31 March 2018</b>	<b>400,199</b>	<b>54,849</b>	<b>224,207</b>	<b>9,807</b>	<b>4,857</b>	<b>1,036</b>	<b>694,955</b>
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)
<b>Gross book value (GBV) at 31 March 2019</b>	<b>414,512</b>	<b>62,106</b>	<b>237,218</b>	<b>21,524</b>	<b>3,601</b>	<b>1,036</b>	<b>739,997</b>
<b>Cumulative depreciation at 31 March 2018</b>	<b>(21,671)</b>	<b>(38,452)</b>	<b>(98,208)</b>	<b>-</b>	<b>(115)</b>	<b>-</b>	<b>(158,446)</b>
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
<b>Cumulative depreciation at 31 March 2019</b>	<b>(35,234)</b>	<b>(43,489)</b>	<b>(109,040)</b>	<b>(36)</b>	<b>(40)</b>	<b>-</b>	<b>(187,839)</b>
<b>Net book value at 31 March 2019</b>	<b>379,278</b>	<b>18,617</b>	<b>128,178</b>	<b>21,488</b>	<b>3,561</b>	<b>1,036</b>	<b>552,158</b>
<b>Net book value at 31 March 2018</b>	<b>378,528</b>	<b>16,397</b>	<b>125,999</b>	<b>9,807</b>	<b>4,742</b>	<b>1,036</b>	<b>536,509</b>

The Council had no investment properties in 2019/20

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

## Notes to the Core Financial Statements

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 2020 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 £9.909m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2020 £'000
Culture & Sport	2,563
Asset & Infrastructure	1,400
Economic Development & Corporate Services	1,329
Children & Young People	2,243
Finance, IT & Procurement	2,374
<b>Total</b>	<b>9,909</b>

### 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 2019/20 the fixed assets relating to Common Good & Trusts and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational 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 5 years.
- IT equipment is depreciated between 3 and 5 years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years.
- IT infrastructure has been depreciated over 5 years.

Depreciation has been directly charged to services.

### Revaluations

## Notes to the Core Financial Statements

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 2019 – Common Good, Trust and Surplus Properties
- 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

Technical Services Properties will be revalued as at 1 April 2020 with the resulting adjustments incorporated into the 2020/21 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	372,866	70,733	247,698	27,343		
New Certified Valuation							
1st April 2019	681	-	-	-	(1,155)	-	<b>(474)</b>
1st April 2018	1,194	-	-	-	218	-	<b>1,412</b>
1st April 2017	36,465	-	-	-	(4,178)	-	<b>32,287</b>
1st April 2016	6,126	-	-	-	429	-	<b>6,555</b>
1st April 2015	7,742	273	89	-	234	-	<b>8,338</b>
<b>Gross book value (GBV) at 31 March 2020</b>	<b>425,074</b>	<b>71,006</b>	<b>247,787</b>	<b>27,343</b>	<b>4,835</b>	<b>1,036</b>	<b>777,081</b>

# 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 2018	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2019	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2020	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 3 to 5 years.

2018/19 £'000		2019/20 £'000
1,732	<b>Gross book value (GBV) at 31 March</b>	1,402
52	Prior Period adjustment	-
1,784	<b>Revised Gross book value (GBV) at 31 March</b>	1,402
56	Expenditure in the year	13
(438)	Disposals	-
1,402	<b>Gross book value (GBV) at 31 March</b>	1,415
(1,726)	<b>Cumulative amortisation at 31 March</b>	(1,341)
(52)	Prior Period adjustment	-
(1,778)	<b>Revised Cumulative amortisation at 31 March</b>	(1,341)
(1)	Amortisation for the year	(29)
-	Impairment Losses Recognised in CIES	(5)
438	Disposals	-
(1,341)	<b>Cumulative amortisation at 31 March</b>	(1,375)
61	<b>Net book value at 31 March</b>	40

There were no revaluations of intangible assets in 2018/19 or 2019/20.

### Note 15 Assets Held for Sale

The Council had no assets held for sale in 2018/19 or 2019/20.

### 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 Earlstoun, 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 2020 are as follows:

## Notes to the Core Financial Statements

	Payments for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2020/21	5,401	3,226	2,830	11,457
Payable within two to five years	23,653	11,761	11,083	46,497
Payable within six to ten years	36,607	14,955	12,529	64,091
Payable within eleven to fifteen years	43,863	18,533	9,142	71,538
Payable within sixteen to twenty years	39,446	16,567	4,809	60,822
Payable within twenty one to twenty five years	1,723	2,367	1,878	5,968
<b>Total</b>	<b>150,693</b>	<b>67,409</b>	<b>42,271</b>	<b>260,373</b>

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:

2018/19 £'000		2019/20 £'000
82,203	Net Asset Value Land and buildings	80,070
<b>82,203</b>		<b>80,070</b>

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 £0.004m 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 2018/19 £'000		Land & Buildings 2019/20 £'000
3,027	<b>Finance Lease Liabilities</b> Not later than 1 year	3,226
11,836	Later than 1 year and not later than 5 years	11,761
55,486	Later than 5 years	52,422
2,804	<b>Finance Costs Payable in Future Years</b> Not later than 1 year	2,830
11,162	Later than 1 year and not later than 5 years	11,083
30,989	Later than 5 years	28,358
<b>115,304</b>	<b>Minimum Lease Payments</b>	<b>109,679</b>

The contingent rental figure, recognised as an expense in 2019/20 in respect of the Council's PPP arrangements, was £1.581m (2018/19 £1.454m).

# Notes to the Core Financial Statements

## Operating Leases

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

2018/19 £'000		2019/20 £'000
291	Not later than 1 year	308
1,233	Later than 1 year and not later than 5 years	1,233
1,722	Later than 5 Years	1,413
<b>3,246</b>	<b>Total</b>	<b>2,954</b>

## 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:

2018/19 £'000		2019/20 £'000
1,727	Not later than one year	1,722
1,428	Later than one year and not later than five years	1,423
5,640	Later than five years	6,098
<b>8,795</b>	<b>Total</b>	<b>9,242</b>

# 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.

2018/19		2019/20	
£'000		£'000	
307,567	Opening capital financing requirement		315,352
	<b>Capital Investment</b>		
1,146	Consent to Borrow	-	
-	Subordinated Debt	304	
47,823	Property, plant and equipment	43,859	
56	Intangible assets	13	44,176
	<b>Sources of Finance</b>		
(1,165)	Capital Receipts	(2,638)	
(28,118)	Government grants and other contributions	(32,945)	
(563)	NHT Repayment of Principal	-	
-	Subordinated Debt Repayment	(4)	
(11,394)	Loans fund repayments	(10,539)	(46,126)
<b>315,352</b>	<b>Closing Capital Financing Requirement</b>		<b>313,402</b>

2018/19		2019/20	
£'000		£'000	
	<b>Explanation of Movements in Year</b>		
-	Increase in underlying need to borrow (supported by government financial assistance)		-
7,785	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)		(1,950)
<b>7,785</b>	<b>Increase/(Decrease) in capital financing requirement</b>		<b>(1,950)</b>

## Note 19 Termination Benefits

During 2019/20 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 6 employees, incurring expenditure of £0.111m - 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

## Notes to the Core Financial Statements

subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

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

### Transactions relating to retirement benefits

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

2018/19 £'000	Comprehensive Income and Expenditure Statement	2019/20 £'000
	<i>Cost of Services</i>	
21,019	Current Service Costs	26,850
5,988	Past Service Costs, including curtailments	-
	<i>Financing and Investment Income and Expenditure</i>	
4,301	Net Interest Expense	4,975
<b>31,308</b>	<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>31,825</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<b>Remeasurement of the net defined benefit liability comprising:-</b>	
(34,341)	Return on plan assets (excluding the amount included in the net interest expense)	21,700
50,289	Actuarial (gains) and losses arising on changes in financial assumptions	(72,466)
-	Actuarial (gains) and losses arising on changes in demographic assumptions	(28,995)
1,016	Other	4,988
<b>16,964</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(74,773)</b>
	<i>Movement in Reserves Statement</i>	
19,567	Reversal of net charges made for retirement benefits in accordance with the Code	27,393
	Actual amount charged against the General Fund Balance for pensions in the year	
10,314	Employers' contributions payable to the scheme	11,670
1,427	Retirement benefits payable to pensioners	1,380
-	Effect Of Business Combinations & Disposals	(8,618)

## 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:-

2018/19 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2019/20 £'000
833,535	Present value of the defined benefit obligation	776,923
(635,933)	Fair value of plan assets	(635,319)
197,602	Sub total	141,604
<b>197,602</b>	<b>Net liability arising from defined benefit obligation</b>	<b>141,604</b>

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

2018/19 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2019/20 £'000
594,200	<b>Opening Fair Value of Scheme Assets</b>	635,933
15,055	Interest Income	15,274
	<b>Remeasurement (gains) and losses:-</b>	
34,341	Return on plan assets, excluding the amount included in the net interest expense	(21,700)
-	Other	
11,741	Employer Contributions including unfunded pensions	11,670
3,290	Contributions by Scheme Participants	3,861
(22,694)	Estimated Benefits Paid	(24,019)
-	Effect Of Business Combinations & Disposals	14,300
<b>635,933</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>635,319</b>

## Notes to the Core Financial Statements

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

2018/19 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2019/20 £'000
755,271	<b>Opening Defined Benefit Obligation</b>	833,535
21,019	Current Service Cost	26,850
19,356	Interest Cost	20,249
3,290	Contributions by Scheme Participants	3,861
-	Effect Of Business Combinations & Disposals	22,918
	<b>Remeasurement (gains) and losses:-</b>	
50,289	Actuarial (gains)/losses arising from changes in financial assumptions	(10,146)
1,016	Other	(3,630)
5,988	Past Service Cost	-
(21,267)	Benefits Paid	(24,019)
(1,427)	Unfunded Pension Payments	(1,380)
<b>833,535</b>	<b>Closing Defined Benefit Obligation</b>	<b>776,923</b>

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 2020.

## 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.

2018/19 £'000	Local Government Pension Scheme assets comprised:	2019/20 £'000
14,414	Cash and cash equivalents	9,955
	<b>Equity Instruments</b>	
	<i>By industry type</i>	
31,163	Consumer	30,033
34,301	Manufacturing	26,742
5,628	Energy and utilities	19,025
43,527	Financial Institutions	32,022
12,429	Health and Care	20,781
27,708	Information Technology	17,599
1,452	Other	1,908
<b>156,208</b>		<b>148,110</b>
	<b>Investment Funds - Quoted in Active Market</b>	
139,094	Managed Fund - UK Equities Passive	127,114
92,386	Managed Fund - Property	88,939
100,508	Managed Fund - Bonds	119,193
<b>331,988</b>		<b>335,246</b>
	<b>Investment Funds - Not Quoted</b>	
<b>133,323</b>		<b>142,008</b>
<b>635,933</b>	<b>Total Assets</b>	<b>635,319</b>

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

2018/19 £'000	Fair Value of Scheme Assets	2019/20 £'000
	<b>Equity instruments:</b>	
	<i>By company size</i>	
156,208	Large capitalisation	148,110

## 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:

2018/19	Basis for Estimating Assets and Liabilities	2019/20
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
21.60	Men	22.40
24.20	Women	24.00
	- longevity at 65 for future pensioners (years)	
23.30	Men	23.80
26.00	Women	25.50
3.4%	Rate of inflation - RPI	3.2%
2.4%	Rate of inflation - CPI	2.3%
3.5%	Rate of increase in salaries	2.9%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

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

2018/19		Category Analysis of the Scheme Assets as at 31 March 2020	2019/20	
%	£'000		%	£'000
46	295,302	Equities	43	275,224
-	-	Gilts	-	-
16	100,508	Other Bonds	19	119,193
15	92,386	Property	14	88,939
2	14,414	Cash	2	9,955
19	121,619	Multi-Asset Fund	14	90,302
-	-	Private Credit	-	-
2	11,704	Infrastructure	8	51,706
<b>100</b>	<b>635,933</b>	<b>Total</b>	<b>100</b>	<b>635,319</b>

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	7%
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 2019/20 the Council paid £10.132m to teachers' pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay for the period 1<sup>st</sup> April to 31<sup>st</sup> August 2019 and 23% from 1<sup>st</sup> September 2019 to 31<sup>st</sup> March 2020 (£7.551mm and 17.2% in 2018/19). 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 2019/20 these amounted to £0.721m representing 1.46% of pensionable pay (£0.713m and 1.62% in 2018/19).

### Note 22 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 16 employers in the Scottish Borders. As at 31 March 2020 there were 11,338 members.

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

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

### Note 23 Events After the Balance Sheet Date

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

# Notes to the Core Financial Statements

## Note 24 Inventories

2018/19 £'000		2019/20 £'000
677	Balance outstanding at start of year	820
143	Movement during year	132
820	Balance outstanding at year-end	952

## 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
<b>Balance at 1 April 2019</b>	(72)	(268)	(68)	(4,056)	(4,464)
Additional charges to provisions	(17)	-	-	(142)	(159)
Payments made or released	9	-	68	550	627
<b>Balance at 31 March 2020</b>	<b>(80)</b>	<b>(268)</b>	<b>-</b>	<b>(3,648)</b>	<b>(3,996)</b>
Within 12 Months	(80)	(268)	-	(42)	(390)
Over 12 months	-	-	-	(3,606)	(3,606)
<b>Total</b>	<b>(80)</b>	<b>(268)</b>	<b>-</b>	<b>(3,648)</b>	<b>(3,996)</b>

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.

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 Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary has 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 Live Borders it is £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 2018/19 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.
- There has been a legal case regarding pension obligations relating to Civil Partnerships, it is too early to assess what the financial implications of this will be on Local Government Pension Schemes.

## Note 27 Contingent Assets

The following Contingent Assets are noted:

- The European Commission issued a decision which found that European truck manufacturers had engaged in price fixing and other cartel activities over a 14 year period between 1997 and 2011 in relation to trucks over six tonnes. Scottish Borders Council 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 2019/20.

2018/19 £'000		2019/20 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(14,432)	General Capital Grant	(16,765)
(9,945)	Other Grants	(13,610)
(287)	Developer Contributions	(586)
<b>(24,664)</b>	<b>Total</b>	<b>(30,961)</b>
	<b>Credited to Services</b>	
(389)	Culture & Sport	(451)
(34)	Asset & Infrastructure	(13)
(1,184)	Economic Development & Corporate Services	(1,779)
(4,144)	Health & Social Care	(3,205)
(4,576)	Children & Young People	(9,209)
(27,060)	Customer & Communities	(24,069)
(116)	Human Resources	(442)
(1,328)	Regulatory Services	(1,985)
-	Finance, IT & Procurement	(89)
<b>(38,831)</b>		<b>(41,242)</b>

## 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 2020			
	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
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(348,466)	-	(348,466)
Market Debt	-	(597)	-	(597)
Other debt	-	(83,227)	-	(83,227)
<b>Total</b>	-	<b>(432,290)</b>	-	<b>(432,290)</b>

	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
<b>Financial Liabilities</b>				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(297,656)	-	(297,656)
Market Debt	-	(572)	-	(572)
Other debt	-	(67,553)	-	(67,553)
<b>Total</b>	-	<b>(365,781)</b>	-	<b>(365,781)</b>

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 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
<b>Loans and Receivables</b>				
Cash and Cash Equivalents	-	-	4,525	10,488
Debtors	6,315	6,647	37,219	47,584
<b>Total Loans and Receivables</b>	<b>6,315</b>	<b>6,647</b>	<b>41,743</b>	<b>58,072</b>
<b>Borrowings</b>				
Bank Overdraft	-	-	-	(367)
Financial Liabilities (principal amount)	(195,846)	(202,574)	-	(762)
Accrued interest	-	-	(3,275)	(3,292)
<b>Total Borrowings</b>	<b>(195,846)</b>	<b>(202,574)</b>	<b>(3,275)</b>	<b>(4,421)</b>
<b>Other Liabilities</b>				
PPP and finance lease liabilities	(67,322)	(64,182)	(3,027)	(3,226)
Bonds	-	-	(1,400)	(1,465)
<b>Total other long-term liabilities</b>	<b>(67,322)</b>	<b>(64,182)</b>	<b>(4,427)</b>	<b>(4,691)</b>
<b>Creditors</b>				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(42,998)	(43,481)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(42,998)</b>	<b>(43,481)</b>

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 2019			31 March 2020	
£'000	%		£'000	%
(36,214)	18	Bonds and Mortgages	(36,205)	17
(159,632)	80	Public Works Loan Board	(166,369)	81
<b>(195,846)</b>	<b>98</b>	<b>Long term borrowing (&gt; 1 year)</b>	<b>(202,574)</b>	<b>98</b>
(3,275)	2	Short Term Borrowing repayable within 12 months	(4,054)	2
<b>(199,121)</b>	<b>100</b>	<b>Total Borrowing</b>	<b>(206,628)</b>	<b>100</b>

## Notes to the Core Financial Statements

### Analysis of Borrowing by Maturity.

2018/19 £'000		2019/20 £'000
(10,774)	Less than 1 year	(4,054)
(2,793)	Between 1 and 2 years	(11,299)
(4,097)	Between 2 and 7 years	(27,520)
(25,500)	Between 7 and 15 years	(7,800)
(155,956)	More than 15 years	(155,955)
<b>(199,120)</b>	<b>Total</b>	<b>(206,628)</b>

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

	2019/20		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	12,756	-	12,756
<b>Interest payable and similar charges</b>	<b>12,756</b>	<b>-</b>	<b>12,756</b>
Interest Income	-	(407)	(407)
<b>Interest and investment income</b>	<b>-</b>	<b>(407)</b>	<b>(407)</b>
<b>Net (gain) / loss for the year</b>	<b>12,756</b>	<b>(407)</b>	<b>12,350</b>

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

## 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 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(159,632)	(297,656)	(167,132)	(348,466)
Other debt	(39,490)	(68,125)	(39,495)	(83,824)
<b>Total debt</b>	<b>(199,122)</b>	<b>(365,781)</b>	<b>(206,628)</b>	<b>(432,290)</b>
Creditors	(47,425)	(47,425)	(48,171)	(48,171)
<b>Total financial liabilities</b>	<b>(246,547)</b>	<b>(413,206)</b>	<b>(254,799)</b>	<b>(480,461)</b>

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 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Loans and Receivables</b>				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	4,525	4,525	10,488	10,488
Debtors	37,219	37,219	47,584	47,584
<b>Total loans and receivables</b>	<b>41,743</b>	<b>41,743</b>	<b>58,072</b>	<b>58,072</b>

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 2019/20 which incorporates the prudential indicators was approved by the Council on 28 February 2019. The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £389.0m This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £324.2m. 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 £324.2m and £113.5m 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 2019/20 was approved by the Council on 28 February 2019 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 2020 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 28 February 2019:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31March 2019 £'000	Actual 31March 2020 £'000
Less than one year			62,920	20	10,774	4,055
Between one and two years			62,920	20	2,793	11,298
Between two and seven years			62,920	20	4,097	27,520
Between seven and fifteen years			62,920	20	25,500	7,800
More than fifteen years	62,920	20	314,600	100	155,956	155,955
<b>Total</b>					<b>199,120</b>	<b>206,628</b>

### 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	216
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)	78,404

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

2018/19 £'000		2019/20 £'000
21,201	Trade Receivables	23,085
3,361	Prepayments	5,952
23,901	Other Receivable Amounts	30,020
<b>48,463</b>		<b>59,056</b>

#### Creditors

2018/19 £'000		2019/20 £'000
(13,995)	Trade Payables	(16,094)
(33,431)	Other Payables	(32,077)
<b>(47,425)</b>		<b>(48,171)</b>

#### 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:

2018/19 £'000		2019/20 £'000
765	Less Than 2 Months	1,248
442	2 To 4 Months	301
514	4 To 6 Months	651
1,943	6 Months To 1Year	1,869
21,228	More Than 1Year	21,850
<b>24,892</b>		<b>25,919</b>

## Notes to the Core Financial Statements

### Note 31 Movement in Reserves

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

	Balance as at 31 March 2019	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2020
	£'000	£'000	£'000	£'000
<b>Usable Reserves</b>				
General Fund Balances	(17,555)	(11,637)	10,012	(19,179)
Capital Fund	(8,803)	(741)	-	(9,544)
Property Maintenance Fund	(447)	446	-	(1)
Insurance Fund	(1,197)	(200)	-	(1,397)
<b>Unusable Reserves</b>				
Capital Adjustment Account	(122,348)	(11,888)	(3,035)	(137,271)
Financial Instruments Adjustment Account	6,760	(318)	-	6,441
Revaluation Reserve	(120,329)	4,612	2,272	(113,445)
Pensions Reserve	197,602	18,775	(74,773)	141,604
Employee Statutory Adjustment Account	5,333	951	-	6,285
<b>Total</b>	<b>(60,984)</b>	<b>-</b>	<b>(65,523)</b>	<b>(126,507)</b>

# 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 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)	-	
<b>Total in year adjustments</b>	<b>(14,762)</b>	<b>(1,223)</b>	<b>(21)</b>	<b>(134)</b>	<b>(16,140)</b>	<b>16,140</b>	<b>-</b>	

# Notes to the Core Financial Statements

## Adjustments between accounting basis & funding basis under regulations 2019/20

	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	(27,613)	-	-	-	(27,613)	27,613	-	12 & 14
Impairment Losses (charged to CI&ES)	(5,342)	-	-	-	(5,342)	5,342	-	
Revaluation Losses	(1,502)	-	-	-	(1,502)	1,502	-	
Capital grants and contributions applied	30,961	-	-	-	30,961	(30,961)	-	28
Employee Statutory Adjustments	(952)	-	-	-	(952)	952	-	
Profit/(Loss) on disposal of assets	(71)	(2,556)	-	-	(2,627)	2,627	-	
Revenue Exp Funded From Capital under Statute	(1,761)	-	-	-	(1,761)	1,761	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	319	-	-	-	319	(319)	-	
Net retirement charges per IAS 19	(30,445)	-	-	-	(30,445)	30,445	-	
Loans Fund principal repayments and Statutory premia	10,539	-	-	-	10,539	(10,539)	-	
Capital Expenditure charged to General Fund balance	504	-	-	-	504	(504)	-	
Employers contribution payable to Pension Fund	11,670	-	-	-	11,670	(11,670)	-	
Net Transfers to or (from) other reserves	2,138	1,814	446	(200)	4,199	(4,199)	-	
<b>Total in year adjustments</b>	<b>(11,557)</b>	<b>(741)</b>	<b>446</b>	<b>(200)</b>	<b>(12,052)</b>	<b>12,052</b>	<b>-</b>	

### Usable Reserves

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

# Notes to the Core Financial Statements

The General Fund Balances are further analysed as follows:

2018/19	Analysis as at 31 March	2019/20
£'000		£'000
	<b>Earmarked Balances of the General Fund</b>	
(1,159)	Children & Young People - Devolved School Management	(1,160)
	<b>Specific Departmental Reserves</b>	
(64)	Culture & Sport	-
(228)	Asset & Infrastructure	(200)
(93)	Economic Development & Corporate Services	(317)
(70)	Health & Social Care	(32)
(393)	Children & Young People	(1,538)
(629)	Customer & Communities	(919)
(412)	Finance, IT & Procurement	(11)
(231)	Human Resources	(286)
(63)	Revenue Support Grant / Council Tax	-
(4,022)	Regulatory Services/2nd Homes Council Tax	(3,949)
(3,244)	Allocated Reserves - Financial Plan	(2,988)
(10,608)		(11,400)
(6,947)	Non-Earmarked Balances of the General Fund	(7,779)
<b>(17,555)</b>	<b>Total General Fund Reserve</b>	<b>(19,179)</b>

## 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.

## Note 32 Cash Flow

## Notes to the Core Financial Statements

2018/19 Restated £'000		2019/20 £'000
	<b>Reconciliation to General Fund Surplus</b>	
<b>16,933</b>	<b>Net (Surplus) or deficit on the provision of services</b>	<b>9,932</b>
	<b>Adjustments to (surplus) or deficit on the provision of services for non cash movements</b>	
(27,141)	Depreciation	(27,584)
(6,221)	Impairment & Revaluation Loss through I & E	(6,845)
(1)	Amortisation of intangible assets	(29)
(19,567)	Movement in pension liability	(18,775)
(698)	Gain/Loss on carrying amounts of assets disposed	(71)
143	Net movement in inventories charged to I & E	132
(2,798)	Net movement in debtors charged to I & E	10,256
1,978	Net movement in creditors charged to I & E	(520)
(190)	Net movement in provisions charged to I & E	(81)
<b>(54,495)</b>		<b>(43,517)</b>
	<b>Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities</b>	
24,664	Capital grants received	30,961
(862)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,265)
<b>23,802</b>		<b>29,696</b>
<b>(13,760)</b>	<b>Net Cash Outflow / (Inflow) from Operating Activities</b>	<b>(3,889)</b>

### Note 33

#### Impairment & Revaluation Losses

During 2019/20 SBC recognised a net impairment and revaluation loss of £6.845m within the Net Cost of Services. This includes a reversal of £0.022m 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:

2018/19 £'000		2019/20 £'000
46	Cash held by officers	40
2,479	Bank current accounts	4,198
2,000	Short term deposits	6,250
<b>4,525</b>	<b>Total</b>	<b>10,488</b>

# 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.

2018/19			2019/20	
£'000	£'000		£'000	£'000
	(68,275)	Gross Charges Levied		(71,267)
5,140		Less: Council Tax Reduction Scheme	5,201	
5,140			5,201	
7,660		Discounts and Exemptions	7,715	
731		Allowance for Impairment	766	
(240)		Miscellaneous	(178)	
	13,291			13,504
	<b>(54,984)</b>			<b>(57,763)</b>
	<b>(54,984)</b>	<b>Total Income Credited to the Comprehensive Income &amp; Expenditure Statement</b>		<b>(57,763)</b>

## Notes to the Council Tax Income Account

### Note 1 Calculation of Council Tax base at 1 April 2019

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 2018/19	Number of Properties 2019/20	Proportion	2018/19 £	2019/20 £
A	16,538	16,475	240/360	766.68	797.35
B	12,693	12,748	280/360	894.46	930.24
C	7,098	7,106	320/360	1,022.24	1,063.13
D	6,007	6,054	360/360	1,150.02	1,196.02
E	6,456	6,492	473/360	1,510.99	1,571.44
F	4,856	4,892	585/360	1,868.78	1,943.53
G	4,493	4,542	705/360	2,252.11	2,342.21
H	477	479	882/360	2,817.54	2,930.25
<b>Total</b>	<b>58,618</b>	<b>58,788</b>			

# 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 2019/20 the Band D charges were £205.56 for water and £238.68 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.

2018/19			2019/20	
Restated				
£'000	£'000		£'000	£'000
	(52,315)	Gross Rates Levied & Contribution in Lieu		(53,016)
	728	Prior Year Adjustments		2,113
15,613		Less: Reliefs and Other Deductions	16,025	
432		Write-offs of uncollectable debts & allowance for impairment	419	
-		Interest paid on overpaid rates	-	
	16,045			16,443
	(35,542)			(34,459)
	(174)	Net General Fund expenditure on discretionary reliefs		(153)
	<b>(35,716)</b>	<b>Net Non-Domestic Rate Income</b>		<b>(34,612)</b>
	-	Adjustment to Previous Years National Non-Domestic Rates		-
	<b>(35,716)</b>	<b>Contribution to National Pool</b>		<b>(34,612)</b>
	32,790	Distribution received from National Pool		36,624
	<b>(32,790)</b>	<b>Income Credited to the Comprehensive Income &amp; Expenditure Statement</b>		<b>(36,624)</b>

# Supplementary Financial Statements

## Notes to the Non-Domestic Rate Income Account

### Note 1 Rateable Subjects at 1 April 2019

Classification	Number	Rateable Value £'000
Shops	1,250	20,668
Public Houses	83	1,508
Offices Including Banks	969	8,150
Hotels Etc	131	4,206
Industrial Subjects Including Factories Warehouses and Stores	2,040	27,339
Leisure, Entertainment Caravans and Holiday Sites	1,083	6,157
Garages and Petrol Stations	213	2,218
Cultural	49	541
Sporting Subjects	1,132	2,155
Education and Training	104	10,838
Public Service Subjects	432	5,715
Communications (Non Formula)	5	16
Quarries Mines Etc	12	675
Petrochemical	5	1,307
Religious	290	1,271
Health Medical	97	4,175
Other	417	2,110
Care Facilities	86	1,993
Advertising	7	13
Undertaking	28	5,246
<b>Total</b>	<b>8,433</b>	<b>106,300</b>

### Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2019/20 was:

49.0p 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 1<sup>st</sup> 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 39 non registered charities, a reduction of 7 from the previous year.

## 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

2018/19		Charitable	Other	2019/20
£'000		£'000	£'000	Total £'000
	<b>Income</b>			
(14)	Donations & Legacies	(3)	(13)	(16)
(122)	Investments	(80)	(44)	(124)
(11)	Charitable Activities	-	(40)	(40)
(18)	Unrealised Gain On Investments	-	-	-
(684)	Recognition Of Fixed Assets & Investments		(0)	(0)
-	Revaluation Of Fixed Assets & Investments	(185)	(447)	(632)
	<b>Expenditure</b>			
98	Raising Funds	55	90	145
728	Charitable Activities	16	56	72
4	Other : Governance Costs	3	1	4
-	Unrealised Loss On Investments	161	149	310
<b>(18)</b>	<b>(Surplus) / Deficit for the Year</b>	<b>(33)</b>	<b>(249)</b>	<b>(282)</b>
(977)	(Surplus) brought forward	(614)	(467)	(1081)
(98)	Funding (brought forward/carried forward) to Revaluation Reserve	130	357	487
12	Transfer to Capital Reserve	(160)	(160)	(320)
<b>(1,081)</b>	<b>(Surplus) carry forward</b>	<b>(677)</b>	<b>(518)</b>	<b>(1,195)</b>

### Balance Sheet

2018/19		Charitable	Other	2019/20
£'000		£'000	£'000	Total £'000
	<b>Non-current Assets</b>			
1,594	Tangible Fixed Assets	365	1,717	2,082
1,801	Investments	861	804	1,665
-	Long term Loan	-	-	-
	<b>Current Assets</b>			
540	Short Term Investments	231	246	477
15	Sundry Debtors	4	7	11
	<b>Current Liabilities</b>			
-	Sundry Creditors	-	-	-
<b>3,950</b>	<b>Net Assets</b>	<b>1,461</b>	<b>2,773</b>	<b>4,234</b>
	<b>Financed by</b>			
(1,080)	Revenue Reserve	(677)	(518)	(1,195)
(1,346)	Capital Reserve	(471)	(556)	(1,027)
(1,524)	Revaluation Reserve	(312)	(1,699)	(2,011)
<b>(3,950)</b>		<b>(1,461)</b>	<b>(2,773)</b>	<b>(4,234)</b>

## 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 2020, 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.

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

2018/19		Coldstream	Duns	Eyemouth	Galashiels	Hawick	Innerleithen	Jedburgh	Kelso	Lauder	Melrose	Peebles	Selkirk	Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Income</b>													
(4)	Donations & Legacies	-	-	-	-	(1)	-	(1)	(1)	(1)	-	-	(1)	(5)
(154)	Investments	-	(1)	-	(8)	(23)	-	(46)	(13)	(13)	(1)	(23)	(44)	(172)
(243)	Charitable Activities	-	-	-	-	(268)	-	-	-	(12)	-	(55)	(61)	(396)
(28)	Unrealised Gain On Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
-	Revaluation Of Fixed Assets	(70)	-	-	(28)	(1,005)	(289)	(10)	(283)	(338)	-	(169)	(999)	(3,481)
(1)	Recognition Of Fixed Assets & Investments	-	-	-	-	-	-	-	-	-	(17)	-	-	(17)
<b>(430)</b>		<b>(70)</b>	<b>(1)</b>	<b>-</b>	<b>(226)</b>	<b>(1,297)</b>	<b>(289)</b>	<b>(157)</b>	<b>(297)</b>	<b>(364)</b>	<b>(18)</b>	<b>(247)</b>	<b>(1,105)</b>	<b>(4,071)</b>
	<b>Expenditure</b>													
431	Raising Funds	10	-	-	55	201	31	12	59	34	4	13	165	684
101	Charitable Activities	-	-	-	-	63	-	37	2	15	-	26	28	171
48	Other: Governance Costs	-	1	-	2	13	-	4	2	10	-	9	11	52
-	Unrealised Loss On Investments	-	2	-	25	73	-	143	42	39	2	74	35	435
<b>580</b>		<b>10</b>	<b>3</b>	<b>0</b>	<b>82</b>	<b>350</b>	<b>31</b>	<b>196</b>	<b>105</b>	<b>98</b>	<b>6</b>	<b>222</b>	<b>239</b>	<b>1,342</b>
<b>150</b>	<b>(Surplus) / Deficit carry forward</b>	<b>(60)</b>	<b>2</b>	<b>-</b>	<b>(144)</b>	<b>(947)</b>	<b>(258)</b>	<b>39</b>	<b>(192)</b>	<b>(266)</b>	<b>(12)</b>	<b>(25)</b>	<b>(866)</b>	<b>(2,729)</b>

# Common Good Funds

## Balance Sheet

Total 2018/19 £'000		2019/20												Total £'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	
	<b>Non-current Assets</b>													
10,490	Tangible Assets	276	-	2	682	4,430	514	541	937	1,295	28	852	3,903	13,460
2,780	Investments	-	15	-	135	387	-	767	225	211	8	393	194	2,335
24	Long Term Loan to Third Party	-	-	-	-	-	-	15	-	-	-	40	-	55
	<b>Current Assets</b>													
99	Sundry Debtors	-	-	-	1	28	-	4	1	9	-	5	10	58
155	Short Term Investments	-	1	-	10	138	-	105	39	35	8	13	52	401
	<b>Current Liabilities</b>													
(15)	Sundry Creditors	-	-	-	1	(14)	-	(30)	-	(2)	-	-	(2)	(47)
<b>13,533</b>	<b>Net Assets</b>	<b>276</b>	<b>16</b>	<b>2</b>	<b>829</b>	<b>4,969</b>	<b>514</b>	<b>1,402</b>	<b>1,202</b>	<b>1,548</b>	<b>44</b>	<b>1,303</b>	<b>4,157</b>	<b>16,262</b>
	<b>Financed by</b>													
(3,683)	Restricted Income Funds	(122)	(16)	(1)	(300)	(673)	(135)	(864)	(265)	(256)	(34)	(501)	(275)	(3,442)
(9,850)	Revaluation Reserve	(54)	-	(1)	(529)	(4,296)	(379)	(538)	(937)	(1,292)	(10)	(802)	(3,882)	(12,820)
<b>(13,533)</b>	<b>Total Reserves</b>	<b>(276)</b>	<b>(16)</b>	<b>(2)</b>	<b>(829)</b>	<b>(4,969)</b>	<b>(514)</b>	<b>(1,402)</b>	<b>(1,202)</b>	<b>(1,548)</b>	<b>(44)</b>	<b>(1,303)</b>	<b>(4,157)</b>	<b>(16,262)</b>

# Group Accounts

## Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 115 to 123.

The Group Accounts for 2018/19 have been restated to reflect the change in consolidation status regarding SB Cares, SB Supports, Lowood Tweedbank Ltd and Jedburgh Leisure Facilities Trust

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

### Subsidiaries

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

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

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 112 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.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1<sup>st</sup> 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.

SB Cares and SB Supports LLP both previously consolidated as subsidiaries, ceased trading on 30 November 2019. All operations and functions were re-integrated into Scottish Borders Council on this date.

Lowood Tweedbank Limited which was consolidated as a subsidiary in 2018/19, has been excluded from the Group accounts in 2019/20. This is in relation to the materiality threshold as agreed with Audit Scotland.

## 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, which was consolidated as an associate in 2018/19, has been excluded from the Group accounts in 2019/20. This is in accordance to the materiality threshold as agreed with Audit Scotland.

### Joint Arrangements

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

- Scottish Borders Health and Social Care Partnership

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

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure of £192.530m and income of £196.212m for the year of which £68.552m and £70.393m has been consolidated into the Group Accounts. Both the Balance Sheet and Movement in Reserves Statement show a net position of £3.682m for 2019/20.

The financial statements for the Scottish Borders Health and Social Care Partnership are available from the Council Headquarters.

# Group Movement In Reserves Statement

## Restated 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
<b>Balance at 01/04/2018</b>	(28,795)	(8,388)	<b>(37,183)</b>	(62,553)	(9,202)	<b>(71,755)</b>	<b>(108,938)</b>

## Movement in reserves during 2018/19

Total Comprehensive Income & Expenditure	16,933	(643)	<b>16,290</b>	13,431	1,439	<b>14,870</b>	<b>31,160</b>
Adjustments between accounting basis & funding basis under regulations	(16,140)	(370)	<b>(16,510)</b>	16,140	370	<b>16,510</b>	-
<b>Increase or Decrease in 2018/19</b>	793	(1,013)	<b>(220)</b>	29,571	1,809	<b>31,380</b>	<b>31,160</b>
<b>Balance at 31/03/2019 carried forward</b>	<b>(28,002)</b>	<b>(9,401)</b>	<b>(37,403)</b>	<b>(32,982)</b>	<b>(7,393)</b>	<b>(40,375)</b>	<b>(77,778)</b>

## Movement in reserves during 2019/20

	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
<b>Balance at 01/04/2019</b>	(28,002)	(9,401)	<b>(37,403)</b>	(32,982)	(7,393)	<b>(40,375)</b>	<b>(77,778)</b>

## Movement in reserves during 2019/20

Total Comprehensive Income & Expenditure	9,932	(657)	<b>9,275</b>	(75,456)	(5,926)	<b>(81,382)</b>	<b>(72,106)</b>
Adjustments between accounting basis & funding basis under regulations	(12,052)	(674)	<b>(12,726)</b>	12,052	674	<b>12,726</b>	-
<b>Increase or Decrease in 2019/20</b>	(2,119)	(1,331)	<b>(3,450)</b>	(63,404)	(5,252)	<b>(68,656)</b>	<b>(72,106)</b>
<b>Balance at 31/03/2020 carried forward</b>	<b>(30,121)</b>	<b>(10,732)</b>	<b>(40,853)</b>	<b>(96,386)</b>	<b>(12,645)</b>	<b>(109,031)</b>	<b>(149,884)</b>

# Group Comprehensive Income and Expenditure Statement

2018/19 Restated				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
13,067	(4,788)	8,279	Culture & Sport	14,833	(5,679)	9,154
60,643	(11,284)	49,359	Asset & Infrastructure	65,761	(10,484)	55,277
4,686	(1,894)	2,792	Economic Development & Corporate Services	4,499	(3,283)	1,216
123,979	(71,653)	52,326	Health & Social Care	136,118	(78,507)	57,611
114,459	(5,466)	108,993	Children & Young People	117,832	(9,413)	108,420
42,806	(29,599)	13,207	Customer & Communities	43,328	(26,808)	16,520
18,349	(431)	17,918	Finance, IT & Procurement	21,151	(3,755)	17,396
7,046	(460)	6,586	Human Resources	7,291	(681)	6,611
20,024	(6,554)	13,470	Regulatory Services	20,869	(6,694)	14,175
7,005	-	7,005	Non-Distributed Costs	3,322	-	3,322
580	(247)	333	Common Good	907	(401)	506
830	(25)	805	Trust Funds	220	(56)	164
-	-	-	Share of Operating Results Of Associates & Joint Ventures	-	(1,841)	(1,841)
<b>413,475</b>	<b>(132,401)</b>	<b>281,073</b>	<b>Services provided by the Council</b>	<b>436,132</b>	<b>(147,601)</b>	<b>288,531</b>
<b>413,475</b>	<b>(132,401)</b>	<b>281,073</b>	<b>Net Cost of Services</b>	<b>436,132</b>	<b>(147,601)</b>	<b>288,531</b>
4,374	(4,500)	(126)	Roads Trading Operation (Surplus)/Deficit (External)	5,140	(5,200)	(60)
			<b>Other Operating Expenditure</b>			
2,304	(1,606)	698	(Gain)/Loss on Disposal of Assets	2,627	(2,556)	71
			<b>Financing &amp; Investment Income and Expenditure</b>			
14,366	-	14,366	Interest Payable & Similar Charges	12,756	-	12,756
-	(186)	(186)	Interest Receivable & Similar Income	-	(596)	(596)
19,356	(15,055)	4,301	Net Interest Expense on the Net Defined Benefit Liability	20,249	(15,274)	4,975
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			<b>Taxation and Non-Specific Grant Income</b>			
-	(169,560)	(169,560)	Revenue Support Grant	-	(171,088)	(171,088)
-	(32,790)	(32,790)	Non-Domestic Rates Pool for Scotland	-	(36,624)	(36,624)
-	(54,984)	(54,984)	Council Tax	-	(57,763)	(57,763)
-	(24,664)	(24,664)	Capital Grants and Contributions	-	(30,961)	(30,961)
		<b>18,128</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>9,241</b>

# Group Comprehensive Income and Expenditure Statement

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		18,128	<b>(Surplus)/Deficit on Provision of Services</b>			9,241
		(3,522)	(Surplus)/Deficit on revaluation of Non Current Assets			(5,444)
		(867)	Any Other (Gains) Or Losses			808
		17,421	Actuarial (gains)/losses on pension assets/liabilities			(76,712)
		13,032	<b>Other Comprehensive Income and Expenditure</b>			(81,348)
		<b>31,160</b>	<b>Total Comprehensive (Income)/Expenditure</b>			<b>(72,106)</b>

# Group Balance Sheet

2018/19 Restated £'000		2019/20 £'000
400,657	Property Plant and Equipment	399,369
18,694	Other Land and Buildings	21,806
128,178	Vehicle, Plant, Furniture & Equipment	129,942
3,561	Infrastructure	4,790
21,488	Surplus Assets	26,326
1,061	Assets Under Construction	1,061
61	Heritage Assets	40
4,583	Intangible Assets	4,002
-	Long Term Investments	1,841
728	Investments In Associates & Joint Ventures	1,090
	Long Term Debtors	
<b>579,011</b>	<b>Long Term Assets</b>	<b>590,267</b>
14	Intangible Assets - Current	-
865	Inventories	1,009
37,662	Short Term Debtors	59,858
(11,244)	less Impairment of Receivables	(11,472)
5,843	Cash and Cash Equivalents	13,154
<b>33,140</b>	<b>Current Assets</b>	<b>62,550</b>
-	Bank Overdrafts	(367)
(3,275)	Short Term Borrowing	(4,816)
(37,462)	Short Term Creditors	(51,156)
(579)	Provisions	(389)
<b>(41,316)</b>	<b>Current Liabilities</b>	<b>(56,729)</b>
(195,855)	Long Term Borrowing	(201,812)
(67,322)	Deferred Liabilities	(64,182)
(3,885)	Provisions	(3,607)
(23,509)	Capital Grants Receipts in Advance	(31,343)
<b>(290,571)</b>	<b>Long Term Liabilities</b>	<b>(300,943)</b>
280,264	<b>Net Assets excluding pension liability</b>	295,145
(202,486)	Pension Liability	(145,261)
<b>77,778</b>	<b>Net Assets/(Liabilities) including pension liability</b>	<b>149,884</b>

# Group Balance Sheet

2018/19 £'000	Financed By:	2019/20 £'000
	<b>Useable Reserves</b>	
(8,803)	Capital Fund	(9,544)
(17,555)	General Fund Balance	(19,179)
(447)	Property Maintenance Fund	(1)
(1,197)	Insurance Fund	(1,397)
(9,401)	Share of Group Entities Usable Reserves	(10,732)
	<b>Unusable Reserves</b>	
(122,348)	Capital Adjustment Account	(137,271)
6,760	Financial Instruments Adjustment Account	6,441
(120,329)	Revaluation Reserve	(113,445)
197,602	Pension Reserve	141,604
5,333	Employee Statutory Adjustment Account	6,285
(7,393)	Share of Group Entities Unusable Reserves	(12,645)
<b>(77,778)</b>	<b>Total Reserves</b>	<b>(149,884)</b>

The unaudited accounts were issued on 23 June 2020 and the audited accounts were authorised for issue on 5 November 2020.



**David Robertson CPFA**  
**Executive Director**  
**Finance & Regulatory**

05 November 2020

# Group Cash Flow Statement

2018/19 Restated £'000		2019/20 £'000      £'000	
18,128	<b>Net (Surplus) or deficit on the provision of services</b>	9,241	
-	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	1,841	
(55,632)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(46,817)	
23,272	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	29,696	
<b>(14,232)</b>	<b>Net Cash Flows From Operating Activities</b>		<b>(6,039)</b>
	<b>Investing Activities</b>		
49,968	Purchase of PP&E, investment property and intangible assets	42,818	
(1,606)	Proceeds from PP&E, investment property and intangible assets	(2,556)	
93	Purchase/(Disposal) of short & long term investments	336	
(34,892)	Other Items which are Investing Activities	(38,230)	
<b>13,563</b>	<b>Net Cash Flows from Investing Activities</b>		<b>2,368</b>
	<b>Financing Activities</b>		
(10,012)	Cash received from loans & other borrowing	(7,500)	
3,035	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,942	
13,064	Repayments of short and long term borrowing	19	
862	Other items which are financing activities	1,266	
<b>6,949</b>	<b>Net Cash Flows from Financing Activities</b>		<b>(3,273)</b>
<b>6,280</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>(6,944)</b>
12,125	Cash and Cash Equivalents at the beginning of the reporting period		5,843
5,845	Cash and Cash Equivalents at the end of the reporting period		12,787
<b>6,280</b>	Movement		<b>(6,944)</b>

## 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:

2018/19 Restated £'000		2019/20 £'000
	<b>Reconciliation to General Fund Surplus</b>	
18,128	<b>Net (Surplus) or deficit on the provision of services</b>	9,241
-	<b>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</b>	1,841
	<b>Adjustments to (surplus) or deficit on the provision of services for non cash movements</b>	
(27,912)	Depreciation	(28,668)
(6,280)	Impairment & Revaluation Loss through I & E	(7,029)
(1)	Amortisation of intangible assets	(29)
(20,080)	Movement in pension liability	(19,487)
(698)	Gain/Loss on carrying amounts of assets disposed	(71)
128	Net movement in inventories charged to I & E	145
(3,102)	Net movement in debtors charged to I & E	10,424
2,503	Net movement in creditors charged to I & E	(2,021)
(190)	Net movement in provisions charged to I & E	(81)
<b>(55,632)</b>		<b>(46,817)</b>
	<b>Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities</b>	
24,664	Capital grants received	30,961
(1,392)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(1,265)
<b>23,272</b>		<b>29,696</b>
<b>(14,232)</b>	<b>Net Cash Outflow / (Inflow) from Operating Activities</b>	<b>(7,880)</b>

### Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The surplus of £65.5m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group surplus of £72.1m. The net asset position of the Council's single entity Balance Sheet of £126.5m becomes £149.9m on group consolidation. Overall, the Group Balance Sheet position has increased by £72.1m from 2018/19 largely as a result of the decrease in 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 12<sup>th</sup> 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.

## Glossary of Terms

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

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

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

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

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

## Glossary of Terms

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

**Trust Funds:** The Council administers 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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