Scottish Borders Council

annual accounts

for the year to 31 March 2018

Scottish Borders Council

Annual Accounts 2017/18

Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2018. 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 2017/18.

2017/18 has been a year of significant change within Scottish Borders Council. Transition from legacy payroll, general ledger and procurement systems to Business World, an integrated Enterprise Resource Planning (ERP) system has been challenging whilst maintaining a 'business as usual' approach.

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

- what we do as a Council;
- what our strategy and priorities are;
- how we are organised to deliver our priorities;
- our financial position for 2017/18;
- key aspects of our performance during 2017/18; and
- our plans for the future.

Highlights of 2017/18

Against a very difficult financial background, the Council has achieved the following during 2017/18:

✓ Achieved £12.3m of Financial Plan savings, £7.8m of which were on a permanent basis;

✓ Delivered £254.2m of revenue spending within budget;

✓ Delivered Capital Investment of £36m in schools, flood protection, roads, lighting and other assets;

✓ Undertaken a 5 yearly review of all our Education assets;

✓ Delivered back office savings in order to protect front line services in the Borders wherever possible.

Our Plans for 2018/19

The next year presents many opportunities for the Council including:

➢ the continuation of digital transformation including the realisation of efficiency and process improvement benefits following the stabilisation of Business World (new ERP solution) during 2017;

➢ a renewed focus on improved communication and engagement with our communities and build on successful current initiatives such as the Locality Bid Fund;

➢ planning, collaboration, partnership working and a focus on jointly seeking solutions to the challenges we face in the Borders.

The Council has committed to an ambitious Corporate Transformation Programme to deliver service improvements and savings that will ensure the Council and its services are sustainable within the reducing resource environment of the Public Sector.

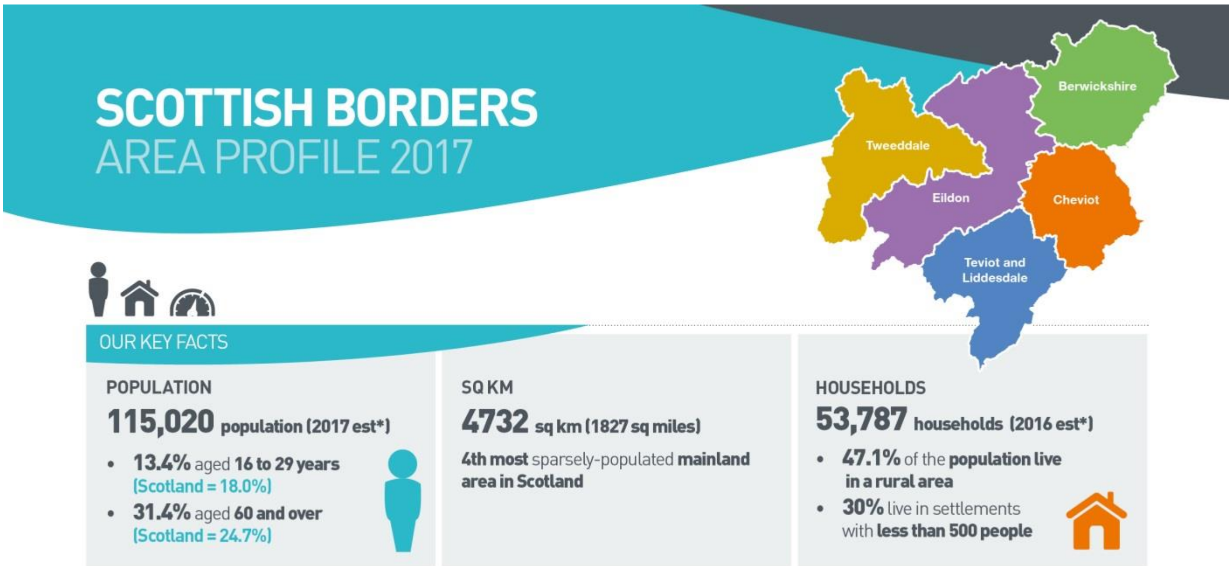
2017/18 represented the final year of the original 5 year revenue Financial Plan established in 2013/14. During this period from 2013/14 to 2017/18 the Plan has delivered savings of £35.5m alongside significant improvements in performance set out on pages 15 – 24.

Councillor Shona Haslam

Leader
Scottish Borders Council

Management Commentary

About Scottish Borders Council



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

Scottish Borders Council

The Council

34 Councillors

11 Multi-Member Wards

Council Services managed over 9 Service Directorates

Council Administration: Coalition of Conservative & Independent

Management Commentary

Scottish Borders Council highlights 2017/18

Locality Bid Fund
Over 130 applications were received from across the Scottish Borders with 61 going forward to the public vote. 36,000 votes were cast across the 5 locality areas which resulted in 18 projects being awarded funding. £208k was allocated to the first round of applications.

Broomlands Primary School new build
With a total budget of £9.7m Broomlands Primary School opened to pupils for the new term in January 2018 with the demolition of the old building now underway.

Langlee Primary School new build

A new £10m Langlee Primary School built on the existing school site opened to pupils in August 2017. The old school has since been demolished.

Launch and ongoing roll out of Business World
Business World (new integrated HR, Finance & Procurement system) was successfully implemented in April 2017 to facilitate efficiency savings and business process improvements.

Partnership working
2017/18 represents the second operational year of the Health & Social Care partnership which has resulted in a fundamentally different way of working with NHS Borders.

Kelso High School
An investment of £21.4m in a new secondary High School in Kelso was delivered on budget and on time in November 2017. The school was revenue funded by the Scottish Government through its Scotland's Schools for the Future programme, which is managed by the Scottish Futures Trust.

Energy Efficiency Programme (EEP)
In 2017/18 EEP has delivered another round of LED upgrades at 22 sites and boiler insulation improvements at a further 20 sites. Installation at 12 sites of photovoltaic energy capture system (PV) is also in progress. Further EEP works include biomass, solar thermal, combined heat and power (CHP), selective lighting to LED, boiler replacement, PV, glazing and energy controls.

Management Commentary

Strategic Direction

Our Vision

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

Source: Corporate Plan 2013 – 2018

When working towards this vision, the Council has set standards and values:

Our Standards	• Put our customers and staff at the heart of what we do • Be fair, equal and open • Continually improve our services • Work with partners and stakeholders • Deliver value for money in the use of our resources
Our Values	• Public Service • Respect for All • Courage • Integrity • Honesty • Commitment

Financial Strategy

The Financial Strategy supports the delivery of the Council's Priorities and Corporate Plan. In order to support the delivery of the Council's priorities the Financial Strategy must:-

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

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

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

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2017/18 and future years. This approach seeks to quantify the risks facing the Council's finances, including over optimistic saving assumptions, unplanned employment and pension cost increases, the failure by managers to enact effective budgetary control, severe weather events, the economic downturn, potential contractual claims and unplanned emergencies in deriving an appropriate level of unallocated balances.

The level of un-allocated general fund balances is informed by an assessment of the risks facing the Council. This approach, despite being subject to an element of informed judgement, reflects the risks inherent in setting the revenue budget, the reasons reserves are held in the first place, the scale and complexity of the organisation and also provides appropriate transparency with regard to the level of balances held. The accumulated financial risk in the 2017/18 Risk Register was assessed to be £10.870m and the projected useable General Fund balance, at £5.638m, was sufficient to cover 52% of risks identified.

Financial Plans

The Revenue and Capital Financial Plan provides a financial representation of the Council's Priorities and Corporate Plan plans covering 5 and 10 years respectively.

2017/18 represented the final year of the 5 year revenue Financial Plan first published in 2013/14. The plan has been amended and updated each year since 2013/14 and to date savings of £35.5m have been delivered in a planned manner. Despite the resource challenges facing the Council and the wider public services the approach to financial planning has so far delivered balanced budgets and small underspends in each year of the plan.

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

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

Equalities Mainstreaming

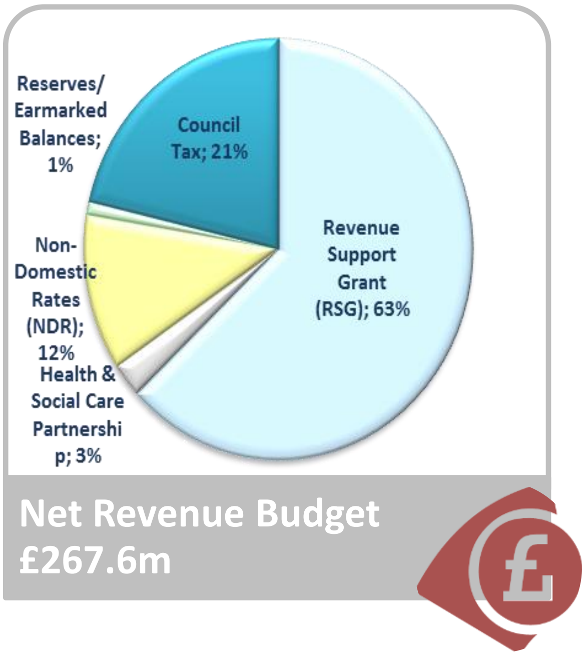
Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes 2017 – 2021. This is being implemented by:

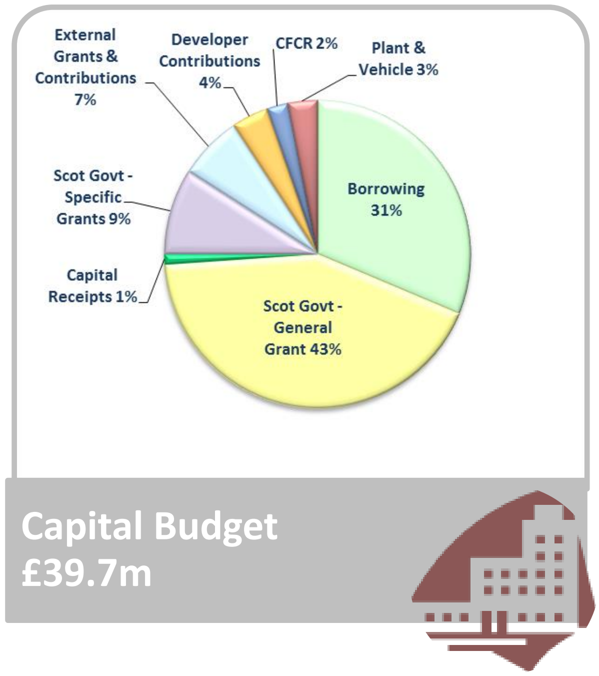
- providing effective support to embedding equalities and human rights into the Council's corporate, business planning, policy and performance processes;
- giving advice and support on equalities and human rights to the Scottish Borders Community Planning Partnership;
- providing operational support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

Management Commentary

How are we are doing? - Financial Performance
2017/18 Financial Resources Available

The financial resources of the Council are categorised into Revenue and Capital Expenditure. Expenditure on recurring day to day costs associated with providing the Council's services (e.g. salaries) is Revenue, whereas spending on 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.





Management Commentary

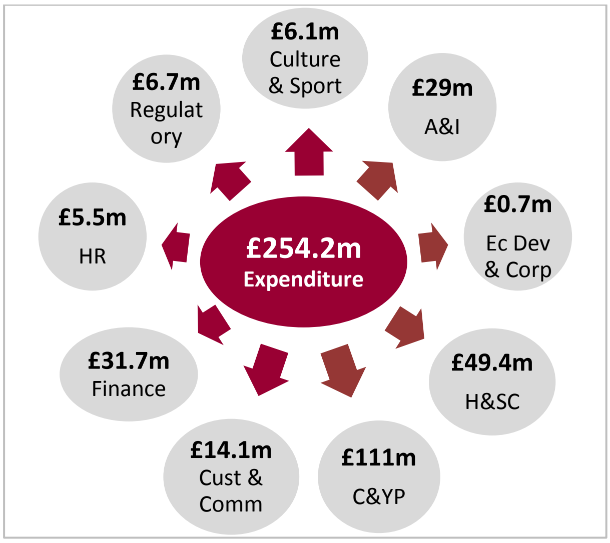
Financial Position at 31 March 2018

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.

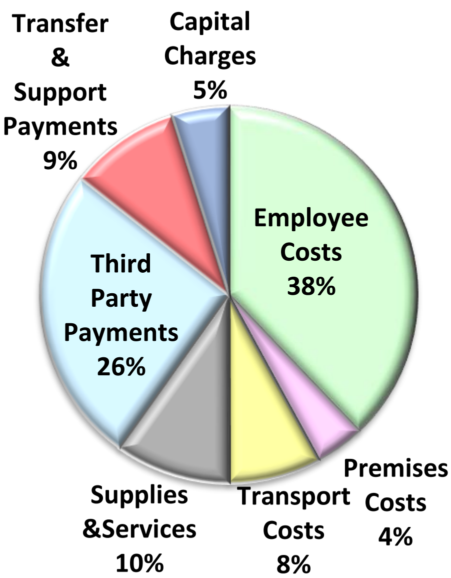
Revenue

The actual outturn for the financial year 2017/18, including funding sources, was a revenue expenditure of £254.2m representing a net underspend of £1.029m (0.4%) against the revised budget.

The following chart analyses the revenue spend by Council department:

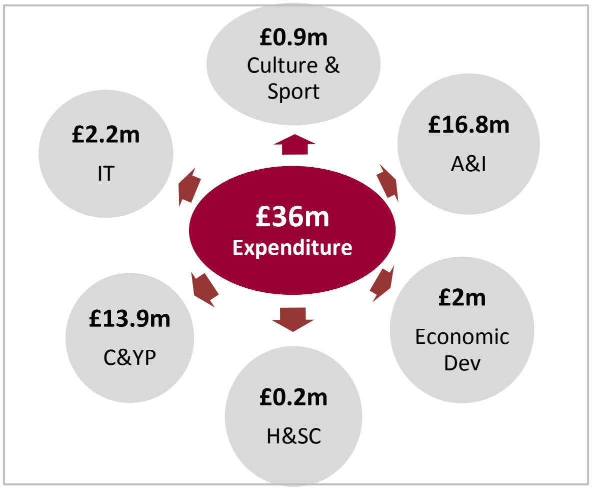


Revenue net expenditure for the year includes income of £122.4m, and gross expenditure of £376.6m as analysed in the chart below:



Capital

The actual outturn for the financial year 2017/18, including funding sources, was a capital expenditure of £36m representing a favourable timing movement of £7.4m (17%) against the revised budget.



The capital programme delivered significant investment in the Scottish Borders during 2017/18 and the following table highlights some of the major projects undertaken:

Asset & Infrastructure	
• Roads & Bridge Maintenance	£10.0m
• Flood Protection Works	£2.3m
• Waste Infrastructure	£0.5m
• Land & Property Infrastructure	£2.7m
• Plant & Vehicle	£1.1m

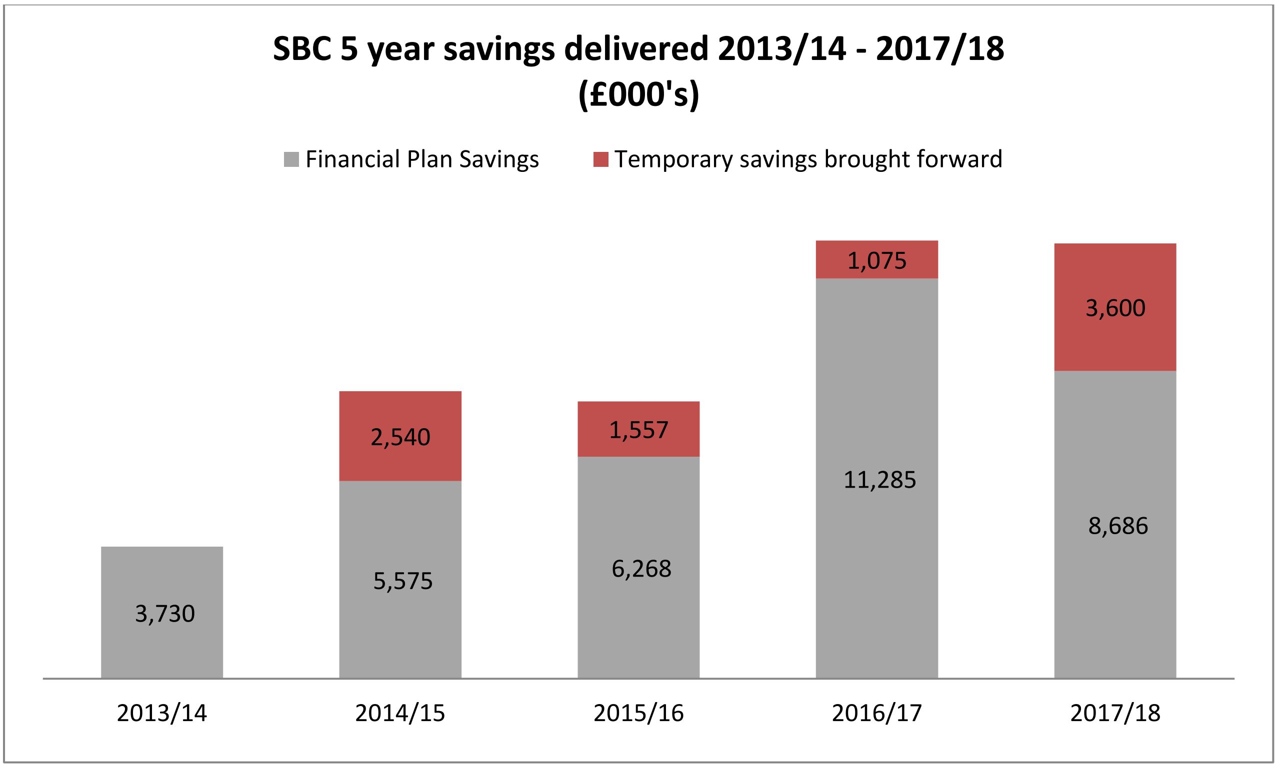
Children & Young People	
• Duns Primary School	£0.8m
• Langlee Primary School	£3.4m
• Broomlands Primary School	£6.4m
• Jedburgh Intergenerational Campus	£1.4m
• School Estate Block	£1.2m

IT/Econ Dev/Culture & Sport	
• Hawick Regeneration	£0.7m
• Great Tapestry of Scotland	£0.8m
• ICT Transformation	£2.2m
• Sports Infrastructure	£0.5m
• Sir Walter Scott Court House	£0.2m

Management Commentary

Delivery of Targeted Savings

Overall, Financial Plan savings of £12.286m were delivered during 2017/18 in order to balance the costs of delivering services and the available resources. The regular Budget Monitoring reports to the Executive Committee tracked the delivery of these savings against the Financial Plan proposals. Of the £12.286m delivered in 2017/18, £7.8m (64%) were delivered permanently. The chart below shows the financial plan savings identified in each year along with the savings brought forward from previous years giving the total savings to be delivered each financial year. The chart demonstrates the scale of change undertaken within the Council over the last 5 years. It should be noted as shown below that a significantly greater level of savings were required in 2016/17 and 2017/18 compared to previous years. Ongoing effort will be required going forward to successfully deliver the Financial Plan due to the scale of further savings required in 2018/19 and beyond.



Management Commentary

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 47 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 2017/18 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2018. This results in the (statutory accounting) adjusted net cost of services of £289.9m compared with the reported departmental net cost of services of £254.2m. Note 5, page 66 provides additional analysis of the movement between these figures.

Further statutory adjustments are then subsequently made in the comprehensive income and expenditure account shown on page 67 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 £29.1m.

Other Comprehensive Income and Expenditure

Movement in the Deficit on the Provision of Council Services within the comprehensive Income and Expenditure statement between 2016/17 and 2017/18 of £23.7m can be attributed to impairment and revaluation losses on Educational properties charged to the Comprehensive Income and Expenditure Statement during 2017/18 as part of the rolling revaluation programme.

Following an Actuarial Gain on the Pension Fund Net Assets/Liabilities (£70.5m) and an overall surplus on the revaluation of Property, Plant & Equipment (£53.6m) the Net Comprehensive Income is a surplus of £93.6m (versus a deficit of £69.1m in 2016/17).

Balance Sheet

During 2017/18 there has been significant movement on the Balance Sheet, from a Net Liability position of £2.2m in 2016/17 to a Net Asset position of £91.3m in 2017/18. As with the movement on Other Comprehensive Income and Expenditure detailed above this movement on the Balance Sheet can primarily be attributed to gains arising from the revaluation of the Council`s Educational properties and a reduction in the Council`s Pension Liability.

Long Term Liabilities have increased in 2017/18 by £32.1m as a result of additional long term borrowing and an increase in deferred liabilities which relates to the new Kelso High School. This has been offset in part by an increase in Other Land and Buildings for the recognition of Kelso High School as an asset on the Council`s Balance Sheet.

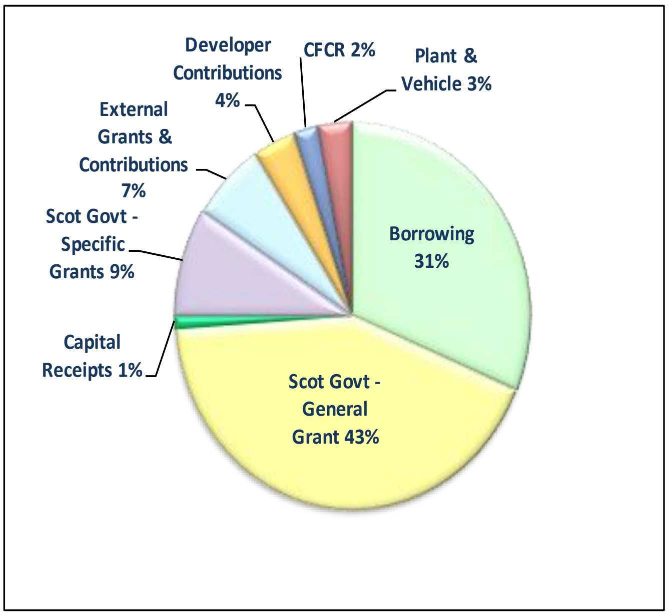
Management Commentary

Capital Financing Requirement

This chart shows the profile of the sources of the total £36m capital financing requirement for 2017/18.

The chart indicates that 43% (£15.4m) of total resources was provided through the Scottish Government General grant. 31% (£11.28m) of the capital financing requirement was provided by the Council's capital prudential borrowing. Specific Capital grant accounted for 9% (£3.1m) and was provided from the Scottish Government to fulfil national policy priorities in Flood Protections schemes in Selkirk and Hawick and expansion within Early Learning & Childcare. The remaining 17% of total funding was made up of External Grants & Contributions, Developer Contributions, Plant & Vehicle Fund, Capital Financed from Current Revenue (CFCR) and Capital Receipts.

Actual Capital Financing 2017/18



Treasury and Debt Management

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

Cash Management

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

Debt Management

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

External Debt

The Council's outstanding external debt as at 31 March 2018 was £203m. Additional long term borrowing was undertaken during the year amounting to £10m. Short term borrowing for cash flow purposes was also undertaken with £5m outstanding at the year end. The average rate of interest paid on outstanding external debt was 6.15%.

Management Commentary
Reserves

The Council maintains two types of reserves – usable and unusable – and the movement in these reserves are set out in the Movement in Reserves Statement (page 46).

Unusable Reserves – result from accounting adjustments and cannot be spent

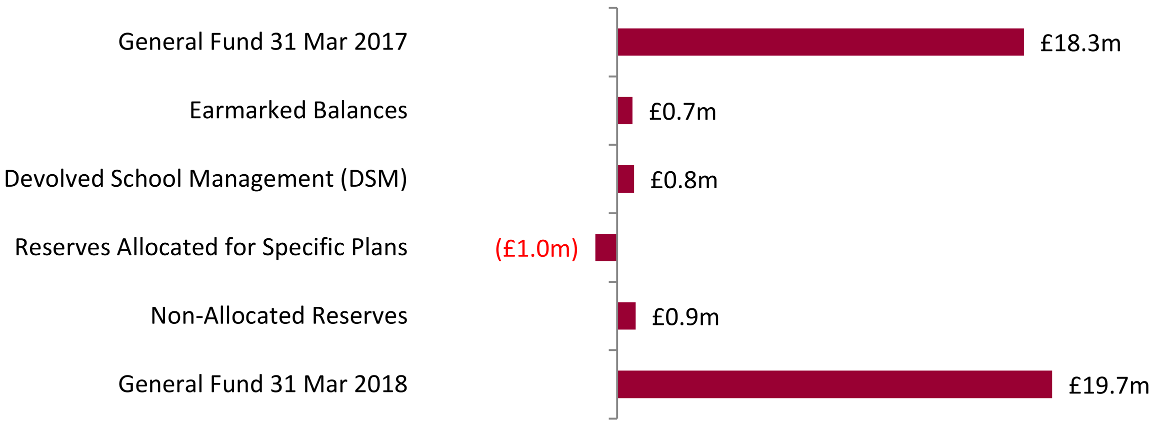
Usable Reserves – result from the Council's activities and can be spent in the future

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

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

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

As at 31 March 2018 the total General Fund Reserve Balance is £19.7m (£18.3m at 31 March 2017) an increase of £1.4m during the year. The increase, as can be seen from the chart below, can be attributed to the increase in Earmarked Balances including DSM, the value of which will vary from year to year, and movements in the Allocated and Non-Allocated reserves.



The following key changes within the Allocated and Non-Allocated Reserves were made during 2017/18:

Reserves Allocated for Specific Plans - net effect of:

Utilisation of IT transformation reserve	(£1.570m)
Increase to ER/VS reserve	£0.153m
Financial Plan adjustments	£0.494m
CFCRs applied to capital	(£0.068m)

Non-Allocated Reserves

2016/17 underspend transferred to Allocated Reserves	(£0.204m)
Increase from 2017/18 year end outturn	£1.029m

Management Commentary

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2018 with a comparator year ending 31 March 2017. The Group Accounts for 2017/18 can be found from page 107. The Group comprises of the following:

Subsidiaries

- SBC Common Good Funds *(Registered Charity)*
- SBC Trust Funds:
  - *Registered Charities*
  - SBC Charity Funds *(76 funds)*
  - SBC Community Enhancement Trust
  - SBC Welfare Trust
  - SBC Education Trust
  - Ormiston Trust for Institute
  - *and*
  - 177 Non- Registered Trusts
- Bridge Homes LLP
- SBCares and SB Support LLP
- Live Borders

Associates

- Jedburgh Leisure Facilities Trust

Joint Ventures

- Scottish Borders Health and Social Care Partnership

Management Commentary

How are we doing?

Our Priorities

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

https://www.scotborders.gov.uk/info/20063/performance/250/our_performance_as_a_council

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 2017/18 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

Management Commentary

SCOTTISH BORDERS COUNCIL CORPORATE PRIORITIES
SUMMARY OF PERFORMANCE 2017/18
HOW ARE WE DOING?

In 2013, we published our Corporate Plan, with eight priorities to work towards over a five year period. This summary provides an overview of performance during 2017/18, under each of the 8 Corporate Priorities. We continue to make significant progress across a number of key areas such as the economy and education, but recognise that there are ongoing challenges to face in the coming years. Reviewing performance information regularly is a vital part of ensuring we stay focused on what is important; ***ensuring the best quality of life for everyone in the Scottish Borders, prosperity for our businesses and good health and resilience for all our communities.***

KEY

A mixture of performance information is provided under each priority:

The top half of each page contains high level performance indicators that show, for example, the general health of the economy. For comparison we have included last years figure and any Scottish data (where applicable). While the Council may have influence over these indicators, they are largely contextual in nature, and the information is displayed within a grey box.

EMPLOYMENT RATE

74.5%

of people **aged between 16-64** are now in employment

Scotland	74.3%
SB last year	74.1%

100,491

phone interactions were logged by our **Contact Centres** in 2017/18

(down from 103,761 in 16/17)

The bottom half of each page contains performance indicators that we have more influence over, for example, how quickly we process planning applications. Information for each indicator is displayed within a white box above a coloured section. This coloured section (where applicable) will be either Green, Amber or Red and shows where performance has improved or reduced against the **previous year**.

- green - **improved performance**
- amber - **a minor change in performance**
- red - **area for improvement**
- grey - **for information**

OUR CORPORATE PRIORITIES

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018.

01

ENCOURAGE SUSTAINABLE ECONOMIC GROWTH
HOW ARE WE DOING?

April 2017 – March 2018:

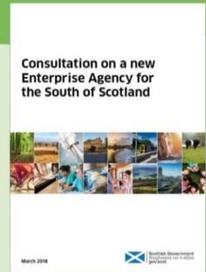
EMPLOYMENT RATE*	CLAIMANT COUNT (16-64YR OLDS)	CLAIMANT COUNT (18-24YR OLDS)	PLANNING APPLICATIONS
74.5% of people **aged between 16-64** are now in employment	**1.63%** of **working age people** are now **out of work and claiming benefits**	**3.43%** of **young people** are now **out of work and claiming benefits**	**1,307** **received** during 2017/18
Scotland 74.3%	Scotland 2.5%	Scotland 3.5%	
SB last year 74.1%	SB last year 1.8%	SB last year 3.7%	SB last year 1,324

New Enterprise Agency for South of Scotland

A key outcome from the Council's Economic Development activity in 2017/18 was the successful lobbying of Scottish Government to create a new South of Scotland Enterprise Agency. This was the realisation of a long-term approach, driven by the Council through the South of Scotland Alliance, to highlight the economic challenges faced by businesses and communities in the South of Scotland.

The proposal to create a new Enterprise Agency, modelled on Highlands and Islands Enterprise, offers a tremendous opportunity to transform the area's economy, building on its significant strengths and traditions. It is a once in a generation opportunity to secure a more prosperous future for the region.

A South of Scotland Economic Partnership has been set up as an interim arrangement to deliver a fresh approach to economic growth in the area and pave the way for the new Agency. The Scottish Government confirmed a £10million funding boost for the region in January 2018, to be delivered through the Economic Partnership.



https://consult.gov.scot/economic-policy-unit/new-enterprise-agency-for-the-south-of-scotland/

railway • connectivity • investment • skills • housing • railway • connectivity • investment • skills

Our performance during 2017/18

BUSINESS GATEWAY	BUSINESS LOANS AND GRANTS	AFFORDABLE HOMES	AVERAGE TIME TO DETERMINE PLANNING APPLICATIONS*
224 **new businesses** were created with our help	**£129.9k** was approved in loans over **8 successful application** to the **Scottish Borders Business Loan Fund**	**145** **affordable homes** were delivered	**11.0 weeks** **major applications received** in Q3 17/18
(down from 231 in 16/17)	(up from £71.2k in 16/17)	(above target of 128)	(Q3 16/17 0.0 weeks)
1,324 **businesses were supported** in 2017/18	**£100.9k** was approved in grants over **33 successful applications** to the **Scottish Borders Business Fund**	**INVOICES PAID** Invoices paid **within 30 days** **78%** on average were **paid within 30 days** during 2017/18	**7.8 weeks** weeks for **non-householders** (Q3 16/17 6.9 weeks) **6.7 weeks** weeks for **householders**
(up from 1,085 in 16/17)	(down from £131.5k in 16/17)	(down from 91% in 16/17)	(Q3 16/17 7.4 weeks)

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data. # Unadjusted data, awaiting information from Scottish Government.

02

IMPROVE ATTAINMENT AND ACHIEVEMENT LEVELS FOR ALL OUR CHILDREN AND YOUNG PEOPLE, WITH A FOCUS ON INCLUSION

HOW ARE WE DOING?

2017 Annual Participation Measure

4,778
young people age 16-19 year in the **Scottish Borders** (included in this measure).

92.5%
are participating in **Education, Employment** or **Training**
- **73.9%** in Education (74.6% in 2016)
- **17.5%** in Employment (15.0% in 2016)
- **1.2%** in Training & Personal Development (1.8% in 2016)

Scotland 91.1%

3%
not participating in **Education, Employment** or **Training**
- **1.3%** Unemployed Seeking
- **1.7%** Unemployed Not Seeking

Scotland 3.7%

4.5%
Unconfirmed Status

Scotland 5.3%

Participation Measure

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

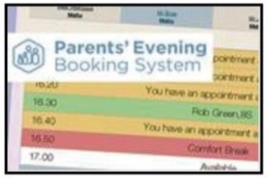
The purpose of the Participation Measure is to identify what young people 16-19 are doing, to inform policy, planning and service delivery and determine the impact of the Scottish Government's Opportunities for All commitment.

The Participation Measure covers all those aged 16 to 19, not just the school leavers.

• inclusion • attainment • achievement • leadership • inclusion • attainment • achievement • leadership •

Our performance during 2017/18

In October 2017, SBC launched an online **Parents Evening Booking System** (PEBS), saving time for both staff and parents, and enabling parents to log in and book their own appointments at a time to suit them without relying on the student.



Feedback from staff and parents has been positive and the 84% uptake is encouraging, with some schools showing 100%. Figures for individual schools show were usage is lower and the reasons are currently being investigated to ensure that any barriers, such as lack of digital skills or access to devices, is addressed.

SBC is also investigating the further capabilities of **ParentPay** and how it could be used to manage payments for school trips, consent forms etc.

ATTENDANCE (TO DATE, DURING 2017/18 SCHOOL YEAR)

95.4%
pupils **attended** their **primary school**

Scottish average for 16/17 = 94.9%

91.1%
pupils **attended** their **secondary school**

Scottish average for 16/17 = 91.2%

PRIMARY SCHOOL PUPILS EXCLUDED

49 primary school exclusions this year

SB 2016/17 46

SECONDARY SCHOOL PUPILS EXCLUDED

166 secondary school exclusions this year

SB 2016/17 215

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data.

03

PROVIDE HIGH QUALITY SUPPORT, CARE AND PROTECTION
TO CHILDREN, YOUNG PEOPLE, ADULTS, FAMILIES, AND OLDER PEOPLE

HOW ARE WE DOING?

Scottish Borders COUNCIL

April 2017 – March 2018:

SELF-DIRECTED SUPPORT APPROACH
77.6%
of adults are using the **Self-Directed Support approach** (at end Mar-2018)
SB last year 59%

DOMESTIC ABUSE
1,163#
reported incidents of **domestic abuse**
SB last year 968

CRIMES AND OFFENCES
3,448#
group 1-5 crimes and offences were recorded
SB last year 3,047

WELFARE BENEFITS SERVICE
1,752
people contacted our **Welfare Benefits Service** receiving **over £8.5m in additional benefits**
SB last year 2,949 (£8.4m)

Borders Community Capacity Building – Our Aim and Vision

Increasing access to physical and mental wellbeing services in communities has been shown to have a preventative role in reducing demand upon Health and Social Care services. The aim of the Community Capacity Building team is to actively foster and encourage the development of resilience within communities to allow them to become stronger and more self-reliant through offering the right support at the right time. External evaluation of Community Capacity Building work so far suggests a social return on investment in the region of £10 for every £1 invested.

The Community Capacity Building team (CCB) has been congratulated for winning silver at the finals of the iESE (Improvement and Efficiency Social Enterprise) Public Sector Transformation Awards 2018.

• support • independence • joined-up care • health • support • independence • joined-up care • health •

Our performance during 2017/18

CARE AT HOME
78%
of **adults (aged 65yrs+) received care at home** compared to a care home /residential setting (at end 2017/18)
(above our target of 70%)

NEW SERVICE USERS
93%
of **new service users** received a service **within 6 weeks of assessment** (at end 2017/18)
(down from 100% end 2016/17)

LOOKED AFTER CHILDREN
224
looked after and **accommodated children** (at end 2017/18)
(down from 251 at end of 2016/17)

84%
of **looked after children** (across all ages) were **living within a community family based placement** (at end 2017/18)
(down from 87% at end of 2016/17)

71%
of **looked after children aged 12 yrs+** were **living within a community family based placement** (at end 2017/18)
(down from 76% at end of 2016/17)

ADULT PROTECTION DURING 2017/18
277
concerns were **raised**
(up from 206 in 16/17)

131
investigations were **carried out**
(up from 118 in 16/17)

CHILD PROTECTION
559
inter-agency discussions (Initial Referrals Discussions) concerning the **safety of a child held**
(down from 590 in 16/17)

44
children on the **Child Protection Register** (at end 2017/18)
(down from 54 in 2016/17)

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data. # Cumulative Figure in year.

04

BUILD THE CAPACITY AND RESILIENCE OF OUR COMMUNITIES AND VOLUNTARY SECTOR

HOW ARE WE DOING?

LOCALITIES BID FUND
your money your choice

April 2017 – March 2018:

BERWICKSHIRE

LOCALITIES BID FUND
£45,000
10 projects **5,306** votes cast

Voting results - winners:
- Friends of Duns Primary School
- Duns Amateur Swimming Club
- Connect Berwickshire Youth Project
- Duns & District Men's Shed

The following funding has been awarded in 17/18
£34.1k Quality of Life Projects
£27.0k Neighbourhood Small Schemes
£18.9k Community Grants Scheme

CHEVIOT

LOCALITIES BID FUND
£35,000
3 projects **1,059** votes cast

Voting results - winners:
- Borders Search & Rescue Unit

The following funding has been awarded in 17/18
£21.0k Quality of Life Projects
£31.2 k Neighbourhood Small Schemes
£17.6k Community Grants Scheme

EILDON

LOCALITIES BID FUND
£60,000
17 projects **11,619** votes cast

Voting results - winners:
- Stow Parent Council
- Rowland's Selkirk (Food for Thought)
- Stow Community Learning Hub
- Earlston High School Parent Council
- Rowlands (Swap Shop)

The following funding has been awarded in 17/18
£16.3k Quality of Life Projects
£42.0 k Neighbourhood Small Schemes
£34.6k Community Grants Scheme

TEVIOT & LIDDESDALE

LOCALITIES BID FUND
£38,000
14 projects **5,845** votes cast

Voting results - winners:
- Newcastleton Polysport / Copshaw Cutters
- Artbeat Studies
- Escape Youth Services
- Hawick Community Pump Track
- Hawick Men's Shed

The following funding has been awarded in 17/18
£18.2k Quality of Life Projects
£32.9 k Neighbourhood Small Schemes
£10.7k Community Grants Scheme

TWEEDDALE

LOCALITIES BID FUND
£30,000
17 projects **12,255** votes cast

Voting results - winners:
- Clovenfords Digital Ninja Community Project
- Julie's Kitchen Garden - Clovenfords
- Tweed Valley Mountain Rescue Team

The following funding has been awarded in 17/18
£21.0k Quality of Life Projects
£18.7 k Neighbourhood Small Schemes
£22.5k Community Grants Scheme

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data.

05

MAINTAIN AND IMPROVE OUR HIGH QUALITY ENVIRONMENT

HOW ARE WE DOING?

January 2017 – December 2017:

HOUSEHOLD WASTE
39.88%
of our **household waste,** on average, was **recycled over the last 12 months**
SB last year 39.03%

HOUSEHOLD WASTE
59.76%
of our **household waste** was **sent to landfill,** on average, over the last 12 months
SB last year 60.71%

HOUSEHOLD WASTE
0.35%
of our **household waste** required **'other' treatment,** on average, over the last 12 months
SB last year 0.26%

COMMUNITY RECYCLING CENTRES
58.54%
of **waste** was **recycled at SBC Community Recycling Centres,** on average, over the last 12 months
(up from 56.23% in 2016)

ROAD SAFETY
8#
people were **killed on our roads** in 2017
SB last year 12

ROAD SAFETY
52#
people were **seriously injured on our roads** in 2017
SB last year 65

• waste • spend to save • low carbon • waste • spend to save • low carbon • waste • spend to save •

Waste Transfer Station

In August 2015 the Council approved a proposal to close Easter Langlee landfill site when its existing capacity runs out. Planning permission has been obtained to build a new waste transfer station adjacent to the current landfill site which will allow the waste to be bulked up prior to transport to an alternative treatment facility. This change will allow the Council to continue managing its waste in line with legislation.


SBC's current landfill approach


Visualisation of SBC's new Waste Transfer Station

Construction for the new transfer station is underway, and will continue over the next 9 - 12 months. Waste transfer activities at the site will then transfer over to the new building in a phased approach. Once the landfill site reaches its maximum capacity, which is currently forecast to be mid 2019, the final section of the site will be capped off. Additional gas wells will be drilled to capture emissions from the site and generate electricity, and the site will be seeded with grass.

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data. # Un-vetted data.

06

DEVELOP OUR WORKFORCE
HOW ARE WE DOING?

April 2017 – March 2018:

Scottish Borders Council Modern Apprentice Programme

Alistair Colville graduated from the Modern Apprentice programme in 2017. His apprenticeship included compiling reports on Council performance and achieving the SVQ Level 3 Business and Administration qualification.

He said, "The role within the Performance team stood out to me as I could see that it would involve working with departments across the Council giving me the opportunity to have an insight into nearly all of the service areas that SBC cover."

Manager, Sarah Watters, commented, "Employing a Modern Apprentice was a great step for my team. Having a fresh perspective was very beneficial and seeing Alistair graduate from the programme and secure a full time position within SBC highlighted that this approach can be very worthwhile."
Tracey Beattie, Service Delivery Manager, welcomed Alistair to his new role in the SBC Customer Advice and Support Service, "Alistair's knowledge of the Council services and staff have benefited my team and he is an asset to the service as a whole."

Alistair concluded, "I feel like the MA programme allows young people an opportunity to get their foot in the door with SBC which can lead to opportunities within SBC. This has been the case with me as it allowed me to move from the Performance team into Customer Advice and Support once I had completed my MA with a qualification that I had obtained along with many other forms of knowledge revolving around Scottish Borders Council."

• benefits • communication • staff development • flexibility • benefits • communication • staff development •

Our performance during 2017/18

SBC ABSENCE RATE *

Reporting on absence from Business World is being further developed and tested, and regular reporting will recommence shortly. This remains a key area of focus for SBC at this time.

WORK OPPORTUNITIES

38

work opportunities are being supported by SBC through our **"Work Opportunities Policy"** as of March 2018

(down from 50 in March 17)

APPRENTICESHIPS

30

apprentices are **employed with SBC** as of March 2018

(down from 36 in March 17)

APPRENTICESHIPS

53.33% male (Mar-18)

46.67% female (Mar-18)

across various departments such as Human Resources, Engineering, Finance

Of **94 Modern Apprentice opportunities provided by Scottish Borders Council** (SBC) since 2014, many have achieved positive outcomes and gone on to secure employment with SBC.

A recent analysis showed that **35 had secured jobs with SBC whilst 12 had secured roles with other employers. 5 had progressed to University or College places.** 36 remained within their apprenticeship period.

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018.
*Performance indicators with a quarter lag in data.

Management Commentary

07

DEVELOP OUR ASSETS AND RESOURCES
HOW ARE WE DOING?

April 2017 – March 2018:

CAPITAL RECEIPTS

£380.3k#
was **received** from **selling our fixed assets** such as buildings in 2017/18

SBC last year £1,437.0k

OCCUPANCY RATES

88.8%
of **industrial and commercial properties** owned by the council were **occupied** as of March 2018

SBC last year 88.8%

Cemex UK, who operate a local Quarry and Asphalt Plant at Cowieslinn near Peebles, provide SB Contracts with aggregates, concrete and other roads materials. As part of their '**Lend a Hand**' scheme ten of their staff from across the UK recently visited **Stable Life** to give the stables a much needed make-over.

Armed with paint brushes and paint they spent an enjoyable day painting the walls of all the stables and other buildings in the yard. Mags Powell (Business Development Manager) said "They did a fantastic job whitewashing the stables and big shed which has really brightened the place up and saved us what would have been a huge task"

Stable Life (a charity based in Ashkirk) provides a safe, nurturing and learning experience using the horse and its environment to help young people reach their full potential and become healthier and happier with aspirations and dreams.

This is a great example of how the contracts that SBC awards can have a really positive impact within communities.

• buildings • energy efficiency • capital investment • buildings • energy efficiency • capital investment • buildings •

Our performance during 2017/18

COUNCIL PROPERTIES

21 **properties** are **no longer required**

7 **properties** are **advertised for sale**

7 **properties** are **currently under offer**

COUNCIL TAX

96.81% of **Council Tax due** was collected in 2017/18

above target

TOP 21 MAJOR PROJECTS
Of the **Top 21 major Projects** ongoing across the council:

18 are **on target**
3 are **slightly behind target**
0 are **not on target**

ENERGY CONSUMPTION*

we used **8,395,393** **kilowatt hours** of **electricity** at a cost of **£919.7k**

(down from 8,914,731 in 16/17)
(down from £984.4k in 16/17)

ENERGY CONSUMPTION*

we used **12,671,962** **kilowatt hours** of **gas** at a cost of **£299.8k**

(up from 11,989,595 in 16/17)
(up from £266.5k in 16/17)

*The energy consumption figures are based on 26 sites across the council which account for approximately 50% of the energy used across the council, and is therefore representative of the energy use across the council as a whole.

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data. # Cumulative Figure in year.

Scottish Borders Council

08
ENSURE EXCELLENT, ADAPTABLE, COLLABORATIVE AND ACCESSIBLE PUBLIC SERVICES
HOW ARE WE DOING?

April 2017 – March 2018:

CUSTOMER INTERACTIONS
169,326
interactions with the public were handled by our **Customer Service staff** via **email, face to face contact, phonecalls** and **mail** in 2017/18
SBC last year 172,078

FREEDOM OF INFORMATION REQUESTS (FOI)
1,279
requests for information under the Freedom of Information Act were received in 2017/18
SBC last year 1,246

COMPLAINTS
691
customer complaints were closed by SBC in 2017/18
SBC last year 627

Social Media's role in Community Resilience

The Council's social media channels are a vital communication method, particularly during severe weather, and are used hand in hand with the website to ensure that residents can access the latest information.

During the 'Beast from the East' more than half of all visitors to the severe weather/roads update webpage came directly to the page from links in social media posts. The same was true of the school closure/school transport webpage.

Facebook posts during the severe weather reached over 1.35m people, with over 7,600

shares and 9,500 likes, and the number of followers increased by 1,745 in just eight days.

A single Tweet generated over 9,700 clicks through to the website.

• ICT • customer focus • online services • partnership • ICT • customer focus • online services • partnership •

Our performance during 2017/18

CUSTOMER INTERACTIONS
62,432
face to face interactions were logged by our **Contact Centres** during 2017/18
(down from 62,470 in 16/17)

100,491
phone interactions were logged by our **Contact Centres** in 2017/18
(down from 103,761 in 16/17)

FREEDOM OF INFORMATION
93.3%
of **FOI requests** were **completed on time** in 2017/18
(up from 92.5% in 16/17)

SOCIAL MEDIA
The number of engagements during 2017/18.
Facebook **368,236**
Twitter **120,805**

COMPLAINTS
Our average response times for complaints for 2017/18 were as follows:

Stage 1 complaints
4.0 days
(in line with 4.0 days in 16/17)

Stage 2 complaints
17.7 days
(up from 16.7 days in 16/17)

Escalated complaints
18.0 days
(up from 16.4 days in 16/17)

In 2017/18 we closed:

86.4%
of **complaints** at **stage 1** within **5 working days**
(up from 85.8% in 16/17)

67.4%
of **complaints** at **stage 2** within **20 working days**
(down from 76.6% in 16/17)

53.8%
of **escalated complaints** within **20 working days**
(down from 67.9% in 16/17)

For more on performance visit **www.scotborders.gov.uk/performance** or email **performance@scotborders.gov.uk**
Correct at time of publication: 12 June 2018. *Performance indicators with a quarter lag in data.

Management Commentary

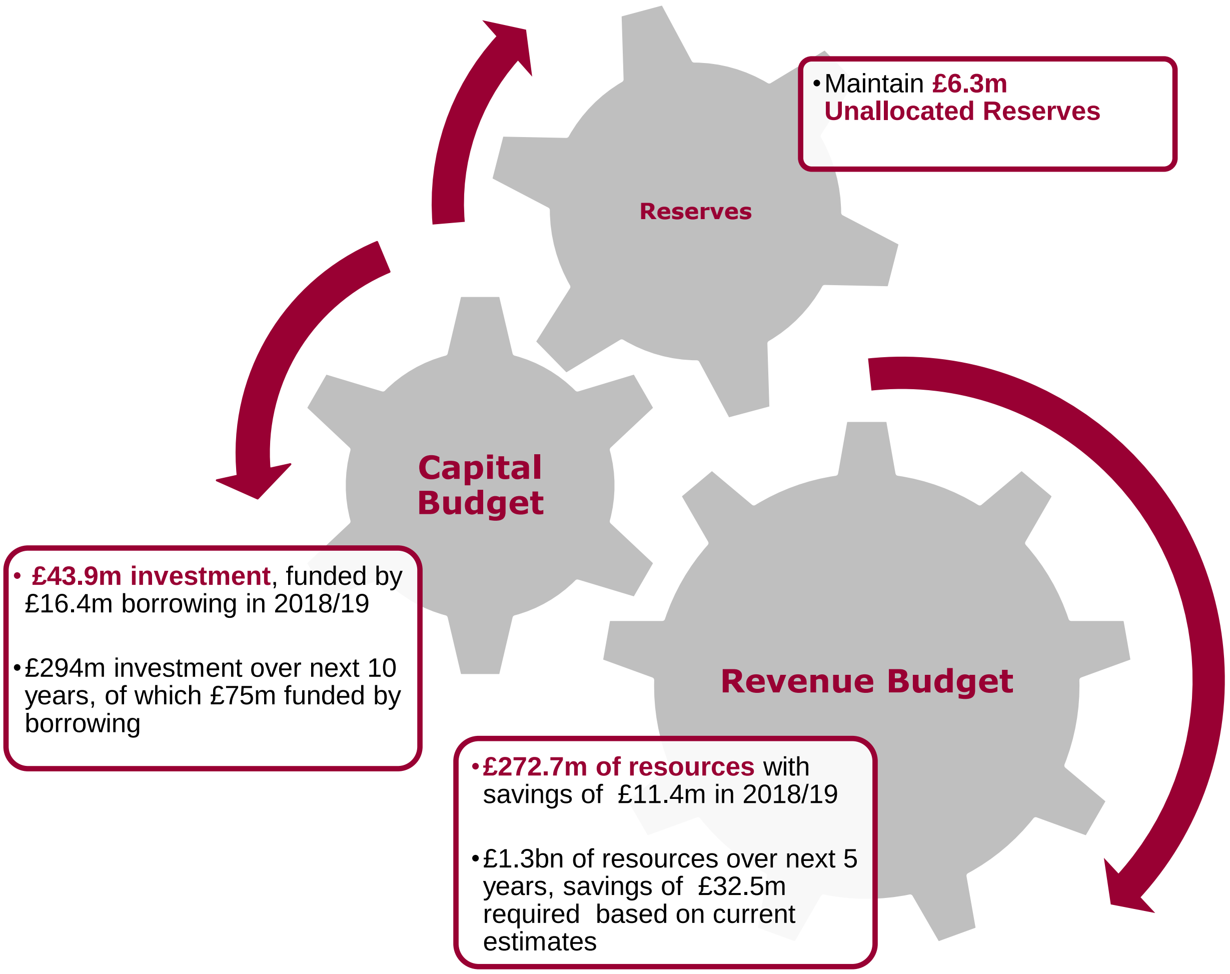
Our Plans for the Future

The Council approved a new Corporate Plan in February 2018 which provides strategic direction for the five year period 2018 to 2023. This new plan builds on the priorities in the previous Corporate Plan, as well as SBC's Administration's vision within "Connected Borders" and current opportunities and challenges now facing by the Scottish Borders. The Plan focuses on what SBC will do, under four themes:

- Our services for you
- Independent achieving people
- A thriving economy with opportunities for everyone
- Empowered, vibrant communities

To ensure that SBC is able to respond effectively to ongoing budget challenges, a change in approach is proposed within the new Corporate Plan. Not only does it state the work that SBC is committing to for the next 5 year but it suggests where individuals, families, businesses, partners and communities can play their part to improve outcomes for the Scottish Borders. A ***#your part*** campaign to promote this approach is in place from 2018 to sit alongside the Corporate plan and includes the involvement of Community Planning partners.

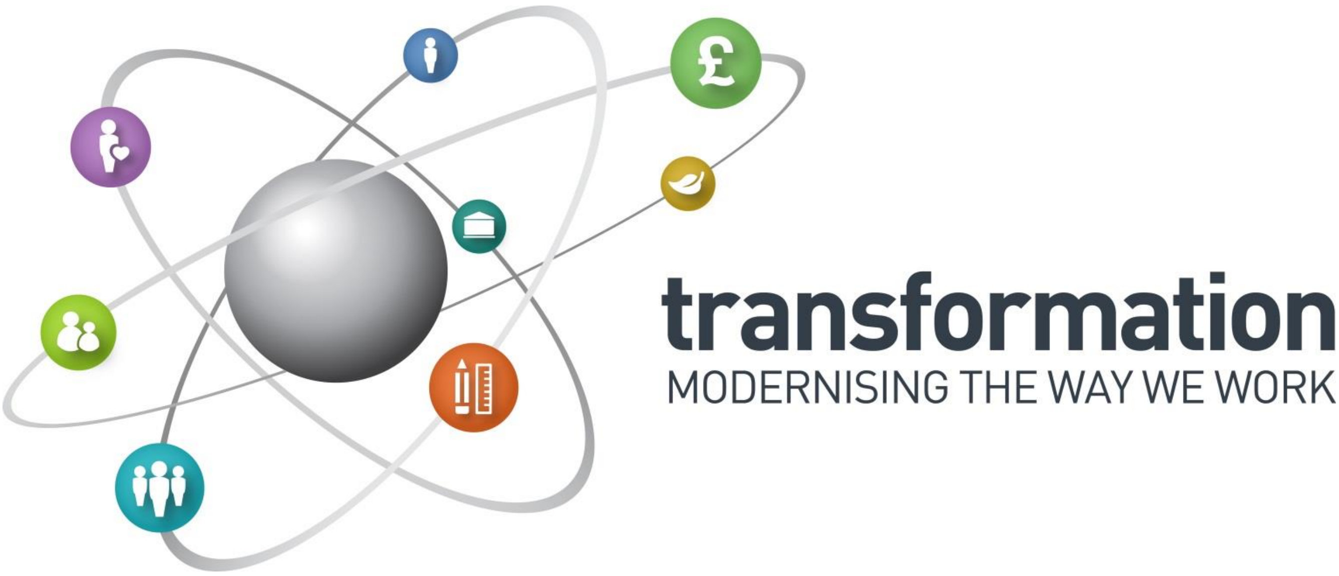
Future Financial Plans - 2018/19



The Revenue and Capital Financial Plans from 2018/19 onwards can be found on the Councils webpages at www.scotborders.gov.uk

Corporate Transformation Programme

Scottish Borders Council has in place an ambitious Corporate Transformation programme of work which provides a framework for the development and delivery of activities and projects to achieve a sustainable financial position over the next 5 years and beyond and underpins the delivery of Elected Member, Corporate and Partnership priorities.



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

Conclusion

The operating environment for the Council continues to be very challenging with financial and economic influences such as increasing demands on services, reducing Scottish Government funding, low interest rates and cost pressures from pay and price inflation all affecting the Council's finances. The Council, despite these challenges, remains financially sound and well placed to serve the people of the Scottish Borders in the future. As already noted 2017/18 has been a year of significant change within the Council with huge challenges posed by implementation of ERP. The work of staff across the Council in implementing the new system is gratefully acknowledged. The Council's Finance team were pleased to be awarded the 'CIPFA Scottish Public Sector Finance team of the year 2018' at the annual Scottish CIPFA conference.

Shona Haslam	**Tracey Logan**	**David Robertson CPFA**
Leader	**Chief Executive**	**Chief Financial Officer**
Scottish Borders Council		
25 September 2018		

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

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

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

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

- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 25th September 2018.

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2018.

Shona Haslam
Leader
Scottish Borders Council
25 September 2018

David Robertson CPFA
Chief Financial Officer

Independent Auditor`s Report

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

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2018 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 Tax Income Account, the 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 2017/18 (the 2017/18 Code).
In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 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 2017/18 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)). 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 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Independent Auditor`s Report

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

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Chief Financial Officer is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.
The Audit & Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.
In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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).

Independent Auditor`s Report

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.

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

September 2018

Annual Governance Statement 2017/18

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the new CIPFA/SOLACE Framework (2016) for the year ended 31 March 2018, sets out the Council's governance arrangements and system of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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

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

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

Framework for Good Governance

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

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

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

Revisions were required to the Council's Local Code of Corporate Governance during 2016/17 to ensure it reflects the changing context of Scottish Borders Council and is consistent with the principles and recommendations of the 'Framework' and the supporting guidance notes for Scottish authorities (November 2016). This was approved by Council on 24 August 2017 on recommendation by Audit and Scrutiny Committee in June 2017 and a copy of the Local Code of Corporate Governance was published on the Council's website.

Annual Governance Statement 2017/18

The Governance Framework

The Council's Local Code of Corporate Governance sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The key elements of the Council's governance arrangements as set out in the Local Code include:

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

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

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

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Chief Officer Audit & Risk (Chief Audit Executive) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance based on work carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards. The audit opinion within the Internal Audit Annual Assurance Report 2017/18 states that the systems of internal control and governance are operating satisfactorily, reasonable assurance can be provided on their adequacy, and further improvements have been agreed by Management. Resources have been deployed to address issues with new Business World ERP system, including delays in delivery of some functionality, and to establish manual controls, where appropriate, in the interim. The Project Board monitors realisation of expected business benefits.

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

Review of Framework

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

The review was informed by the work of an officer Governance Self-Assessment Working Group which undertook an annual self-assessment against the Council's Local Code of Corporate Governance consistent with the principles and recommendations of the 'Framework'. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place.

The review was also informed by assurances from: the Executive / Service Directors, who have responsibility for the development and maintenance of the governance environment within their directorates and services and who in turn identify actions to improve governance at a strategic level; the Chief Officer Audit & Risk's annual assurance report on the work of Internal Audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2017/18 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective, and are consistent with the principles and recommendations of the 'Framework'.

The Chief Financial Officer has highlighted one exception in his assurance statement being the ongoing rectification plan to address deficiencies in the Business World ERP system and the delayed delivery of outstanding functionality, specified in Solution Design Documents, and intended to deliver significant business benefits which remain outstanding, have impacted upon the full effectiveness of the control environment and heightened risk of a control failure during the year. To mitigate this risk, as far as is possible, staff resources have consequently been deployed to sorting defects, performing manual reconciliation processes to address areas where system functionality has not been operating effectively for much of the year e.g. bank reconciliation, and resolving system generated errors. This has required significant manual effort, a series of workarounds, and the procurement of additional consulting time.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

(a) In light of the on-going significant challenges in addressing cost pressures and responding to the changes in government funding: (i) continue to ensure that financial, people and business plans are developed concurrently and continue to be aligned to the Council's Corporate Plan and priorities thus managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available; and (ii) continue to monitor the contract performance outcomes of strategic external service providers.

(b) Review and refresh of the Performance Management Framework to ensure it aligns with the new Corporate Plan and informs improvement activity and decision making. This will include the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value, acting as a focus for evidencing value for money in service provision and linked to financial, people and business planning.

(c) The ongoing implementation of the rectification plan to address deficiencies in the Business World ERP system and the delayed delivery of outstanding functionality, specified in Solution Design Documents, and subsequent review of Financial Regulations, policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial Regulations and of the HR procedures and guidelines associated with the implementation of the new Business World ERP System.

(d) Prioritisation of Corporate Transformation Programme and other Projects to ensure adequate resources are appropriately allocated and that there is confidence in the delivery of improvements and savings to enable delivery of efficient and effective services to customers in a sustainable way.

(e) Implementation of further actions to ensure comprehensive data and information management across the Council and within each Service in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations, both current and planned e.g. GDPR.

(f) Review of the Complaints Handling Procedure to ensure consistency of approach across the Council for dealing with complaints including raising staff awareness of customer care.

(g) Implementation of the Corporate Landlord Model (one of the Corporate Transformation Programmes) that underpins the development and implementation of a standardised framework for reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future.

These actions to enhance the governance arrangements in 2018/19 are incorporated where appropriate within the Council's service directorate business plans and their implementation and operation will be driven and monitored by the Corporate Management Team in order to inform the next annual review. Internal Audit work planned in 2018/19 is designed to test improvements and compliance.

Certification

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

Shona Haslam
Leader
Scottish Borders Council
25 September 2018

Tracey Logan
Chief Executive

Remuneration Report

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

- Senior Councillor Remuneration Page 38
- Senior Officer Remuneration Page 40
- Pay Bandings Information Page 37
- Pension Benefits Information for Senior Councillors Page 43
- Pension Benefits Information for Senior Officers Page 44

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 2017/18 the salary for the Leader of Scottish Borders Council (D Parker to 4th May 2017, S Haslam from 18th May 2017) is £33,857. 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 £296,238. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convenor, is £286,319. 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£50,000 - £54,999	2	-	57	42	21	28	**80**	**70**
£55,000 - £59,999	-	2	14	25	1	1	**15**	**28**
£60,000 - £64,999	6	4	3	1	1	-	**10**	**5**
£65,000 - £69,999	1	2	2	3		-	**3**	**5**
£70,000 - £74,999	3	4	2	2	1	-	**6**	**6**
£75,000 - £79,999	-	1	2	1	-	2	**2**	**4**
£80,000 - £84,999	4	3	-	-	-	-	**4**	**3**
£85,000 - £89,999	2	3	-	-	-	-	**2**	**3**
£90,000 - £94,999	-	-	-	-	-	-	**-**	**-**
£95,000 - £99,999	-	-	-	-	-	-	**-**	**-**
£100,000 - £104,999	-	-	-	-	-	-	**-**	**-**
£105,000 - £109,999	2	-	-	-	-	-	**2**	**-**
£110,000 - £114,999	-	-	-	-	-	-	**-**	**-**
£115,000 - £119,999	-	-	-	-	-	-	**-**	**-**
£120,000 - £124,999	-	-	-	-	-	-	**-**	**-**
£125,000 - £129,999	-	-	-	-	-	-	**-**	**-**
£130,000 - £134,999	1	-	-	-	-	-	**1**	**-**
£135,000 - £139,999	-	1	-	-	-	-	**-**	**1**
Total	21	20	80	74	24	31	**125**	**125**

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2016/17 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2017/18 £
33,789	D Parker	Leader of the Council to 4 May 2017; Convener from 18 May 2017	25,295 (FYE 33,789) (FYE 25,392)	-	25,295
-	S Haslam	Leader of the Council from 18 May 2017	29,488 (FYE 33,857)	-	29,488
25,341	G Garvie	Convener to 4 May 2017	2,384 (FYE 25,341)	-	2,384
59,130		**Leader and Convenor Remuneration**	**57,167**	-	**57,167**
25,341	J Mitchell	Depute Leader of the Council to 4 May 2017	2,384 (FYE 25,341)	-	2,384
22,893	M Cook	Executive Member for HR and Corporate Improvement to 4 May 2017	2,154 (FYE 22,893)	-	2,154
22,893	V Davidson	Executive Member for Culture, Sport, Youth & Communities to 4 May 2017	2,154 (FYE 22,893)	-	2,154
22,893	F Renton	Executive Member for Social Work & Housing to 4 May 2017	2,154 (FYE 22,893)	-	2,154
22,893	D Moffat	Executive Member for Community Safety to 4 May 2017	2,154 (FYE 22,893)	-	2,154
22,893	J Brown	Executive Member for Community Planning/Vice Convener to 4 May 2017	2,154 (FYE 22,893)	- -	2,154
22,893	A Aitchison	Executive Member for Education to 4 May 2017; Executive Member for Neighbourhoods & Locality Services from 18 May 2017	21,524 (FYE 22,893) (FYE 22,240)	-	21,524
22,893	S Bell	Executive Member for Economic Development to 4 May 2017; Chair of Audit & Scrutiny from 18 May 2017	18,223 (FYE 22,893) (FYE 18,450)	-	18,223
22,893	G Edgar	Executive Member for Roads and Infrastructure to 4 May 2017 and from 18 May 2017 (also Locality Committee Chair)	21,524 (FYE 22,893) (FYE 22,240)	-	21,524
22,893	D Paterson	Executive Member for Environmental Services to 4 May 2017	2,154 (FYE 22,893)	-	2,154
22,893	R Smith	Executive Member for Planning and Environment to 4 May 2017	2,154 (FYE 22,893)	-	2,154
20,550	W Archibald	Convener of the Licensing Board to 4 May 2017	1,933 (FYE 20,550)	-	1,933
20,550	M Ballantyne	Leader of Opposition to 4 May 2017	1,933 (FYE 20,550)	-	1,933 -
-	T Weatherston	Executive Member for Adult Social Care/Depute Convener from 18 May 2017	19,370 (FYE 22,240)	-	19,370 -
-	C Hamilton	Executive Member for Children & Young People from 18 May 2017	19,370 (FYE 22,240)	-	19,370 -
-	G Turnbull	Executive Member for Finance from 18 May 2017	19,370 (FYE 22,240)	-	19,370 -
-	M Rowley	Executive Member for Business & Economic Development from 18 May 2017	19,370 (FYE 22,240)	225	19,595 -
-	S Mountford	Executive Member for Transformation & HR and Locality Committee Chair from 18 May 2017	19,370 (FYE 22,240)	35	19,405 -
-	E Jardine	Executive Member for Culture & Sport from 18 May 2017	19,370 (FYE 22,240)	-	19,370 -
-	T Miers	Executive Member for Planning & Environment from 18 May 2017	19,370 (FYE 22,240)	152	19,522 -
-	S Marshall	Locality Committee Chair from 18 May 2017	16,069 (FYE 18,450)	-	16,069 -
-	J Fullarton	Locality Committee Chair from 18 May 2017	16,069 (FYE 18,450)	-	16,069 -
-	R Tatler	Locality Committee Chair from 18 May 2017	16,069 (FYE 18,450)	141	16,210 -
-	W McAteer	Police, Fire & Rescue and Safer Communities Board Chair from 18 May 2017	19,370 (FYE 22,240)	-	19,370 -
295,371		**Total Other Senior Councillor Remuneration**	**285,766**	**553**	**286,319**
354,501		**Total Senior Councillor Remuneration**	**342,933**	**553**	**343,486**

Remuneration Report

(1) The total remuneration figures relate to the salary, fees and allowance for 2017-18 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.

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

Total Remuneration paid to Councillors

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

2016/17 £'000		2017/18 £'000
675	Salaries	655
98	Expenses	93
773	**Total**	**748**

The draft annual return of Councillors' salaries and expenses for 2017/18 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees

The table below provides details of the remuneration paid to the Council's Senior Employees and reflects the Council corporate management restructure.

2016/17 Restated Total Remuneration £	Name	Post Title	2017/18 Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	Total Remuneration £
	Senior Employees in post as at 01/04/17						
131,099	TM Logan	Chief Executive (1)	120,878	-	-	13,848	134,726
21,170	P Barr	Executive Director (2)	21,381	-	-	-	21,381
109,704	JR Dickson	Executive Director (3)	87,935	-	-	-	87,935
86,565	KD Robertson	Chief Financial Officer (4)	87,140	11	-	-	87,151
82,511	J Craig	Service Director Customer & Communities (5)	83,836	16	-	-	83,852
71,723	C Hepburn	Service Director Human Resources	73,350	-	-	-	73,350
82,959	GB Frater	Service Director Regulatory Services (6)	83,536	59	-	-	83,595
87,024	D Manson	Service Director Children & Young People	87,849	-	-	-	87,849
40,643 (FYE 73,525)	D Girdler	Chief Officer Roads (appointed 12 September 2016)	74,260	151	-	-	74,411
-	MR Leys	Interim Chief Social Work Officer (7) (appointed 18 September 2017)	31,069 (FYE 57,952)	-	-	-	31,069
84,069	M Joyce	Service Director Assets & Infrastructure	84,825	69	-	-	84,894
	Senior Employees departed post before 01/04/18						
105,818	J McDiarmid	Depute Chief Executive	7,922 (FYE 106,906)	-	47,285	-	55,207
53,891 (FYE 80,697)	EH Torrance	Chief Social Work Officer (8)	-	-	-	-	-
30,635 (FYE 73,525)	B Park	Chief Officer Roads (appointed 5 January 2016, left 31 August 2016)	-	-	-	-	-
987,811		**Total**	**843,981**	**306**	**47,285**	**13,848**	**905,420**

Notes

(1) TM Logan figure of £134,726 includes £10,606.92 Returning Officer fees for the Scottish Parliament Election on 5 May 16, the European Union Referendum on 23 June 2016, the Local Elections on 4 May 2017, the General Election on 8 June 2017 and the Scottish Parliament Election on 8 June 2017. The "benefits other than in cash" figure for TM Logan relates to car salary sacrifice.

(2) P Barr seconded to SB Cares (subsidiary) as Managing Director. The above figure represents 20% of time employed by SBC, with the remaining 80% (£85,525) met by SB Cares.

(3) JR Dickson figure of £87,935 includes £3,853.23 for Depute Returning Officer fees for the Local Elections on 8 May 2017 and for the General Election and Scottish Parliament Election on 8 June 2017. Seconded to Scottish Government from 1 December 2017 from which date 40% of time employed by SBC, with remaining 60% (£21,020) met by the Scottish Government.

(4) KD Robertson figure of £87,151 includes £200 fee for the General Election and Scottish Government Election on 8 June 2017.

(5) J Craig figure of £83,852 includes £500 fee for the General Election and Scottish Parliament Election on 8 June 2017.

(6) GB Frater figure of £83,595 includes £200 fee for the General Election and Scottish Parliament Election on 8 June 2017.

(7) MR Leys is employed 0.8 of a full time equivalent.

(8) E Torrance, Chief Social Work Officer, seconded to Health & Social Care Partnership until retiral date of 17 September 2017.

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

Remuneration Report

Exit Packages

The total cost and numbers of exit packages are set out in the tables below for 2016/17 and 2017/18:

2017/18

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

The total costs of £0.154m 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.

2016/17

Exit Package Cost band (including special payments) 2016/17	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	7	7	**14**	110,827
£20,001 - £40,000	1	4	**5**	127,551
£40,001 - £60,000	2	3	**5**	239,184
£60,001 - £80,000	-	-	**-**	-
£80,001 - £100,000	-	-	**-**	-
£100,001 - £150,000	-	-	**-**	-
£150,001 - £200,000	-	-	**-**	-
Total	10	14	**24**	**477,562**

Council Subsidiary Bodies

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

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

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

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

2016/17			2017/18				In-year pension contributions		Accrued Pension Benefits		
Total Remuneration £	Name	Post Title	Salaries, fees and allowances £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration £	For year to 31 March 2017 £	For year to 31 March 2018 £	Type	As at 31 March 2018 £	Difference from 31 March 2017 £
									Pension	16,870	2,991p.a
66,955	Ewan Jackson	Chief Executive Officer	75,000	-	-	**75,000**	12,052	13,500	Lump Sum	14,725	1,579

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 2017/18 were as follows:

Whole Time Pay	2017/18
On earnings up to and including £20,700 (2016/17 £20,500)	5.50%
On earnings above £20,700 and up to £25,300 (2016/17 £20,500 to £25,000)	7.25%
On earnings above £25,300 and up to £34,700 (2016/17 £25,000 to £34,400)	8.50%
On earnings above £34,700 and up to £46,300 (2016/17 £34,400 to £45,800)	9.50%
On earnings above £46,300 (2016/17 £45,800)	12.00%

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

Following the changes in 2009 there is no longer an automatic entitlement to a lump sum. Members of the Pension Fund may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
As of 1 April 2015, the Local Government Pension Scheme (Scotland) Regulations 2014 came into effect. This changed the accrual rate of guaranteed pension to 1/49th of career average salary, effective from 1 April 2015.

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

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

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2018 are shown in the following table, together with the contribution made by the Council to each Senior Councillor’s pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

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

Remuneration Report

Councillor Name	Responsibility	In-year pension contributions For year to 31 March 2017 £	For year to 31 March 2018 £	Accrued pension benefits Type	As at 31 March 2018 £	Difference from 31 March 2017 £
D Parker	Leader of the Council to 4 May 2017, Convenor from 18 May 2017	6,082	4,660	Pension Lump Sum	6,500 p.a 2,621	603 p.a 10
S Haslam	Leader of the Council from 18 May 2017	-	5,414	Pension Lump Sum	632 p.a -	632 p.a -
G Garvie	Convener to 4 May 2017, Pensioner from 11 March 2017	4,304	-	Pension Lump Sum	-	-
J Mitchell	Depute Leader of the Council to 4 May 2017	4,561	429	Pension Lump Sum	3,906 p.a 1,631	77 p.a 16
M J Cook	Executive Member for HR and Corporate Improvement to 4 May 2017	4,121	388	Pension Lump Sum	4,226 p.a 1,877	69 p.a 15
V Davidson	Executive Member for Culture, Sport, Youth & Communities to 4 May 2017	4,121	388	Pension Lump Sum	3,995 p.a 1,743	69 p.a 15
D P Moffat	Executive Member for Community Safety to 4 May 2017	4,121	3,148	Pension Lump Sum	4,138 p.a 1,623	424 p.a 16
J Brown	Executive Member for Community Planning/Vice Convener to 4 May 2017	4,121	3,148	Pension Lump Sum	5,152 p.a 4,976	470 p.a 132
A Aitchison	Executive Member for Education to 4 May 2017, Executive Member for Neighbourhoods & Locality Services from 18 May 2017	4,121	3,981	Pension Lump Sum	4,158 p.a 1,578	583 p.a 52
S Bell	Executive Member for Economic Development to 4 May 2017, Chair of Audit & Scrutiny from 18 May 2017	4,125	3,337	Pension Lump Sum	2,490 p.a -	418 p.a -
G Edgar	Executive Member for Roads and Infrastructue to 4 May 2017 and from 18 May 2017 (also Locality Committee Chair)	4,121	3,981	Pension Lump Sum	2,586 p.a -	515 p.a -
D Paterson	Executive Member for Environmental Services to 4 May 2017	4,121	3,148	Pension Lump Sum	8,910 p.a 16,253	591p.a 497
R Smith	Executive Member for Planning and Environment to 4 May 2017	4,121	388	Pension Lump Sum	3,819 p.a 1,641	58 p.a 8
T Weatherston	Executive Member for Adult Social Care/Depute Convenor from 18 May 2017	3,041	3,879	Pension Lump Sum	8,066 p.a 14,961	726 p.a 501
C Hamilton	Executive Member for Children & Young People from 18 May 2017	-	3,593	Pension Lump Sum	420 p.a -	420 p.a -
G Turnbull	Executive Member for Finance from 18 May 2017	3,041	3,879	Pension Lump Sum	3,733 p.a 1,485	567 p.a 54
M Rowley	Executive Member for Business & Economic Development from 18 May 2017	-	3,593	Pension Lump Sum	420 p.a -	420 p.a -
S Mountford	Executive Member for Transformation & HR and Locality Chair from 18 May 2017	3,041	3,879	Pension Lump Sum	2,063 p.a -	532 p.a -
E Jardine	Executive Member for Culture & Sport from 18 May 2017	-	3,593	Pension Lump Sum	420 p.a -	420 p.a -
T Miers	Executive Member for Planning and Environment from 18 May 2017	-	3,593	Pension Lump Sum	420 p.a -	420 p.a -
S Marshall	Locality Committee Chair from 18 May 2017	3,041	3,285	Pension Lump Sum	3,427 p.a 1,279	470 p.a 36
J Fullarton	Locality Committee Chair from 18 May 2017	3,041	3,285	Pension Lump Sum	3,759 p.a 1,541	451p.a 27
R Tatler	Locality Committee Chair from 18 May 2017	-	2,999	Pension Lump Sum	350 p.a -	350 p.a -
W McAteer	Police, Fire & Rescue and Safer Communities Board Chair from 18 May 2017	3,041	3,879	Pension Lump Sum		
Total		**70,286**	**71,867**			

Notes

(1) Councillors Renton and Ballantyne (left office on 4 May 2017) were not part of the Pension Scheme.

(2) 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 2018 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 2018.

Name	Post Title	In-year pension contributions: For year to 31 March 2017	In-year pension contributions: For year to 31 March 2018	Accrued pension benefits: Type	Accrued pension benefits: As at 31 March 2018	Accrued pension benefits: Difference from 31 March 2017
Senior Employees in post as at 01/04/17		£	£		£	£
TM Logan	Chief Executive	20,915	21,577	Pension	41,352 p.a	3,047p.a
				Lump Sum	67,919	763
P Barr (1)	Executive Director (2)	3,811	3,849	Pension	25,019 p.a	2,558 p.a
				Lump Sum	22,835	226
JR Dickson	Executive Director (3)	18,731	18,918	Pension	13,361p.a	2,404 p.a
				Lump Sum	-	-
KD Robertson	Chief Financial Officer	15,494	15,649	Pension	32,149 p.a	2,198 p.a
				Lump Sum	53,977	534
J Craig	Service Director Neighbourhood Services	14,852	15,001	Pension	33,556 p.a	2,133 p.a
				Lump Sum	60,053	594
C Hepburn	Chief Human Resources Officer	12,910	13,203	Pension	12,617 p.a	1,808 p.a
				Lump Sum	2,442	55
GB Frater	Service Director Regulatory Services	14,852	15,001	Pension	43,465 p.a	2,231p.a
				Lump Sum	89,780	888
D Manson	Service Director Children and Young People	15,664	15,813	Pension	5,643 p.a	1,955 p.a
				Lump Sum	-	-
D Girdler	Chief Officer Roads (appointed 12 September 2016)	7,316	13,367	Pension	2,424 p.a	1,586 p.a
				Lump Sum	-	-
MR Leys (2)	Interim Chief Social Work Officer (appointed 18 September 2017)	-	10,120	Pension	1,729 p.a	
				Lump Sum	-	-
M Joyce	Service Director Assets & Infrastructure	15,242	15,269	Pension	6,385 p.a	1,129 p.a
				Lump Sum	-	-
Senior Employees departed post before 01/04/18						
J McDiarmid	Depute Chief Executive (left 2 Aptil 2017)	19,047	107	Pension	6,361p.a	324 p.a
				Lump Sum	-	-
EH Torrance (3)	Chief Social Work Officer	9,684	-	Pension	-	-
				Lump Sum	-	-
B Park	Chief Officer Roads (appointed 5 January 2016, left 31 August 2016)	5,514	-	Pension	-	-
				Lump Sum	-	-
Total		**174,032**	**157,874**			

Notes

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

(1) P Barr seconded to SB Cares (subsidiary) from 1 April 2015. The above figure for in year contributions represents 20% of time employed by SBC.
(2) MR Leys is employed 0.8 of a full time equivalent.

(3) E Torrance seconded to Health & Social Care Partnership from 1 December 2016 until retiral date of 17 September 2017.

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 32 staff members who are TU representatives (30.65 FTE)

The percentage of working time spent on TU activities by the 32 TU representatives can be broken down as follows:-

Percentage of Time	Number of TU Representatives
1% - 50%	26
51% - 99%	4
100%	2
Total	**32**

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
Leader
Scottish Borders Council
25 September 2018

Tracey Logan
Chief Executive

Movement in Reserves Statement

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

Movement in reserves during 2016/17

	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 01/04/2016	**(23,163)**	**(6,578)**	**(102)**	**(1,321)**	**(31,164)**	**(35,697)**	**(66,861)**	
Movement in reserves during 2016/17								
Total Comprehensive Income & Expenditure	5,343	-	-	-	**5,343**	**63,754**	**69,097**	**C I & E**
Adjustments between accounting basis & Funding basis under regulations	(475)	57	102	196	**(119)**	**119**	**-**	**31**
Increase or Decrease In 2016/17	4,868	57	102	196	**5,224**	**63,873**	**69,097**	
Balance at 31/03/2017 carried forward	**(18,294)**	**(6,521)**	0	**(1,125)**	**(25,940)**	**28,176**	**2,236**	

Movement in reserves during 2017/18

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**	**Notes**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 01/04/2017	**(18,294)**	**(6,521)**	**0**	**(1,125)**	**(25,940)**	**28,176**	**2,236**	
Movement in reserves during 2017/18								
Total Comprehensive Income & Expenditure	29,081	-	-	-	**29,081**	**(122,666)**	**(93,585)**	**C I & E**
Adjustments between accounting basis & Funding basis under regulations	(30,513)	(1059)	(426)	62	**(31,936)**	31,936	**-**	**31**
Increase or Decrease In 2017/18	(1432)	(1059)	(426)	62	**(2,855)**	**(90,730)**	**(93,585)**	
Balance at 31/03/2018 carried forward	**(19,726)**	**(7,580)**	**(426)**	**(1,063)**	**(28,795)**	**(62,554)**	**(91,349)**	

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.
In accordance with Councils new departmental structure the Comprehensive Income and Expenditure Statement has been restated for 2016/17.

2016/17 Restated				2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
9,079	(873)	8,206	Culture & Sport	10,616	(417)	10,199	
55,246	(13,536)	41,710	Asset & Infastructure	56,682	(14,763)	41,919	
2,738	(1,741)	997	Economic Development & Corporate Services	2,369	(1,102)	1,267	
112,337	(62,826)	49,511	Health & Social Care	120,283	(69,278)	51,005	
119,935	(2,559)	117,376	Children & Young People	140,659	(4,837)	135,822	
45,484	(33,366)	12,118	Customer & Communities	45,861	(29,964)	15,897	
20,354	(149)	20,205	Finance, IT & Procurement	16,235	(215)	16,020	
2,114	-	2,114	Human Resources	6,091	(404)	5,687	
13,069	(5,686)	7,383	Regulatory Services	13,321	(5,312)	8,009	
4,143	-	4,143	Non-Distributed Costs	4,118	-	4,118	
384,499	**(120,736)**	**263,763**	**Net Cost of Services**	**416,235**	**(126,292)**	**289,943**	
10,939	(11,030)	(91)	Roads Trading Operation (Surplus)/Deficit (External)	8,027	(7,936)	91	**8**
			Other Operating Expenditure				
1,598	(1,581)	17	(Gain)/Loss on Disposal of Assets	291	(434)	(143)	
			Financing & Investment Income and Expenditure				
11,879	-	11,879	Interest Payable & Similar Charges	11,681	-	11,681	**29**
-	(55)	(55)	Interest Receivable & Similar Income	-	(5)	(5)	
22,468	(17,293)	5,175	Net Interest Expense on the Net Defined Benefit Liability	20,988	(15,059)	5,929	**20**
			Taxation and Non-Specific Grant Income				
-	(170,200)	(170,200)	Revenue Support Grant	-	(170,707)	(170,707)	
-	(33,594)	(33,594)	Non-Domestic Rates Pool for Scotland	-	(32,673)	(32,673)	
10,162	(58,004)	(47,842)	Council Tax	12,945	(65,657)	(52,712)	
-	(23,709)	(23,709)	Capital Grants and Contributions	-	(22,323)	(22,323)	**28**
441,546	**(436,203)**	**5,343**	**(Surplus)/Deficit on Provision of Services**	**470,167**	**(441,085)**	**29,081**	

Comprehensive Income and Expenditure Statement

2016/17 Restated				2017/18			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
441,546	**(436,203)**	**5,343**	**(Surplus)/Deficit on Provision of Services**	**470,167**	**(441,085)**	**29,081**	
		(5,032)	(Surplus)/Deficit on revaluation of Non Current Assets			(53,605)	
		(723)	Any Other (Gains) Or Losses			1,431	
		69,509	Actuarial (gains)/losses on pension assets/liabilities			(70,492)	
		63,754	**Other Comprehensive Income and Expenditure**			(122,666)	
		69,097	**Total Comprehensive (Income)/Expenditure**			**(93,585)**	

Balance Sheet

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

2016/17 £'000		2017/18 £'000	Notes
	Property Plant and Equipment		
304,560	Other Land and Buildings	378,528	12
17,500	Vehicle, Plant, Furniture & Equipment	16,397	
123,534	Infrastructure	125,999	
3,838	Surplus Assets	4,742	
27,259	Assets Under Construction	9,807	
1,036	Heritage Assets	1,036	13
52	Intangible Assets	6	14
8,467	Long Term Debtors	5,770	29
486,246	**Long Term Assets**	**542,285**	
411	Intangible Assets - Current	201	14
-	Short Term Investments	-	
906	Inventories	677	24
46,620	Short Term Debtors	52,207	30
(10,150)	less Bad Debt Provision	(10,823)	
7,904	Cash and Cash Equivalents	10,825	34
45,691	**Current Assets**	**53,087**	
(12,300)	Short Term Borrowing	(8,288)	29
(53,155)	Short Term Creditors	(50,129)	30
(804)	Provisions	(512)	25
(66,259)	**Current Liabilities**	**(58,929)**	
(184,215)	Long Term Borrowing	(194,433)	29
(51,252)	Deferred Liabilities	(70,323)	17
(598)	Due to Trust Funds and Common Good	(696)	
(3,972)	Provisions	(3,767)	25
(11,852)	Capital Grants Receipts in Advance	(14,804)	
(251,889)	**Long Term Liabilities**	**(284,023)**	
213,789	**Net Assets excluding pension liability**	252,420	
(216,025)	Pension Liability	(161,071)	20
(2,236)	**Net Assets/(Liabilities) including pension liability**	**91,349**	

Balance Sheet

2016/17 £'000	Financed By:	2017/18 £'000	Notes
	Useable Reserves		
(6,521)	Capital Fund	(7,580)	31
(18,294)	General Fund Balance	(19,726)	
-	Property Maintenance Fund	(426)	
(1,125)	Insurance Fund	(1,063)	
	Unusable Reserves		
(127,102)	Capital Adjustment Account	(111,848)	31
4,980	Financial Instruments Adjustment Account	4,773	
(72,079)	Revaluation Reserve	(122,328)	
216,025	Pension Reserve	161,071	
6,352	Employee Statutory Adjustment Account	5,778	
2,236	**Total Reserves**	**(91,349)**	

The unaudited accounts were issued on 26 June 2018 and the audited accounts were authorised for issue on 25 September 2018.

David Robertson CPFA
Chief Financial Officer
25 September 2018

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.

2016/17 £'000		2017/18 £'000	2017/18 £'000	Notes
5,343	**Net (Surplus) or deficit on the provision of services**	**29,081**		
(23,364)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(73,120)		32
23,890	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	22,198		32
5,869	**Net Cash Flows From Operating Activities**		**(21,841)**	
	Investing Activities			
45,177	Purchase of PP&E, investment property and intangible assets	46,963		
(1,581)	Proceeds from PP&E, investment property and intangible assets	(434)		
-	Purchase/(Disposal) of short & long term investments	-		
(21,087)	Other Items which are Investing Activities	(25,152)		
22,509	**Net Cash Flows from Investing Activities**		**21,377**	
	Financing Activities			
(21,300)	Cash received from loans & other borrowing	(10,300)		
1,613	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,655		
63	Repayments of short and long term borrowing	4,063		
(182)	Other items which are financing activities	125		
(19,806)	**Net Cash Flows from Financing Activities**		**(2,457)**	
8,572	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(2,921)**	
16,476	Cash and Cash Equivalents at the beginning of the reporting period		7,904	
7,904	Cash and Cash Equivalents at the end of the reporting period		10,825	34
8,572	Movement		**(2,921)**	

Notes to the Core Financial Statements

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

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

Notes to the Core Financial Statements

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

Notes to the Core Financial Statements

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve).

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

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

- 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

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

Financial Liabilities:

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

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

Financial Assets:

Financial assets can be classified into two types:

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

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

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

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

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

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

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

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

Fair Value Measurement:

The authority measures some of its non-financial assets such as surplus assets and some of its financial instruments 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.

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.

Notes to the Core Financial Statements

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.

Intangible Assets

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

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

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

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

Inventories

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

Investment Property

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

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

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.

Notes to the Core Financial Statements

Property, Plant and Equipment

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

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

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

Measurement: assets are initially measured at cost, comprising:

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

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

- Infrastructure, community assets 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.

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.

Notes to the Core Financial Statements

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

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

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

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

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

Reserves

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

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

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 in 2017/18.

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

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

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IAS 7 Statement of Cash Flows

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 2018 for which there is a significant risk of material adjustment in the forthcoming year is as follows;

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

Fair Value Measurements

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

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

Notes to the Core Financial Statements

Provisions
The authority has made a provision of £0.238m 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 £0.024m 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 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £14.767m. However, the assumptions interact in complex ways. During 2017/18, the authority`s actuaries advised that the net pension liability had decreased by £54.954m as a result of estimates being corrected and updating assumptions.

Arrears
At 31 March 2018, the authority had Accounts Receivable debtors due of £10.731m, Council Tax debtors of £19.448m and Non Domestic Rate debtors of £4.640m. Provision for bad debts amounted to £0.926m, £9.896m and £3.357m 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 £0.93m for Accounts Receivable debtors, £1.945m for Council Tax debtors and £0.336m 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.

		Restated 2016/17				2017/18
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
6,458	1,748	8,206	Culture & Sport	6,146	4,053	10,199
32,695	9,014	41,709	Asset & Infrastructure	28,959	12,960	41,919
487	509	996	Economic Development & Corporate Services	651	616	1,267
47,858	1,653	49,511	Health & Social Care	49,409	1,596	51,005
113,065	4,312	117,377	Children & Young People	111,065	24,757	135,822
16,008	(3,890)	12,118	Customer & Communities	14,138	1,760	15,897
36,106	(15,901)	20,205	Finance, IT & Procurement	31,698	(15,678)	16,020
2,063	50	2,113	Human Resouces	5,450	236	5,687
6,811	574	7,385	Regulatory Services	6,691	1,320	8,009
-	4,143	4,143	Non Distributed Costs	-	4,118	4,118
261,551	**2,212**	**263,763**	**Net Cost of services**	**254,207**	**35,738**	**289,944**
(256,682)	(1,737)	(258,419)	Other Income and Expenditure	(255,639)	(5,225)	(260,863)
4,869	**475**	**5,343**	**Surplus or Deficit on Provision of Services**	**(1,432)**	**30,513**	**29,081**
(23,163)			**Opening General Fund Balance**	**(18,294)**		
4,869			Less/Plus Surplus or (Deficit) on General Fund	(1,432)		
(18,294)			**Closing General Fund as 31 March**	**(19,726)**		

Notes to the Core Financial Statements

Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2017/18

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 Adjustments £`000
Culture & Sport	4,054	-	(1)	4,053
Asset & Infrastructure	10,760	2,825	(625)	12,960
Economic Development & Corporate Services	488	203	(75)	616
Health & Social Care	550	1,101	(55)	1,596
Children & Young People	22,621	2,223	(88)	24,756
Customer & Communities	303	1,522	(65)	1,760
Finance, IT & Procurement	(16,064)	391	(4)	(15,677)
Human Resouces	-	320	(84)	236
Regulatory Services	510	964	(154)	1,320
Non Distributed Costs	4,059	59	-	4,118
	27,281	**9,608**	**(1,151)**	**35,738**
Other income and expenditure from the Expenditure and Funding Analysis	(11,448)	5,929	294	(5,225)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**15,833**	**15,537**	**(857)**	**30,513**

Adjustments between Funding and Accounting Basis 2016/17 (Restated)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £`000	Net change for the Pensions Adjustments (Note 2) £`000	Other Differences (Note 3) £`000	Total Adjustments £`000
Culture & Sport	1,378	3	367	1,748
Asset & Infrastructure	9,897	1,092	(1,975)	9,014
Economic Development & Corporate Services	440	63	6	509
Health & Social Care	1,023	390	240	1,653
Children & Young People	2,114	931	1,267	4,312
Customer & Communities	412	461	(4,763)	(3,890)
Finance, IT & Procurement	(16,379)	275	203	(15,901)
Human Resouces	-	50	-	50
Regulatory Services	74	361	139	574
Non Distributed Costs	7,957	(3,877)	63	4,143
	6,916	**(251)**	**(4,453)**	**2,212**
Other income and expenditure from the Expenditure and Funding Analysis	(11,605)	5,175	4,693	(1,737)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,689)**	**4,924**	**240**	**475**

Notes to the Core Financial Statements

(Note 1) Adjustments for Capital Purposes
Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which

- conditions were satisfied in the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for those which conditions were satisfied in the year.

(Note 2) Changes for Pension Adjustments
Net change for the removal of pension contributions and addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with the current service costs and past service costs.

- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

(Note 3) Other Differences
Other differences 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 differences column recognises adjustment to the General Fund for the timing differences for premiums and discounts and any other adjustments not included in notes 1 and 2 as detailed above.

Notes to the Core Financial Statements

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

Expenditure/Income	Restated 2016/17 £`000	2017/18 £`000
Expenditure		
Employee Benefits Expenses	148,192	148,573
Other Service Expenses	242,590	223,549
Support Services Recharges	2,424	402
Depreciation, Amortisation, Impairment	21,739	49,731
Interest Payments	11,879	11,681
Loss on Disposal of Assets	17	-
Total Expenditure	**426,841**	**433,936**
Income		
Fees, Charges and Other Service Income	(146,098)	(126,292)
Gain on Disposal of Assets	-	(143)
Interest and Investment Income	(55)	(5)
Income from Council Tax and Non Domestic Rates	(81,436)	(85,385)
Government Grants and Contributions	(193,909)	(193,030)
Total Income	**(421,498)**	**(404,855)**
Surplus or Deficit on the Provision of Services	**5,343**	**29,081**

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2017/18 financial year.

Note 7 Prior Year Adjustments

Prior year adjustments, which have been agreed by external audit, have been made to previous year`s fixed asset balances during 2017/18.

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:

2016/17 Restated £'000		2017/18 £'000	3 Year Cumulative £'000
(10,980)	Turnover for the Year	(7,800)	(25,473)
(91)	(Surplus) / Deficit	91	(97)

SBc Contracts undertakes a wide range of activities including:

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

Notes to the Core Financial Statements

SBc Contracts employs 41 manual workers and 15 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. The organisation continued to contribute strongly to Council resources both directly and indirectly through:

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

In 2017/18 SBc Contracts recorded an annual operating surplus of £0.266m against a revised budget target of a £0.449m surplus. After technical adjustments for pension (IAS 19) and Employee benefits accrual the net final position was £0.012m deficit.

In 2017/18 turnover decreased by £3m, or 17% to £15m. Of the total £8 million, 52% was generated by external work. The order book remains strong with major works programmed to start or continue on Clackmae Bridge, Lowood Bridge, and Langlee Waste Transfer Project, as well as the St Johns Primary School in Edinburgh. A five year framework agreement for road surface dressing for South Lanarkshire Council is due to commence this year, along with our current ongoing framework agreement with Amey for the South East Trunk Roads.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £5.4 million during 2017/18.

Significant trading operations are required to at least achieve a break-even figure over rolling three-year periods. For the 3 year period ending in financial year 2017/18 SBc Contracts recorded a cumulative external total surplus of £0.097 million.

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2017/18 Scottish Borders Council received £0.358m 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 2018.

Note 10 Related Parties

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

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

Members of the Council have direct control over the financial and operating policies of the Council. A review of the interests declared in the Members' Register of Interests confirmed that the Council had no material transactions with any company in which any member had an interest. The total value of transactions between the Council and companies in which members have an interest in 2017/18 was £0.2m (2016/17: £0.2m). The Remuneration Report shows the total allowances paid to senior members in 2017/18. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

A review by departments of their registers of interests confirmed that there were no material transactions between the Council and any company in which any officer had an interest. The total value of transactions between the Council and companies in which Officers have an interest is £0.4m.

Notes to the Core Financial Statements

During 2017/18, the Scottish Borders Council Pension Fund had an average balance of £1.98m (2016/17: £2.286m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.004m (2016/17: £0.006m). In addition the Council charged the Pension Fund £0.36m 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:

	2016/17	**2017/18**
Due to/ (from) the Scottish Borders Council Pension Fund	£ 0.104m	£1.037m

The Council provided routine material financial assistance to other bodies in 2017/18 as follows:

- Jedburgh Leisure Facilities Trust £0.123m
- VisitScotland £0.170m

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 2017/18 to support services is:

Older people	£6.587m
Adults with Learning Difficulties	£1.672m
People with Mental Health Needs	£0.302m
People with Physical Difficulties	£0.312m
Other Support Services	£0.412m

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 £0.732m in 2017/18 with a contribution from the NHS Borders of £0.251m. Direction of Social Care Funding by the Integration Joint Board to the equipment budget also accounted for £0.285m of this.

Galashiels Resource Centre

This is a day centre run jointly with the NHS Borders for adults with mental health needs. The full time manager of this service is employed by NHS Borders with a recharge of £0.026m to the Council. All other expenditure is incurred by the Council.

Notes to the Core Financial Statements

Scottish Borders Council is a corporate member of Tweedside NHT 2011 LLP and Bridge Homes LLP, which have been established to assist in the delivery of affordable housing, in accordance with the Scottish Government's National Housing Trust (NHT) initiative. The Council has consent to borrow (from the Scottish Government) to finance loans to Tweedside NHT 2011 LLP and Bridge Homes LLP in respect of housing units. The Council made no further advances to Tweedside NHT 2011 LLP during 2017/18 and received a net capital repayment from the LLP of £2.977m during the same period. The Council paid made no further advances to Bridge Homes LLP during 2017/18 and received no capital repayment in the year. The Council received interest on the advance from both LLP's. The Council's net advances to Tweedside NHT 2011 LLP and Bridge Homes LLP are shown within long term debtors on the Council's balance sheet. Bridge Homes LLP have been consolidated into the Council's Group Accounts as a Subsidiary.

SB Supports is a registered Limited Liability Partnership between Scottish Borders Council and SBC Nominees. This was established on 1st April 2015 to work in partnership on the provision of adult social care services. In 2017/18 the Council made a payment of £17.759m to SB Supports.

The Scottish Borders Health and Social Care Integration Board was established on 6th February 2016. This is a partnership between Scottish Borders Council and NHS Borders which has been established to bring about change in the way health and social care services are planned, commissioned and delivered. In 2017/18 the Council made a payment of £50.040m to the Board with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31st March 2018 a debtor and creditor figure of £10.262m between the Board and Scottish Borders Council was outstanding.

Live Borders, an integrated trust providing culture and leisure services on behalf of Scottish Borders Council was established on 1st April 2016. Services provided by the trust include Sport and Leisure, Arts, Libraries, Archives, Museums and Galleries. A payment of £5.975m was made to the trust in 2017/18.

Note 11 Audit Remuneration

In 2017/18 the agreed audit fee for the year was £0.270m in respect of services provided by Audit Scotland (2016/17 £0.263m plus a further £7k for the audit of Common Good and Trust Funds). A further £6,000 fee was agreed in respect of services provided by Audit Scotland in relation to the audit of Scottish Borders Council Common Good and Trust Funds Annual Accounts.
During the year additional non-audit work was carried out by Audit Scotland to assess the adequacy of the financial provision for landfill as required by SEPA. A separate fee of £3,000 was charged for this work.

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2017/18

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE * £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets	Total Assets £'000
Gross book value (GBV) at 31 March 2017	**343,161**	**53,792**	**213,216**	**27,259**	**4,026**	**1,036**	**642,490**
Prior Period adjustment	**(510)**	**(44)**	**52**	**(695)**	**(181)**	**-**	**(1,378)**
Revised Gross book value (GBV) at 31 March 2017	**342,651**	**53,748**	**213,268**	**26,564**	**3,845**	**1,036**	**641,112**
Acquisitions & Recognition in the year	3,789	4,706	10,939	39,141	12	-	**58,587**
Transfers between categories	49,749	16	-	(55,898)	6,133	-	**-**
Revaluation Gain	32,520	-	-	-	302	-	**32,822**
Revaluation Loss	(28,416)	-	-	-	(5,185)	-	**(33,601)**
Impairments	-	-	-	-	-	-	**-**
Disposals	(94)	(3,621)	-	-	(250)	-	**(3,965)**
Gross book value (GBV) at 31 March 2018	**400,199**	**54,849**	**224,207**	**9,807**	**4,857**	**1,036**	**694,955**
Cumulative depreciation at 31 March 2017	**(38,601)**	**(36,292)**	**(89,682)**	**-**	**(188)**	**-**	**(164,763)**
Prior Period adjustment	**33**	**(452)**	**241**	**-**	**103**	**-**	**(75)**
Revised Cumulative depreciation at 31 March 2017	**(38,568)**	**(36,744)**	**(89,441)**	**-**	**(85)**	**-**	**(164,838)**
Depreciation for the year	(12,235)	(5,033)	(8,574)	-	(100)	-	**(25,942)**
Transfers between categories	667	-	-	-	(667)	-	**-**
Revaluation Gain	27,419	-	-	-	50	-	**27,469**
Revaluation Loss	4,942	-	-	-	655	-	**5,597**
Impairments	(3,927)	(286)	(193)	-	-	-	**(4,406)**
Disposals	31	3,611	-	-	32	-	**3,674**
Cumulative depreciation at 31 March 2018	**(21,671)**	**(38,452)**	**(98,208)**	**-**	**(115)**	**-**	**(158,446)**
Net book value at 31 March 2018	**378,528**	**16,397**	**125,999**	**9,807**	**4,742**	**1,036**	**536,509**
Net book value at 31 March 2017	**304,560**	**17,500**	**123,534**	**27,259**	**3,838**	**1,036**	**477,727**
Prior Period adjustment	**(477)**	**(496)**	**293**	**(695)**	**(78)**	**0**	**(1,453)**
Revised Net book value at 31 March 2017	**304,083**	**17,004**	**123,827**	**26,564**	**3,760**	**1,036**	**476,274**

* VPFE – Vehicles, Plant, Furniture and Equipment

Notes to the Core Financial Statements

The Council had no investment properties in 2017/18.

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

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

Comparative Movements in 2016/17

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets	Total Assets £'000
Gross book value (GBV) at 31 March 2016	**336,032**	**58,923**	**171,150**	**33,665**	**4,240**	**1,036**	**605,046**
Acquisitions & Recognition in the year	6,026	9,440	15,219	21,196	-	-	**51,881**
Transfers between categories	1,834	(2,314)	27,154	(27,462)	690	-	**(98)**
Revaluation Gain	2,244	-	-	-	342	-	**2,586**
Revaluation Loss	(1,826)	-	-	(140)	-		**(1,966)**
Impairments	(582)	(337)	(141)	-	(139)	-	**(1,199)**
Disposals	(567)	(11,920)	(166)	-	(1,107)	-	**(13,760)**
Gross book value (GBV) at 31 March 2017	**343,161**	**53,792**	**213,216**	**27,259**	**4,026**	**1,036**	**642,490**
Cumulative depreciation at 31 March 2016	**(33,046)**	**(43,904)**	**(82,115)**	**-**	**(124)**	**-**	**(159,189)**
Depreciation for the year	(9,584)	(4,857)	(7,232)	-	(110)	-	**(21,783)**
Transfers between categories	59	598	(501)	-	(58)	-	**98**
Revaluation Gain	3,882	-	-	-	87	-	**3,969**
Revaluation Loss	(19)	-	-	-	-	-	**(19)**
Impairments	-	-	-	-	-	-	**-**
Disposals	107	11,871	166	-	17	-	**12,161**
Cumulative depreciation at 31 March 2017	**(38,601)**	**(36,292)**	**(89,682)**	**-**	**(188)**	**-**	**(164,763)**
Net book value at 31 March 2017	**304,560**	**17,500**	**123,534**	**27,259**	**3,838**	**1,036**	**477,727**
Net book value at 31 March 2016	**302,986**	**15,019**	**89,035**	**33,665**	**4,116**	**1,036**	**445,857**

Notes to the Core Financial Statements

Capital Commitments

As at 31 March 2018 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 £8.256m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2018 £'000
Asset & Infrastructure	1,868
Economic Development & Corporate Services	1,327
Children & Young People	5,061
Total	**8,256**

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 2017/18 the fixed assets relating to Education and Lifelong Learning and Surplus Properties were re-valued. The valuation is an ongoing process carried out throughout the year to arrive at the final valuation figure.

- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. In accordance with IFRS13 Fair Value measurement, Surplus assets are now valued at highest and best use. Properties were valued by the Council's Estates Manager, N.Hastie MRICS.

Vehicles, Plant, Furniture and Equipment

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

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

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

Depreciation has been directly charged to services.

Notes to the Core Financial Statements

Revaluations

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

Revaluation Cycle

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

- 1 April 2017 – Education & Lifelong Learning and Surplus Properties
- 1 April 2016 – Social Work, Resources and Surplus Properties
- 1 April 2015 – Technical Services and Surplus Properties
- 1 April 2014 – Common Good, Trust and Surplus Properties
- 1 April 2013 – Planning & Economic Development, New West Linton Primary School and Surplus Properties

Planning & Economic Development Properties will be revalued as at 1 April 2018 with the resulting adjustments incorporated into the 2018/19 accounts of the Council.

	Property Plant & Equipment						
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000	Heritage Assets £'000	Total Assets £'000
Carried at Historical Cost	107,407	54,576	224,109	9,807	2,464	1,036	**399,399**
New Certified Valuation							
1st April 2017	36,465	-	-	-	(4,178)	-	**32,287**
1st April 2016	6,126	-	-	-	429	-	**6,555**
1st April 2015	7,742	273	89	-	234	-	**8,338**
1st April 2014	-	-	-	-	339	-	**339**
Prior to & Including 1st April 2013	242,459	-	9	-	5,569	-	**248,037**
Gross book value (GBV) at 31 March 2018	**400,199**	**54,849**	**224,207**	**9,807**	**4,857**	**1,036**	**694,955**

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 2016	161	771	82	1,014	1,014
Prior Year Adjustment	-	-	22	22	22
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2017	161	771	104	1,036	1,036
Additions	-	-	-	-	-
Cost or Valuation at 31 March 2018	161	771	104	1,036	1,036

There were no revaluations of heritage assets during the year.

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

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

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

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

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

Notes to the Core Financial Statements

Note 14 Intangible Assets

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

2016/17 £'000		2017/18 £'000
1,825	**Gross book value (GBV) at 31 March**	**1,730**
-	Prior Period adjustment	-
1,825	**RevisedGross book value (GBV) at 31 March**	1730
10	Expenditure in the year	2
98	Transfers	-
-	Impairments	-
(203)	Disposals	-
1,730	**Gross book value (GBV) at 31 March**	**1,732**
(1,595)	**Cumulative amortisation at 31 March**	**(1,678)**
-	Prior Period adjustment	22
(1,595)	**Revised Cumulative amortisation at 31 March**	**(1,656)**
(188)	Amortisation for the year	(70)
(98)	Transfers	-
203	Disposals	-
(1,678)	**Cumulative amortisation at 31 March**	**(1,726)**
52	**Net book value at 31 March**	**6**

There were no revaluations of intangible assets in 2016/17 or 2017/18.

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

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2016/17 or 2017/18.

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet. During 2017/18 the Council entered into an agreement for the provision of a new secondary school in Kelso, this has 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 2018 are as follows:

	Payments for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2018/19	4,982	3,062	2,766	10,810
Payable within two to five years	21,887	11,862	11,192	44,941
Payable within six to ten years	34,055	14,714	13,147	61,916
Payable within eleven to fifteen years	41,487	16,879	10,710	69,076
Payable within sixteen to twenty years	50,190	20,377	6,609	77,176
Payable within twenty one to twenty five years	10,264	6,491	3,239	19,994
Total	**162,865**	**73,385**	**47,663**	**283,913**

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:

2016/17 £'000		2017/18 £'000
	Net Asset Value	
50,467	Land and buildings	84,316
50,467		**84,316**

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 £0.012m in relation to industrial units), relate entirely 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 2016/17 £'000		Land & Buildings 2017/18 £'000
	Finance Lease Liabilities	
1,692	Not later than 1 year	3,060
6,649	Later than 1 year and not later than 5 years	11,863
44,603	Later than 5 years	58,460
	Finance Costs Payable in Future Years	
2,661	Not later than 1 year	2,766
9,827	Later than 1 year and not later than 5 years	11,192
22,252	Later than 5 years	33,704
87,684	**Minimum Lease Payments**	**121,045**

Notes to the Core Financial Statements

The contingent rental figure, recognised as an expense in 2017/18 in respect of the Council's PPP arrangements, was £1.149m (2016/17 £0.94m).

Operating Leases

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

2016/17 £'000		2017/18 £'000
89	Not later than 1year	90
10	Later than 1year and not later than 5 years	17
99	Total	**107**

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:

2016/17 £'000		2017/18 £'000
1,667	Not later than one year	1,442
1,633	Later than one year and not later than five years	1,059
6,561	Later than five years	5,998
9,861	**Total**	**8,499**

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.

2016/17 £'000		2017/18 £'000	
262,930	Opening capital financing requirement		287,145
	Capital Investment		
10,005	Consent to Borrow	-	
51,881	Property, plant and equipment	35,862	
10	Intangible assets	2	35,864
	Sources of Finance		
(1,273)	Capital Receipts	(386)	
(26,206)	Government grants and other contributions	(23,902)	
-	NHT Repayment of Principal	(2,977)	
(10,202)	Loans fund repayments	(10,578)	(37,843)
287,145	**Closing Capital Financing Requirement**		**285,166**

2016/17 £'000		2017/18 £'000
	Explanation of Movements in Year	
	Increase in underlying need to borrow (supported by government financial assistance)	
24,215	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	(1,979)
24,215	**Increase/(Decrease) in capital financing requirement**	**(1,979)**

Note 19 Termination Benefits

During 2017/18 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 5 employees, incurring liabilities of £0.154m - 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 2014, as amended. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.

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

Transactions relating to retirement benefits

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

2016/17 £'000	Comprehensive Income and Expenditure Statement	2017/18 £'000
	Cost of Services	
15,402	Current Service Costs	20,997
326	Past Service Costs, including curtailments	59
	Financing and Investment Income and Expenditure	
5,175	Net Interest Expense	5,929
20,903	**Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services**	**26,985**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
(82,949)	Return on plan assets (excluding the amount included in the net interest expense)	(13,494)
152,499	Actuarial gains and losses arising on changes in financial assumptions	(57,790)
(41)	Other	792
69,509	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(70,492)**
	Movement in Reserves Statement	
4,924	Reversal of net charges made for retirement benefits in accordance with the Code	15,538
	Actual amount charged against the General Fund Balance for pensions in the year	
10,278	Employers' contributions payable to the scheme	9,950
1,499	Retirement benefits payable to pensioners	1,497

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:-

2016/17 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2017/18 £'000
786,344	Present value of the defined benefit obligation	755,271
(570,319)	Fair value of plan assets	(594,200)
216,025	Sub total	161,071
216,025	**Net liability arising from defined benefit obligation**	**161,071**

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

2016/17 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2017/18 £'000
486,072	**Opening Fair Value of Scheme Assets**	570,319
17,563	Interest Income	15,309
	Remeasurement (gains) and losses:-	
82,949	Return on plan assets, excluding the amount included in the net interest expense	13,494
(270)	Other	1,771
11,777	Employer Contributions including unfunded pensions	11,447
3,412	Contributions by Scheme Participants	3,359
(20,242)	Estimated Benefits Paid	(21,499)
(10,942)	Settlement prices received/(paid)	-
570,319	**Closing Fair Value of Scheme Assets**	**594,200**

Notes to the Core Financial Statements

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

2016/17 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2017/18 £'000
627,664	**Opening Defined Benefit Obligation**	786,344
15,402	Current Service Cost	20,997
22,468	Interest Cost	20,988
3,412	Contributions by Scheme Participants	3,359
	Remeasurement (gains) and losses:-	
152,499	Actuarial (gains)/losses arising from changes in financial assumptions	(57,790)
(41)	Other	2,813
(15,144)	Liabilities assumed/(extinguished) on settlements	-
326	Past Service Cost	59
(18,743)	Benefits Paid	(20,002)
(1,499)	Unfunded Pension Payments	(1,497)
786,344	**Closing Defined Benefit Obligation**	**755,271**

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 2018.

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.

2016/17 £'000	Local Government Pension Scheme assets comprised:	2017/18 £'000
1,729	Cash and cash equivalents	**666**
	Equity Instruments	
	By industry type	
55,099	Consumer	47,799
52,346	Manufacturing	42,116
6,783	Energy and utilities	5,568
63,729	Financial Institutions	56,063
16,649	Health and Care	17,804
38,579	Information Technology	38,838
233,185		**208,188**
	Bonds	
	By sector	
46,568	UK Corporate	64,095
9,002	UK Government	26,278
55,570	Other	**90,373**
	Investment Funds - Quoted in Active Market	
68,304	Managed Fund - UK Equities Passive	56,054
93,975	Managed Fund - Global Equities	78,432
1,658	Managed Fund - Smaller Companies	2,730
29,258	Managed Fund - Property	83,833
193,195		**221,049**
	Investment Funds - Not Quoted	73,924
86,640		
570,319	**Total Assets**	**594,200**

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

2015/16 £'000	Fair Value of Scheme Assets	2016/17 £'000
	Equity instruments:	
	By company size	
233,185	Large capitalisation	**208,188**

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary are shown below:

2016/17	Basis for Estimating Assets and Liabilities	2017/18
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
22.90	Men	2160
23.80	Women	24.20
	- longevity at 65 for future pensioners (years)	
25.20	Men	23.30
26.10	Women	26.00
3.6%	Rate of inflation - RPI	3.3%
2.7%	Rate of inflation - CPI	2.3%
10%	Rate of increase in salaries	3.3%
2.7%	Rate of increase in pensions	2.3%
2.7%	Rate for discounting scheme liabilities	2.6%

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

2016/17		Category Analysis of the Scheme Assets as at 31 March 2018	2017/18	
%	£'000		%	£'000
70	397,122	Equities	58	345,404
2	9,002	Gilts	15	90,373
8	46,568	Other Bonds	-	-
5	29,258	Property	14	83,833
-	1,729	Cash	-	666
15	86,640	Multi-Asset Fund	7	43,036
-	-	Private Credit	5	27,583
-	-	Infrastructure	1	3,305
100	570,319	Total	100	594,200

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Adjustment to discount rate (increase or decrease 0.1%)	740,504	770,347
Adjustment to long term salary increase (increase or decrease 0.1%)	757,572	752,987
Adjustment to pension increases and deferred revaluation (increase or decrease 0.1%)	768,068	742,737
Adjustment to mortality rating assumption (increase or decrease 1year)	783,858	727,759

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 2017/18 the Council paid £7.398m to teachers' pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay (£7.331m and 17.2% in 2016/17). 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 2017/18 these amounted to £0.706m representing 1.64% of pensionable pay (£0.704m and 1.65% in 2016/17).

Note 22 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 17 employers in the Scottish Borders. As at 31 March 2018 there were 10,667 members.

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

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

Note 23 Events After the Balance Sheet Date

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

Note 24 Inventories

2016/17 £'000		2017/18 £'000
1,020	**Balance outstanding at start of year**	906
(114)	Movement during year	(229)
906	**Balance outstanding at year-end**	677

Note 25 Provisions

Provisions are recognised in the accounts when:

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

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

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2017	(120)	(238)	(407)	(4,011)	(4,776)
Additional charges to provisions	(27)	-		(141)	(168)
Payments made or released	98	-	339	228	665
Balance at 31 March 2018	(49)	(238)	(68)	(3,924)	(4,279)

Within 12 Months	(49)	(238)	(68)	(157)	(512)
Over 12 months	-	-	-	(3,767)	(3,767)
Total	(49)	(238)	(68)	(3,924)	(4,279)

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

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

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

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

Note 26 Contingent Liabilities

The following contingent liabilities are noted:

- The Council is a scheme creditor of Municipal Mutual Insurance Limited (MMI). This organisation ceased operations in 1992 and has outstanding claim liabilities that are currently being managed by a board until the liabilities are extinguished. This will remain the position until the Scheme Administrator sees fit to revise the Levy percentage either upwards or downwards as required. As the final costs and timing of any further Council contributions cannot therefore be estimated with reasonable accuracy, no further provision has been made in the financial statements in respect of any potential additional payments at this stage. The remaining contingent liability at the Balance Sheet date in respect of claim payments to date, net of the initial levy paid, is £320,644, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £0 at the Balance Sheet date.

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

- The Council has a commitment to provide Bridge Homes LLP with a loan facility up to a maximum value of £18.8m in order to allow Bridge Homes LLP to deliver affordable housing in the Scottish Borders in line with the Council's Local Housing Strategy.

- The Council has agreed to act as guarantor for SB Cares and Live Borders with regards to their admission to the Scottish Borders Pension Fund. Should either SB Cares or Live Borders be unable to meet their pension obligations, Scottish Borders Council as guarantor would be liable to do so. Our Actuary, Barnett Waddingham, has provided figures based on the projected bond level that would be needed to be established to reflect theses pension fund liabilities. For those employees that transferred over to SB Cares the pension liability has been calculated at £6.167m and for Live Borders £2.937m.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- During 2016/17 a claim was lodged against Capita Plc by Dumfries and Galloway Council on behalf of itself and Scottish Borders Council for additional expenditure incurred by both Councils due to the delay in the rollout of broadband network and ICT infrastructure across the Scottish Borders and Dumfries and Galloway. This claim is still on-going.

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 2017/18.

2016/17 Restated £'000		2017/18 £'000
	Credited to Taxation and Non Specific Grant Income	
(11,438)	General Capital Grant	(15,363)
(11,880)	Other Grants	(5,557)
(391)	Developer Contributions	(1,403)
(23,709)	**Total**	**(22,323)**
	Credited to Services	
(40)	Culture & Sport	(424)
(36)	Asset & Infastructure	(227)
(1,518)	Economic Development & Corporate Services	(982)
(1,843)	Health & Social Care	(2,264)
(292)	Children & Young People	(1,553)
(31,634)	Customer & Communities	(28,733)
-	Human Resources	(105)
(37)	Regulatory Services	(1,160)
(35,400)		**(35,448)**

Note 29 Financial Instruments

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.

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

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

	31st March 2017			
	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(273,197)	-	(273,197)
Market Debt	-	(341)	-	(341)
Other debt	-	(90,038)	-	(90,038)
Total	**-**	**(363,576)**	**-**	**(363,576)**

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.

Financial Instruments - Balances

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

	Long-Term		Current	
	31 March 2017	31 March 2018	31 March 2017 Restated	31 March 2018
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	-	-	7,904	10,825
Debtors	8,467	5,770	36,470	41,384
Total Loans and Receivables	**8,467**	**5,770**	**44,374**	**52,209**
Borrowings				
Financial Liabilities (principal amount)	(184,215)	(194,433)	(9,000)	(5,000)
Accrued interest	-		(3,300)	(3,288)
Total Borrowings	**(184,215)**	**(194,433)**	**(12,300)**	**(8,288)**
Other Liabilities				
PPP and finance lease liabilities	(51,252)	(70,323)	(1,692)	(3,060)
Bonds	-	-	(1,460)	(1,460)
Total other long-term liabilities	**(51,252)**	**(70,323)**	**(3,152)**	**(4,520)**
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(50,003)	(45,609)
Total Creditors	**-**	**-**	**(50,003)**	**(45,609)**

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 2017 £'000	31 March 2017 %		31 March 2018 £'000	31 March 2018 %
(44,584)	23	Bonds and Mortgages	(44,801)	22
(139,631)	71	Public Works Loan Board	(149,632)	74
(184,215)	**94**	**Long term borrowing (> 1 year)**	**(194,433)**	**96**
(12,300)	6	Short Term Borrowing repayable within 12 months	(8,288)	4
(196,515)	**100**	**Total Borrowing**	**(202,721)**	**100**

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2017 £'000		2018 £'000
(12,300)	Less than 1 year	(8,288)
(94)	Between 1 and 2 years	-
(14,584)	Between 2 and 7 years	(14,977)
(15,582)	Between 7 and 15 years	(25,500)
(153,955)	More than 15 years	(153,956)
(196,515)	**Total**	**(202,721)**

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

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

	2016/17		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total £'000
Interest expense	11,879	-	11,879
Interest payable and similar charges	**11,879**	**-**	**11,879**
Interest Income	-	(55)	(55)
Interest and investment income	**-**	**(55)**	**(55)**
Net (gain) / loss for the year	**11,879**	**(55)**	**11,824**

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 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	(142,405)	(273,197)	(149,632)	(281,384)
Other debt	(54,110)	(90,379)	(53,089)	(86,953)
Total debt	**(196,515)**	**(363,576)**	**(202,721)**	**(368,337)**
Creditors	(53,155)	(53,155)	(50,129)	(50,129)
Total financial liabilities	**(249,670)**	**(416,731)**	**(252,850)**	**(418,466)**

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 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	7,904	7,904	10,825	10,825
Debtors	36,470	36,470	41,384	41,384
Total loans and receivables	**44,374**	**44,374**	**52,209**	**52,209**

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

Note 30 Nature and Extent of Risks Arising from Financial Instruments

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

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

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 2017/18 which incorporates the prudential indicators was approved by the Council on 9 February 2017. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £343.6m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £285.0m. 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 £285.0m and £99.8m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt were as follows:

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

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 2017/18 was approved by the Council on 9 February 2017 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 2018 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.

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 9 February 2017:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2017 £'000	Actual 31 March 2018 £'000
Less than one year			63,650	20	12,300	8,288
Between one and two years			63,650	20	94	-
Between two and seven years			63,650	20	14,584	14,977
Between seven and fifteen years			63,650	20	15,582	25,500
More than fifteen years	50,220	20	254,600	80	153,955	153,956
Total					**196,515**	**202,721**

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	(119)
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)	65,429

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

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

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

Notes to the Core Financial Statements

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

Debtors

Restated 2016/17 £'000		2017/18 £'000
	Prepayments	
411	Central government bodies	-
-	Other local authorities	-
-	NHS bodies	-
-	Public Corporations and Trading Funds	-
4,861	Bodies External to General Government	3,065
	General Sundry Debtors	
35	Central government bodies	12,130
136	Other local authorities	211
3,671	NHS bodies	64
184	Public Corporations and Trading Funds	161
7,287	Bodies External to General Government	1,573
	Other Debit Balances	
3,174	Central government bodies	3,583
-	Other local authorities	426
-	NHS bodies	4,066
988	Public Corporations and Trading Funds	65
25,873	Bodies External to General Government	26,863
46,620		**52,207**

Creditors

Restated 2016/17 £'000		2017/18 £'000
	Income Received in Advance	
(553)	Central government bodies	(211)
-	Other local authorities	-
-	NHS Bodies	(87)
-	Public Corporations and Trading Funds	(6)
(6,761)	Bodies External to General Government	(5,911)
	General Sundry Creditors	
-	Central government bodies	(407)
-	Other local authorities	(291)
(2)	NHS Bodies	(295)
(1,014)	Public Corporations and Trading Funds	(996)
(35,164)	Bodies External to General Government	(15,441)
	Other Credit Balances	
(2,763)	Central government bodies	(3,317)
-	Other local authorities	(69)
-	NHS Bodies	(69)
(857)	Public Corporations and Trading Funds	(1,845)
(6,041)	Bodies External to General Government	(21,184)
(53,155)		**(50,129)**

Notes to the Core Financial Statements

Note 31 Movement in Reserves

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

	Balance as at 31 March 2017 £'000	Transfers between reserves and funds £'000	Gains or Losses for the Year £'000	Balance as at 31 March 2018 £'000
Usable Reserves				
General Fund Balances	(18,294)	(30,513)	29,081	(19,726)
Capital Fund	(6,521)	(1,060)	-	(7,580)
Property Maintenance Fund	-	(426)	-	(426)
Insurance Fund	(1,125)	62	-	(1,063)
Unusable Reserves				
Capital Adjustment Account	(127,102)	12,337	2,918	(111,848)
Financial Instruments Adjustment Account	4,980	(208)	1	4,773
Revaluation Reserve	(72,079)	4,844	(55,093)	(122,328)
Pensions Reserve	216,025	15,538	(70,492)	161,071
Employee Statutory Adjustment Account	6,352	(574)	-	5,778
Total	**2,236**	**-**	**(93,585)**	**(91,349)**

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 2016/17

	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	(21,971)	-	-	-	(21,971)	21,971	-	12 & 14
Impairment losses (charged to CI&ES)	(1,199)	-	-	-	(1,199)	1,199	-	
Revaluation Losses	(463)	-	-	-	(463)	463	-	
Capital grants and contributions applied	23,709	-	-	-	23,709	(23,709)	-	28
Employee Statutory Adjustments	(170)	-	-	-	(170)	170	-	
Profit/(Loss) on disposal of assets	(17)	(1,582)	-	-	(1,599)	1,599	-	
	(7,748)	-	-	-	(7,748)	7,748	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements							-	
	207	-	-	-	207	(207)		
Net retirement charges per IAS 19							-	
	(15,202)	-	-	-	(15,202)	15,202		
Loans Fund principal repayments and Statutory premia							-	
	10,203	-	-	-	10,203	(10,203)		
Capital Expenditure charged to General Fund balance							-	
	146	-	-	-	146	(146)		
Employers contribution payable to Pension Fund							-	
	10,278	-	-	-	10,278	(10,278)		
Net Transfers to or (from) other reserves	1,753	1,640	102	196	3,690	(3,690)	-	
Total in year adjustments	(475)	57	102	196	(119)	119	-	

Notes to the Core Financial Statements

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

	General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Charges for depreciation & amortisation of non-current assets	(26,012)				**(26,012)**	26,012	-	12 & 14
Impairment Losses (charged to CI&ES)	(2,805)				**(2,805)**	2,805	-	
Revaluation Losses	(22,921)				**(22,921)**	22,921	-	
Capital grants and contributions applied	22,323				**22,323**	(22,323)	-	28
Employee Statutory Adjustments	574				**574**	(574)	-	
Profit/(Loss) on disposal of assets	143	(434)			**(291)**	291	-	
Revenue Exp Funded From Capital under Statute	(18)				**(18)**	18	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	208				**208**	(208)	-	
Net retirement charges per IAS 19	(25,488)				**(25,488)**	25,488	-	
Loans Fund principal repayments and Statutory premia	10,578				**10,578**	(10,578)	-	
Capital Expenditure charged to General Fund balance	458				**458**	(458)	-	
Employers contribution payable to Pension Fund	9,950				**9,950**	(9,950)	-	
Net Transfers to or (from) other reserves	2,496	(625)	(426)	62	**1,506**	(1,506)	-	
Total in year adjustments	**(30,513)**	**(1,059)**	**(426)**	**62**	**(31,936)**	**31,936**	**-**	

Notes to the Core Financial Statements

Usable Reserves

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

The General Fund Balances are further analysed as follows:

2016/17 Restated £'000	Analysis as at 31 March	2017/18 £'000
	Earmarked Reserves	
(1,690)	Children & Young People - Devolved School Management	(2,442)
	Specific Departmental Reserves	
-	Culture & Sport	(71)
(247)	Asset & Infastructure	(499)
(61)	Economic Development & Corporate Services	(313)
(504)	Children & Young People	-
(713)	Customer & Communities	(520)
(485)	Finance, IT & Procurement	(11)
-	Human Resources	(13)
(49)	Regulatory Services	-
(534)	Revenue Support Grant / Council Tax	(864)
(2,272)	2nd Homes Council Tax	(3,266)
-	Allocated Reserves - Financial Plan 18/19	(5,058)
(6,555)		(13,057)
(11,739)	Non-Earmarked Reserve	(6,669)
(18,294)	**Total General Fund Reserve**	**(19,726)**

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

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

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

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

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

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

Notes to the Core Financial Statements

Note 32 Cash Flow

2016/17 £'000	Reconciliation to General Fund Surplus	2017/18 £'000
5,343	**Net (Surplus) or deficit on the provision of services**	**29,081**
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(21,783)	Depreciation	(25,942)
(1,662)	Impairment & Revaluation Loss through I & E	(25,726)
(188)	Amortisation of intangible assets	(70)
(4,924)	Movement in pension liability	(15,538)
(17)	Gain/Loss on carrying amounts of assets disposed	143
(114)	Net movement in inventories charged to I & E	(229)
(152)	Net movement in debtors charged to I & E	3,835
4,827	Net movement in creditors charged to I & E	(9,183)
648	Net movement in provisions charged to I & E	(410)
(23,364)		**(73,120)**
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
23,709	Capital grants received	22,323
181	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(125)
23,890		**22,198**
5,869	**Net Cash Outflow / (Inflow) from Operating Activities**	**(21,841)**

Note 33

Impairment & Revaluation Losses

During 2017/18 SBC recognised a net impairment and negative revaluation loss of £32.410m (£3.184m in 2016/17). A net cost of £25.726m has been charged to the Comprehensive Income and Expenditure Statement and shown within the Net Cost of Services.

Note 34

Cash and Cash Equivalents

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

2016/17 £'000		2017/18 £'000
52	Cash held by officers	49
5,772	Bank current accounts	7,996
2,080	Short term deposits	2,780
7,904	**Total**	**10,825**

Supplementary Financial Statements

Council Tax Income Account

Restated 2016/17 £'000	Restated 2016/17 £'000			2017/18 £'000	2017/18 £'000
	(60,290)	Gross Charges Levied			(65,657)
4,928		Less:	Council Tax Reduction Scheme	5,086	
4,928				5,086	
6,865		Discounts and Exemptions		7,173	
645		Provision for bad debts		706	
10		Miscellaneous		(20)	
	12,448				12,945
	(47,842)				**(52,712)**
	(47,842)	**Total Income Credited to the Comprehensive Income & Expenditure Statement**			**(52,712)**

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2017

Band	Number of Properties 2016/17	Number of Properties 2017/18	Proportion	2016/17 £	2017/18 £
A	16,568	16,573	6/9	722.67	744.35
B	12,743	12,676	7/9	843.11	868.40
C	7,000	7,026	8/9	963.56	992.46
D	5,891	5,912	9/9	1,084.00	1,116.52
E	6,364	6,396	11/9	1,324.89	1,466.98
F	4,723	4,783	13/9	1,565.78	1,814.35
G	4,366	4,426	15/9	1,806.67	2,186.52
H	455	464	18/9	2,168.00	2,735.47
Total	**58,110**	**58,256**			

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 2017/18 the Band D charges were £199.26 for water and £231.30 for waste water.

Supplementary Financial Statements

Non-Domestic Rate Income Account

2016/17 £'000	2016/17 £'000			2017/18 £'000	2017/18 £'000
	(45,308)	Gross Rates Levied & Contribution in Lieu			(48,016)
12,030		Less:	Reliefs and Other Deductions	15,436	
399			Write-offs of uncollectable debts & allowance for impairment	394	
-			Interest paid on overpaid rates	-	
	12,429				15,830
	(45,308)				(48,016)
	(155)	Net General Fund expenditure on discretionary reliefs			(173)
	(45,463)	**Net Non-Domestic Rate Income**			**(48,189)**
	-	Adjustment to Previous Years National Non-Domestic Rates			-
	(45,463)	**Contribution to National Pool**			**(48,189)**
	33,594	**Distribution received from National Pool**			32,673
	(33,594)	**Income Credited to the Comprehensive Income & Expenditure Statement**			**(32,673)**

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 31 March 2018

Classification	Number	Rateable Value £'000
Shops	1,251	20,637
Public Houses	83	1,508
Offices Including Banks	949	8,281
Hotels Etc	135	4,077
Industrial Subjects Including Factories Warehouses and Stores	2,003	27,394
Leisure, Entertainment Caravans and Holiday Sites	1,044	6,093
Garages and Petrol Stations	214	2,295
Cultural	50	542
Sporting Subjects	1,129	2,188
Education and Training	105	10,854
Public Service Subjects	431	5,717
Communications (Non Formula)	5	16
Quarries Mines Etc	12	414
Petrochemical	5	1,307
Religious	290	1,267
Health Medical	97	4,157
Other	549	2,129
Care Facilities	88	2,003
Advertising	7	13
Undertaking	28	5,254
Total	**8,475**	**106,146**

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2017/18 was:
46.6p for properties with a rateable value up to £51,000
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 76 separate trusts and bequests as at the Balance Sheet date. However, OSCR approval has been granted to move 6 of these trusts into the SBC Community Enhancement Trust and 38 into the SBC Welfare Trust with effect from 1 April 2018.
- **The Ormiston Trust for Institute** remains as a separately registered trust with OSCR.
- **The Thomas Howden Wildlife Award Fund** was amalgamated into the SBC Education Trust with effect from 1 April 2017 with OSCR approval.

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 177 non registered charities, which will be consolidated (with OSCR approval) into the SBC Community Enhancement and Welfare Trusts from 1 April 2018.

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

Trust Funds

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

Comprehensive Income & Expenditure Statements

2016/17 £'000		Charitable £'000	Other £'000	2017/18 Total £'000
	Income			
(68)	Dividends and Interest	(41)	(32)	(73)
(42)	Rents	-	(75)	(75)
(10)	Donations & Grants	(3)	(10)	(13)
-	Recognition of Fixed Assets & Investments	(4)	-	(4)
	Expenditure			
-	Administration	5	4	9
201	Grants to Beneficiaries	20	25	45
97	Depreciation	26	72	98
-	Realised Loss On Investments	27	40	67
9	Unrealised Loss On Investments	2	2	4
187	**(Surplus) / Deficit for the Year**	**32**	**26**	**58**
(820)	(Surplus) brought forward	(360)	(508)	(868)
(97)	Funding (brought forward/carried forward) to Revaluation Reserve	(26)	(72)	(98)
(125)	Transfer to Capital Reserve	(28)	(41)	(69)
(13)	Movement between Revenue & Capital Reserves			-
(868)	(Surplus) carry forward	**(382)**	**(595)**	**(977)**

Balance Sheet

2016/17 £'000		Charitable £'000	Other £'000	2017/18 Total £'000
	Non-current Assets			
1,788	Land and Buildings	260	1,431	1,691
1,873	Investments	710	1,075	1,785
1	Long term Loan	-	1	1
	Current Assets			
344	Short Term Investments	103	334	437
-	Sundry Debtors	3	22	25
	Current Liabilities			
(16)	Sundry Creditors	(5)	(1)	(6)
3,990	**Net Assets**	**1,071**	**2,862**	**3,933**
	Financed by			
(868)	Revenue Reserve	(382)	(595)	(977)
(1,402)	Capital Reserve	(481)	(853)	(1,334)
(1,720)	Revaluation Reserve	(208)	(1,414)	(1,622)
(3,990)		**(1,071)**	**(2,862)**	**(3,933)**

Common Good Funds

The Council administers the Common Good Funds for ten towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2018, for each of the funds. The accounting policies applied are those as set out in pages 52 to 63.

With effect from 12 February 2018, per the Councils` Common Good and Trust Investment Strategy, all funds are invested in the Kames Capital Plc diversified income fund.

From 1 April 2018 Melrose Common Good has been recognised with the inclusion of the Melrose Scout Hall (old town hall) as a Common Good asset.

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

2016/17 £'000		Duns £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income											
(238)	Charitable Activities	-	-	(106)	-	-	-	(11)	-	(42)	(57)	(216)
(69)	Investments	(1)	(4)	(13)	-	(26)	(7)	(7)	-	(12)	(5)	(75)
(27)	Donations & Legacies	(1)	(1)	(7)	-	(1)	(1)	(7)	(38)	(3)	(18)	(77)
(334)		**(2)**	**(5)**	**(126)**	**-**	**(27)**	**(8)**	**(25)**	**(38)**	**(57)**	**(80)**	**(368)**
	Expenditure											
385	Raising Funds	-	42	169	17	45	53	26	3	72	77	504
48	Other : Governance Costs	3	2	13	-	7	2	12	-	9	12	60
171	Charitable Activities	-	-	17	-	13	2	6	-	19	28	85
604		**3**	**44**	**199**	**17**	**65**	**57**	**44**	**3**	**100**	**117**	**649**
270	**(Surplus) / Deficit before unrealised losses**	**1**	**39**	**73**	**17**	**38**	**49**	**19**	**(35)**	**43**	**37**	**281**

Common Good Funds

Balance Sheet

Total 2016/17 £'000		Duns £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Melrose £'000	Peebles £'000	Selkirk £'000	Total £'000
		2017/18										
	Non-current Assets											
10,746	Tangible Assets	-	552	3,558	273	452	756	995	35	803	3,114	10,538
2,700	Investments	17	148	455	-	900	243	247	-	418	231	2,659
47	Long Term Loan to Third Party	-	-	-	-	30	-	5	-	-	-	35
	Current Assets											
20	Sundry Debtors	-	-	19	-	14	1	8	-	5	7	54
255	Short Term Investments	-	13	31	-	14	40	29	-	48	84	259
	Current Liabilities											
(23)	Sundry Creditors	-	-	(36)	-	-	-	(4)	-	(7)	(42)	(89)
13,745	**Net Assets**	**17**	**713**	**4,027**	**273**	**1,410**	**1,040**	**1,280**	**35**	**1,267**	**3,394**	**13,456**
	Financed by											
(3,478)	Restricted Income Funds	(17)	(314)	(607)	(135)	(959)	(284)	(288)	(35)	(513)	(312)	(3,464)
(10,267)	Revaluation Reserve	-	(399)	(3,420)	(138)	(451)	(756)	(992)	-	(754)	(3,082)	(9,992)
(13,745)	**Total Reserves**	**(17)**	**(713)**	**(4,027)**	**(273)**	**(1,410)**	**(1,040)**	**(1,280)**	**(35)**	**(1,267)**	**(3,394)**	**(13,456)**

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (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 111 to 119.

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

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

- Common Good Funds
- Charitable Trust Funds
- Bridge Homes LLP
- SB Supports LLP
- SB Cares LLP
- Live Borders

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 107 to 110. Bridge Homes LLP, a partnership between the Council and Scottish Futures Trust Investments Ltd, created to invest in residential property and in which the Council is entitled to 99.999% of the profits and equally exposed to 99.999% of the losses, is also treated as a subsidiary body. SB Supports and SB Cares LLP are registered Limited Liability Partnerships between Scottish Borders Council and SBC Nominees, working in partnership to provide adult social care services. The financial statements for Bridge Homes LLP, SB Supports LLP and SB Cares LLP are available from Council Headquarters.

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

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

Group Accounts

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

- Jedburgh Leisure Facilities Trust

This organisation manages the delivery of a range of sport and leisure facilities in Jedburgh. The Council pays a management fee to the company and the leisure facilities are owned by the Council and leased to the company. The company is limited by guarantee and has charitable status. The Council is not represented on the Board of Directors. The percentage for consolidation is 39.5% based on the Council's contribution to incoming resources. Jedburgh Leisure Facilities Trust's accounting period is to 31 March and, for the purposes of consolidation, the financial statements for the period ending 31 March 2018 have been used. The company's Statement of Financial Activities shows an operating profit of £0.007m for the year to 31 March 2018 of which £0.002m has been included in the Group Accounts. The company's draft Balance Sheet as at 31 March 2018 shows net assets of £0.024m of which £0.008m has been included in the Group Accounts.

The Trust's accounts can be obtained from their registered office at Oxnam Road, Jedburgh, TD8 6QH.

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

- Scottish Borders Integration Joint Board

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

The boards draft Comprehensive Income & Expenditure Statement show gross expenditure and income of £175.290m for the year of which £35.755m has been consolidated into the Group Accounts. Both the Balance Sheet and Movement In Reserves Statement show a net position of £0 for 2017/18.

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

Restatement of Prior Year`s Core Statements
It should be noted that various 2016/17 core group statements have been restated. This is to reflect any changes from the draft annual accounts position of group entities to their finalised audited position. It also allows for any increases or decreases to the Council`s share in group entities between the financial years.

Group Movement In Reserves Statement

Movement in reserves during 2016/17 - Restated

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	**Total Group Usable Reserves**	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	**Total Group Unusable Reserves**	**Total Group Reserves**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Balance at 01/04/2016	(31,164)	(7,547)	**(38,711)**	(35,697)	(11,800)	**(47,497)**	**(86,208)**
Movement in reserves during 2016/17							
Total Comprehensive Income & Expenditure	5,343	(274)	**5,069**	63,754	5,796	**69,550**	**74,619**
Adjustments between accounting basis & funding basis under regulations	(119)	(367)	**(486)**	119	367	**486**	**-**
Increase or Decrease in 2016/17	5,224	(641)	**4,583**	63,873	6,163	**70,036**	**74,619**
Balance at 31/03/2017 carried forward	**(25,940)**	**(8,188)**	**(34,128)**	**28,176**	**(5,637)**	**22,539**	**(11,589)**

Movement in reserves during 2017/18

	Scottish Borders Council Usable Reserves	Group Entities Usable Reserves	**Total Group Usable Reserves**	Scottish Borders Council Unusable Reserves	Group Entities Unusable Reserves	**Total Group Unusable Reserves**	**Total Group Reserves**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Balance at 01/04/2017	(25,940)	(8,188)	**(34,128)**	28,176	(5,637)	**22,539**	**(11,589)**
Movement in reserves during 2017/18							
Total Comprehensive Income & Expenditure	29,081	128	**29,209**	(122,666)	1,005	**(121,661)**	**(92,452)**
Adjustments between accounting basis & funding basis under regulations	(31,936)	(365)	**(32,301)**	31,936	365	**32,301**	**-**
Increase or Decrease in 2017/18	(2,855)	(237)	**(3,092)**	(90,730)	1,370	(89,360)	**(92,452)**
Balance at 31/03/2018 carried forward	**(28,795)**	**(8,425)**	**(37,220)**	**(62,554)**	**(4,267)**	**(66,821)**	**(104,041)**

Group Comprehensive Income and Expenditure Statement

Restated 2016/17 Gross Expenditure £'000	Restated 2016/17 Gross Income £'000	Restated 2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000
14,654	(5,563)	9,091	Culture & Sport	15,661	(4,977)	10,685
55,246	(13,536)	41,710	Asset & Infastructure	56,682	(14,763)	41,918
2,772	(1,906)	866	Economic Development & Corporate Services	2,369	(1,102)	1,267
113,763	(62,856)	50,907	Health & Social Care	123,094	(69,791)	53,302
119,935	(2,559)	117,375	Children & Young People	140,659	(4,837)	135,822
45,484	(33,366)	12,118	Customer & Communities	45,861	(29,964)	15,898
20,354	(149)	20,205	Finance, IT & Procurement	16,235	(215)	16,020
2,114	-	2,114	Human Resources	6,091	(404)	5,687
13,069	(5,686)	7,382	Regulatory Services	13,408	(5,535)	7,873
4,143	-	4,143	Non-Distributed Costs	4,118	-	4,118
604	(265)	339	Common Good	646	(242)	404
307	(52)	255	Trust Funds	152	(88)	64
31,546	(31,551)	(5)	Share of Operating Results of Associates & Joint Ventures	35,827	(35,829)	(2)
423,992	**(157,490)**	**266,501**	**Services provided by the Council**	**460,803**	**(167,746)**	**293,056**
423,992	**(157,490)**	**266,501**	**Net Cost of Services**	**460,803**	**(167,746)**	**293,056**
10,939	(11,030)	(91)	Roads Trading Operation (Surplus)/Deficit (External)	8,027	(7,936)	91
			Other Operating Expenditure			
1,598	(1,581)	17	(Gain)/Loss on Disposal of Assets	291	(434)	(143)
			Financing & Investment Income and Expenditure			
11,879	-	11,879	Interest Payable & Similar Charges	11,681	-	11,681
-	(119)	(119)	Interest Receivable & Similar Income	-	(68)	(68)
22,468	(17,293)	5,175	Net Interest Expense on the Net Defined Benefit Liability	20,988	(15,059)	5,929
-	-	-	Share Of Associates & Joint Ventures Interest Payable	-	-	-
			Taxation and Non-Specific Grant Income			
-	(170,200)	(170,200)	Revenue Support Grant	-	(170,707)	(170,707)
-	(33,594)	(33,594)	Non-Domestic Rates Pool for Scotland	-	(32,673)	(32,673)
10,162	(58,004)	(47,842)	Council Tax	12,945	(65,657)	(52,712)
-	(23,709)	(23,709)	Capital Grants and Contributions	-	(22,323)	(22,323)
		8,017	**(Surplus)/Deficit on Provision of Services**			**32,131**

Group Comprehensive Income and Expenditure Statement

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		8,017	**(Surplus)/Deficit on Provision of Services**			**32,131**
		(5,807)	(Surplus)/Deficit on revaluation of Non Current Assets			(53,920)
		(1,179)	Any Other (Gains) Or Losses			1,456
		73,588	Actuarial (gains)/losses on pension assets/liabilities			(72,119)
		66,602	**Other Comprehensive Income and Expenditure**			(124,583)
		74,619	**Total Comprehensive (Income)/Expenditure**			**(92,452)**

Group Balance Sheet

Restated 2016/17 £'000		2017/18 £'000
	Property Plant and Equipment	
325,082	Other Land and Buildings	398,999
18,199	Vehicle, Plant, Furniture & Equipment	17,305
123,534	Infrastructure	125,999
3,838	Surplus Assets	4,742
27,259	Assets Under Construction	9,807
1,062	Heritage Assets	1,062
52	Intangible Assets	6
4,574	Long Term Investments	4,444
194	Investments in Associates & Joint Ventures	436
3,914	Long Term Debtors	1,205
507,708	**Long Term Assets**	**564,006**
411	Intangible Assets - Current	201
-	Short Term Investments	-
1,025	Inventories	825
41,483	Short Term Debtors	43,207
(10,150)	less Bad Debt Provision	(10,823)
13,413	Cash and Cash Equivalents	14,169
46,183	**Current Assets**	**47,578**
(12,300)	Short Term Borrowing	(8,288)
(54,567)	Short Term Creditors	(45,533)
(804)	Provisions	(512)
(67,671)	**Current Liabilities**	**(54,332)**
(184,392)	Long Term Borrowing	(194,556)
(51,252)	Deferred Liabilities	(70,323)
(188)	Liabilities of Associates & Joint Ventures	(428)
(3,972)	Provisions	(3,767)
(11,852)	Capital Grants Receipts in Advance	(14,804)
(251,656)	**Long Term Liabilities**	**(283,877)**
234,564	**Net Assets excluding pension liability**	273,374
(222,975)	Pension Liability	(169,333)
11,589	**Net Assets/(Liabilities) including pension liability**	**104,041**

Group Balance Sheet

2016/17 £'000	Financed By:	2017/18 £'000
	Useable Reserves	
(6,521)	Capital Fund	(7,580)
(18,294)	General Fund Balance	(19,726)
-	Property Maintenance Fund	(426)
(1,125)	Insurance Fund	(1,063)
(8,188)	Share of Group Entities Usable Reserves	(8,425)
	Unusable Reserves	
(127,102)	Capital Adjustment Account	(111,848)
4,980	Financial Instruments Adjustment Account	4,773
(72,079)	Revaluation Reserve	(122,328)
216,025	Pension Reserve	161,071
6,352	Employee Statutory Adjustment Account	5,778
(5,637)	Share of Group Entities Unusable Reserves	(4,267)
(11,589)	**Total Reserves**	**(104,041)**

The unaudited accounts were issued on 26 June 2018 and the audited accounts were authorised for issue on 25 September 2018.

David Robertson CPFA
Chief Financial Officer
25 September 2018

Group Cash Flow Statement

Restated 2016/17 £'000		2017/18 £'000	2017/18 £'000
8,017	**Net (Surplus) or deficit on the provision of services**	**32,131**	
5	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	2	
(31,020)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(74,703)	
23,890	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	22,135	
892	**Net Cash Flows From Operating Activities**		**(20,435)**
	Investing Activities		
48,930	Purchase of PP&E, investment property and intangible assets	47,611	
(1,581)	Proceeds from PP&E, investment property and intangible assets	(434)	
(72)	Purchase/(Disposal) of short & long term investments	139	
(21,416)	Other Items which are Investing Activities	(25,222)	
25,860	**Net Cash Flows from Investing Activities**		**22,094**
	Financing Activities		
(21,314)	Cash received from loans & other borrowing	(10,312)	
1,613	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,669	
96	Repayments of short and long term borrowing	4,103	
(2,439)	Other items which are financing activities	125	
(22,044)	**Net Cash Flows from Financing Activities**		**(2,415)**
4,708	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(756)**
18,121	Cash and Cash Equivalents at the beginning of the reporting period		13,413
13,413	Cash and Cash Equivalents at the end of the reporting period		14,169
4,708	Movement		**(756)**

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 52 to 63.

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

Note 2 Group Cash Flow

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

Restated 2016/17 £'000	Reconciliation to General Fund Surplus	2017/18 £'000
8,017	**Net (Surplus) or deficit on the provision of services**	**32,131**
5	**Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement**	**2**
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(22,467)	Depreciation	(26,746)
(1,634)	Impairment & Revaluation Loss through I & E	(25,740)
(188)	Amortisation of intangible assets	(70)
(7,416)	Movement in pension liability	(18,477)
(17)	Gain/Loss on carrying amounts of assets disposed	143
(40)	Net movement in inventories charged to I & E	(200)
(217)	Net movement in debtors charged to I & E	4,636
310	Net movement in creditors charged to I & E	(7,839)
648	Net movement in provisions charged to I & E	(410)
(31,020)		**(74,703)**
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
23,709	Capital grants received	22,323
181	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	(188)
23,890		**22,135**
892	**Net Cash Outflow / (Inflow) from Operating Activities**	**(20,435)**

Note 3 Financial Impact of Group Consolidation

The inclusion of the group entities has an impact on the Council's single entity position on provision of services. The deficit of £29.08m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £32.13m. The Group Balance Sheet position has increased from a net asset of £11.6m in 2016/17 to £104.0m in 2017/18.

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^{th} Century onwards. They are held by the Council as custodian for the benefit of residents of the 10 former burghs, Duns, 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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Scottish Borders COUNCIL