

Scottish Borders Council

annual accounts

for the year to 31 March 2017



Scottish Borders Council

Annual Accounts 2016/17

Foreword by the Leader of the Council	3
Management Commentary.....	4
Statement of Responsibilities	26
Annual Governance Statement 2016/17	27
Remuneration Report.....	32
Movement in Reserves Statement	40
Comprehensive Income and Expenditure Statement	41
Balance Sheet.....	42
Cash Flow Statement.....	44
Accounting Policies	45
Notes to the Core Financial Statements.....	57
Supplementary Financial Statements.....	93
Council Tax Income Account	93
Non-Domestic Rate Income Account.....	94
Trust Funds.....	95
Common Good Funds.....	97
Group Accounts	99
Notes to the Group Accounts	107
Independent Auditor's Report.....	108
Glossary of Terms.....	111

Foreword by the Leader of the Council

Welcome to the Annual Accounts for the Scottish Borders Council for the year ended 31 March 2017. 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 2016/17.

This is the first set of accounts I will sign as Leader of the Council and my focus is naturally on our plans for the future. In saying this the Council has achieved much in 2016/17 and I would like to acknowledge the contribution made by members of the previous Administration and Officers as highlighted in these accounts.

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 priorities;
- our financial position for 2016/17;
- key aspects of our performance during 2016/17; and
- our plans for the future.

Highlights of 2016/17

Against a very difficult financial background, the Council has achieved a great deal during 2016/17 as follows:

- ✓ Signed a 13 year contract with CGI to establish a digital services partnership;
- ✓ Achieved £8.9m of planned Financial Plan savings on a permanent recurring basis;
- ✓ Delivered £261.6m of revenue spending within budget;
- ✓ Delivered Capital Investment of £51.8m in schools, flood protection, roads, lighting and other assets;

- ✓ Supported a successful first year operation of the new integrated Sport & Culture Trust (Live Borders).

Our Plans for 2017/18

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 implementation of Business World (new Enterprise Resource Planning (ERP) solution to replace Finance and HR systems) in April 2017;
- a renewed focus on improved communication and engagement with our communities;
- increased planning, collaboration, partnership working and a focus on jointly seeking innovative 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. These will make the Council and its services sustainable within the reducing resource environment of the Public Sector.

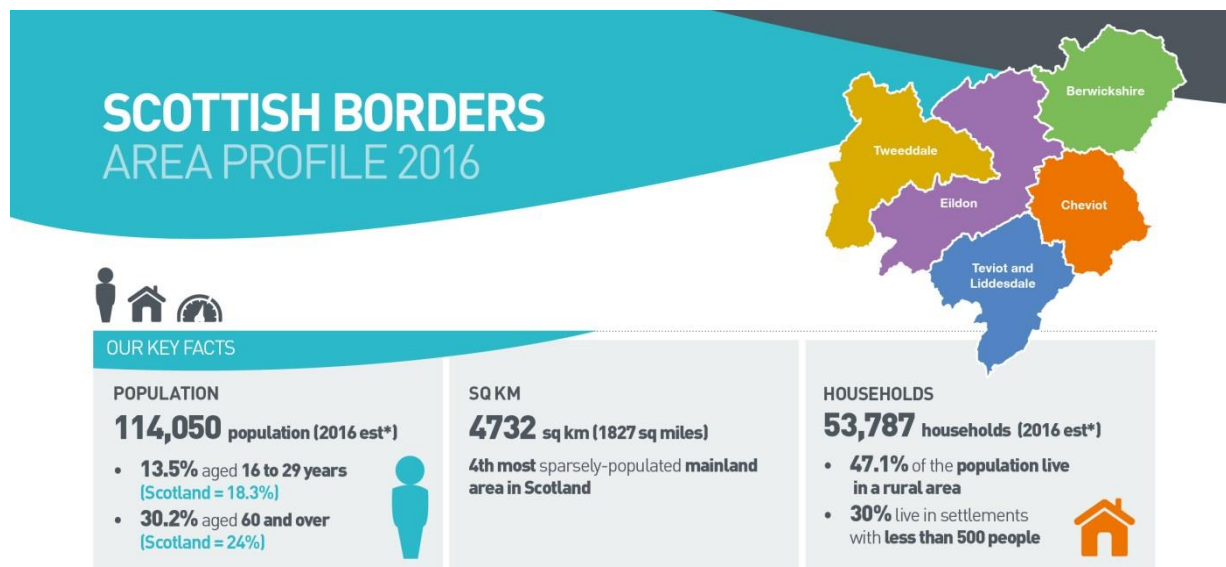
2017/18 represents the final year of the original 5 year revenue Financial Plan established in 2013/14. During this period from 2013/14 to 2016/17 the Plan has delivered cumulative savings of £26.87m alongside significant improvements in performance set out on pages 16 - 23 and I look forward to setting the Administration's new 5 year plan for 2018/19.

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



Management Commentary

Scottish Borders Council highlights 2016/17

CGI contract signed

A 13 year contract was signed in April 2016 establishing a digital services partnership.



Langlee Primary School new build

With a total budget of £10.6m Langlee Primary School will open for the new term in August 2017 with the demolition and landscaping work being completed by December as per the project programme.



Digital connectivity

The Digital Scotland Superfast Broadband rollout continues to enhance mobile phone coverage across Scotland. Work is continuing to enhance mobile phone coverage and a Digital Forum has been established to share connectivity issues and solutions to better co-ordinated efforts across the Scottish Borders.

Preparation for launch of Business World

Successful implementation of new integrated HR, Finance & Procurement system to facilitate efficiency savings and business process improvements.



Partnership working

Health and Social Care Integration Joint Board went live in April 2016 with work progressing to develop co-located integrated teams within the localities.

Borders Railway blueprint

A year on from the launch of the Borders Railway progress continues to further develop the inward investment opportunities and increase visitor numbers to the Scottish Borders.



Sustainable Transport

The Community Transport Hub won 'Accessibility Project of the Year' at the Scottish Transport Awards 2016.



Street Light Energy Efficiency Programme (SLEEP)

In 2016/17 6,000 lanterns, illuminated signs and bollards have been replaced with an energy efficient LED alternative leading to a reduction in energy and CO2 consumption. A total of 19,000 lights will have been replaced by the end of 2017/18.



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:



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.

Management Commentary

Risk

A Corporate Financial Risk Register was used as the basis for setting reserve levels in 2016/17 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 Risk Register is assessed to be £10.870m and the projected useable General Fund balance, at £5.638m, is 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.

2016/17 represented year 4 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 £26.87m 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.

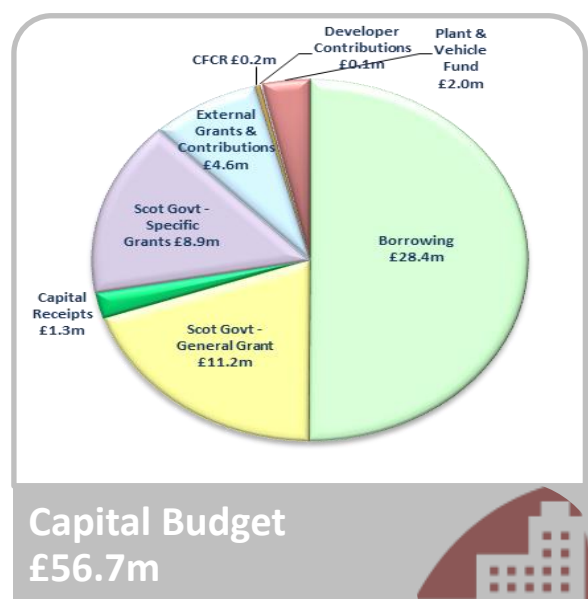
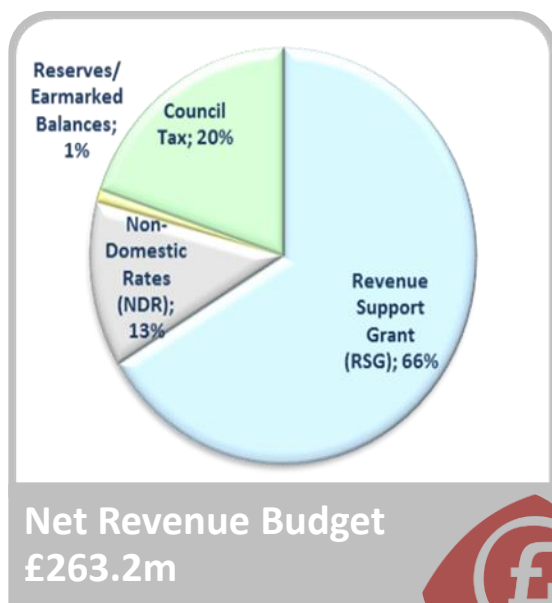
The Financial Strategy, the Financial Plans and the Treasury Management Strategy are approved by Council annually in February.

Management Commentary

How are we are doing? - Financial Performance

2016/17 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 2017

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.

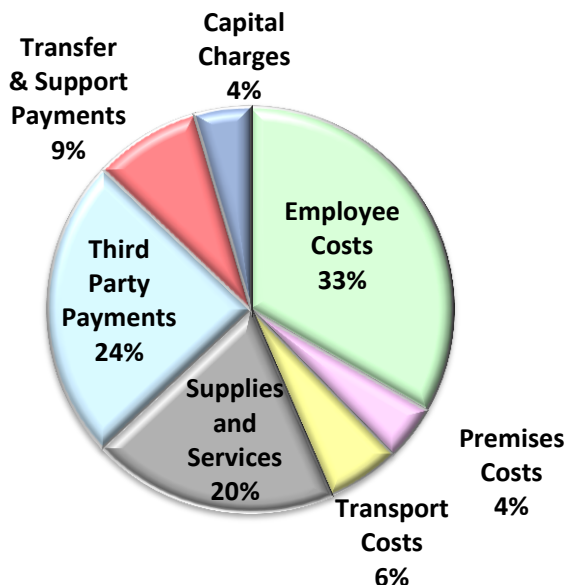
Revenue

The actual outturn for the financial year 2016/17, including funding sources, was a revenue expenditure of £261.6m representing a net underspend of £0.128m (0.05%) against the revised budget.

The following chart analyses the revenue by Council department:

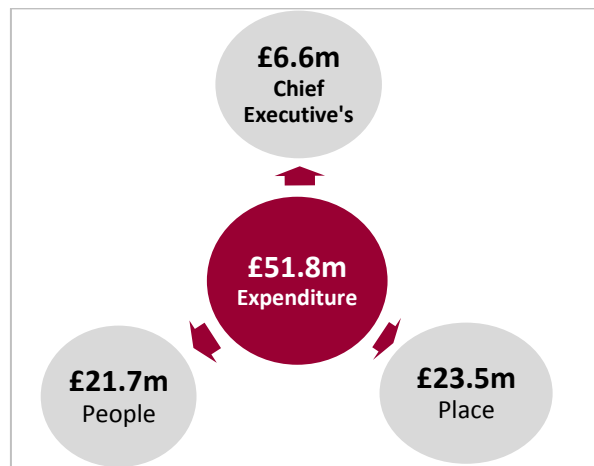


Revenue net expenditure for the year includes income of £145.4m, and gross expenditure of £407m as analysed in the chart below:



Capital

The actual outturn for the financial year 2016/17, including funding sources, was a capital expenditure of £51.8m representing a favourable variance of £3.0m (6.2%) against the revised budget, made up of £2.2m timing movement into future years and an underspend of £0.8m.



The capital programme delivered significant investment in the Scottish Borders during 2016/17 and the following table highlights some of the major projects undertaken:

Place	
• Roads & Bridge Maintenance	£8.0m
• Selkirk Flood Scheme	£6.4m
• Other Flood Protection Schemes	£1.3m
• Waste Infrastructure	£0.7m
• Land & Property Infrastructure	£4.3m
• Plant & Vehicle	£2.5m

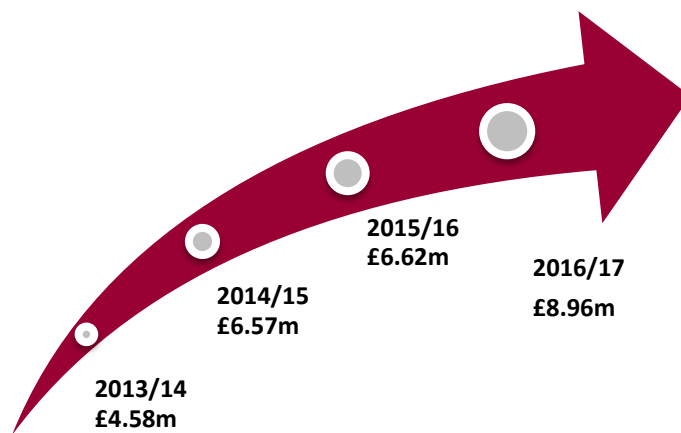
People	
• Duns Primary School	£6.8m
• Langlee Primary School	£6.9m
• Broomlands Primary School	£2.5m
• Other School Estate	£3.4m
• Sports & Culture Infrastructure	£0.7m
• Social Care Projects	£1.4m

Chief Executive's	
• Synthetic Pitches	£1.2m
• ICT Transformation	£4.5m
• Other projects	£0.9m

Management Commentary

Delivery of Targeted Savings

Overall, savings of £12.36m were delivered during 2016/17 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 £12.36m delivered in 2016/17, £8.96m (73%) were delivered permanently (£8.775m (71%) as intended within the Financial Plan and £0.188m (2%) by alternative means). As shown below there is a demonstrable sustained improvement overall in the permanent delivery of agreed savings by the Council over the past 4 years. It is acknowledged that there will be a requirement for ongoing effort to maintain and further improve this delivery performance in 2017/18 and beyond.



Financial Plan Savings delivered permanently

Making best use of our People

- Review of professional and support services £2.1m
- Redesign of Children & Young People's services £2.4m
- Employee Benefits £0.8m

Working with our Partners

- Alternative models of service delivery £0.7m
- Review of commissioning arrangements £0.3m

Looking after the Borders

- Savings on Property Maintenance £0.1m
- Integrated Waste Management Plan £0.1m

Business Process Transformation

- Redesign of Adult Services £1.0m
- Procurement savings £0.12m
- SLEEP project savings £0.18m

Maximising Resources

- Income from long term empty properties £0.5m
- 2nd homes Council tax income £0.14m
- Fees & Charges £0.2m

Management Commentary

Comprehensive Income and Expenditure Statement

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

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the management outturn reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2016/17 (the Code).

These accounting adjustments include depreciation, Loans Fund principal repayments and accrued holiday leave not taken by 31 March 2017. This results in the (statutory accounting) adjusted net cost of services of £263.8m compared with the reported departmental net cost of services of £261.6m. Note 5, page 58 provides additional analysis of the movement between these figures. It should be noted that there has been a significant increase in the gross expenditure and gross income reported within the net cost of services during 2016/17. This increase, in both expenditure and income, can be attributed to the contribution of £42.237m made to the Integration Joint Board (IJB) with NHS Borders and the corresponding income received from the IJB for the commissioning of services from the Council.

Further statutory adjustments are then subsequently made in the comprehensive income and expenditure account shown on page 41 to include net gains/losses on disposal and revaluation of assets, interest payable and adjustments for pension costs. These accounting adjustments result in an overall Deficit on the Provision of Council Services for the year of £5.3m.

Other Comprehensive Income and Expenditure

The movement in the Comprehensive Income and Expenditure statement between 2015/16 and 2016/17 of £10.1m can primarily be attributed to a one-off payment during 2016/17 to Transport Scotland for £7.7m in order to buy out a long term contractual liability along with a reduction in the level of Earmarked Balances between 2015/16 and 2016/17. The level of Earmarked Balances is expected to vary year to year depending on the timing of programmes of work.

Following the Actuarial Loss on the Pension Net Assets/Liabilities (£69.5m) the overall Net Comprehensive Income is a deficit of £69.1m (versus surplus of £48.5m in 2015/16). This net position is as a result of the underlying assumptions used in the actuarial valuation. The actuarial valuation for the accounts are calculated in accordance with IAS19 and uses a number of high level assumptions including pension increases, salary increase and discount rate. These assumptions are reviewed and updated on an annual basis and are only used for IAS19 purposes and are not relevant to calculations undertaken for funding purposes. Information provided during 2016/17 by our pension fund advisors (based on projections provided by our Actuary) indicate that the fund remains over 100% funded. The net assets under management by the Scottish Borders Pension Fund grew by 21.5% during 2016/17. The Annual Report and Accounts on the Pension Fund provide a full narrative on its performance and can be found at www.scotborders.gov.uk/pensions

Management Commentary

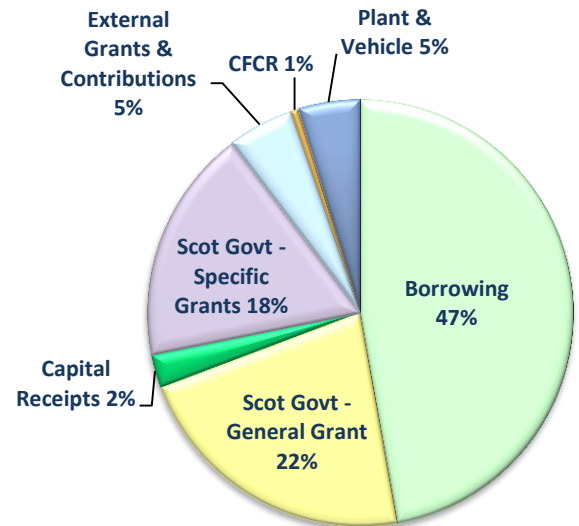
Capital Financing Requirement

In addition to the capital expenditure on fixed and intangible assets of £51.8m the Council utilised the Scottish Government's Consent to Borrow provision to provide the funding for capital expenditure on new affordable housing through the Council National Housing Trust Initiative via Bridge Homes LLP (£2.2m on 22 properties).

The chart shows the profile of the sources of the total £51.8m capital financing requirement for 2016/17.

The chart indicates that 47% (£24.3m) of the capital financing requirement was provided by the Council's capital prudential borrowing.

Actual Capital Financing 2016/17



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 2017 was £197m. Additional long term borrowing was undertaken during the year amounting to £12m. Short term borrowing for cash flow purposes was also undertaken with £9m outstanding at the year end. The average rate of interest paid on outstanding external debt was 6.2%.

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 40).

Unusable Reserves – result from accounting adjustments and cannot be spent

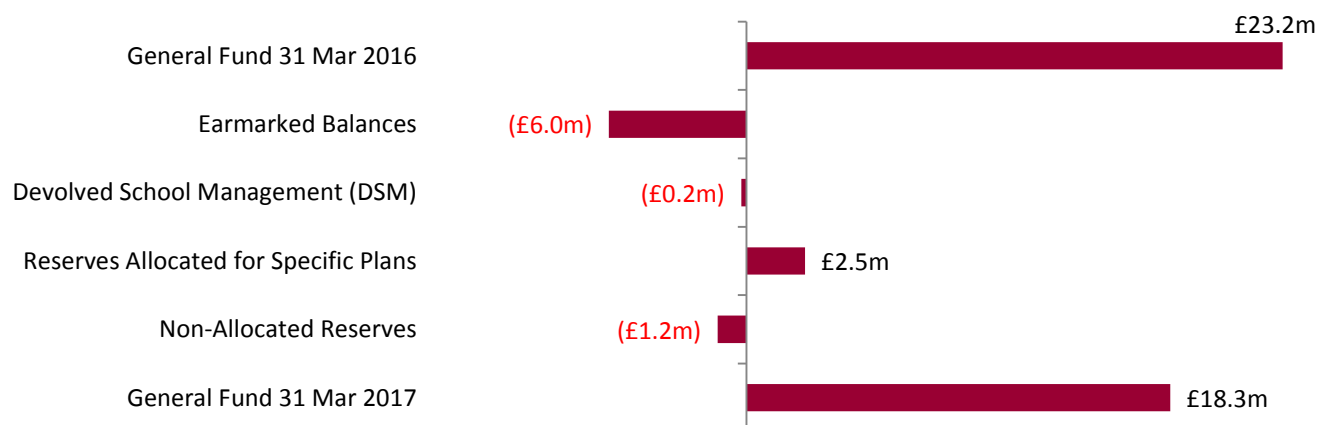
Usable Reserves – result from the Council’s activities and can be spent in the future

Note 31, page 88 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 2017 the total General Fund Reserve Balance is £18.3m (£23.2m at 31 March 2016) a decrease of £4.9m during the year. The decrease, as can be seen from the chart below, can mainly be attributed to the reduction in Earmarked Balances the value of which will vary from year to year.



Within the detail of the movements there are the following key changes during 2016/17:

Non-Allocated Reserves

Drawdown to support IT transformation	(£1.284m)
Drawdown to support the 2016/17 Financial Plan	(£0.160m)
Increase from 2016/17 year end outturn and technical adjustments	£0.204m

Reserves Allocated for Specific Plans - net effect of:

Increase to IT transformation reserve	£2.000m
Increase to adverse weather reserve	£0.200m
Financial Plan adjustments	£1.181m
Drawdown from Allocated balances for specific purposes	(£0.845m)

Management Commentary

Scottish Borders Council Group Accounts

Group Accounts have been prepared for the year ending 31 March 2017 with a comparator year ending 31 March 2016. The Group Accounts for 2016/17 can be found from page 99. The establishment of a new integrated Sport & Culture Trust (Live Borders) in April 2016 has resulted in the previous Associate Borders Sport & Leisure Trust (BSLT) being removed from the Group and Live Borders being included as a Subsidiary. The Scottish Borders Health and Social Care Partnership have also been consolidated into the Group Accounts for the first time this year. The Integrated Joint Board with NHS Borders was established on 6th February 2016, however there were no material transactions during 2015/16 which would have required consolidation into the 2015/16 Group Accounts. The Group comprises of the following:



Going concern

The Council's Balance Sheet is shown on pages 42 - 43. The value of the net liabilities of £2.236m at 31st March 2017 exceeds the value of distributable reserves held by the Council. This is, however, only a snap shot view which is fundamentally affected by the pension fund liability (£216m) calculated at this point in time. The actuarial valuation, which takes a longer term view of liabilities as they are more likely to actually fall due in future years, will appropriately apply future revenue streams from a combination of investments, employer contributions and employee contributions to meet the financing of these liabilities. It is therefore considered appropriate to continue to adopt a 'going concern' basis for the preparation of these financial statements.

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:



www.scotborders.gov.uk/corporateplan

www.scotborders.gov.uk/businessplans

www.scotborders.gov.uk/performance

Performance against our corporate priorities

The Council reports and presents its performance information relating to each corporate priority on a monthly basis to the Corporate Management Team, and on a quarterly basis to the Executive Committee of the Council. Below is a summary of the key performance information for 2016/17 and the priorities that we need to focus on moving forward to ensure that our priorities continue to be addressed.

01

ENCOURAGE SUSTAINABLE ECONOMIC GROWTH HOW ARE WE DOING?

April 2016 - March 2017:

EMPLOYMENT RATE*	CLAIMANT COUNT (16-64YR OLDS)	CLAIMANT COUNT (18-24YR OLDS)	PLANNING APPLICATIONS
74% of people aged between 16-64 are now in employment	1.8% of working age people are now out of work and claiming benefits	3.7% of young people are now out of work and claiming benefits	1324 received during 2016/17
Scotland SB last year	Scotland SB last year	Scotland SB last year	Scotland SB last year
72.9% 76.2%	2.4% 1.8%	3.6% 3.9%	1,286



Heritage Hub in Hawick new base for Business Gateway.

Business Gateway

After operating successfully out of Ettrick Riverside in Selkirk for 16 years, the Business Gateway team moved to new premises at Tower Mill in Hawick in April. Not only has this enabled a private sector business to expand its office space in Selkirk, it helps support the aspirations of the Hawick Action Plan, developed through a partnership between Scottish Borders Council, Scottish Enterprise, Scottish Government, and the local business community, with Business Gateway now providing its services in a high street setting.



- railway
- connectivity
- investment
- skills
- housing
- railway
- connectivity
- investment
- skills

Our performance during 2016/17

BUSINESS GATEWAY 231 new businesses were created with our help (down from 247 in 15/16)	BUSINESS LOANS AND GRANTS £71.2k was approved in loans over 4 successful applications to the Scottish Borders Business Loan Fund (down from 162K in 15/16)	AFFORDABLE HOMES 131 affordable homes were delivered (Over 5 years 598 affordable homes have been delivered against a target of 500) (above target of 100)	AVERAGE TIME TO DETERMINE PLANNING APPLICATIONS* By end of Q3 2016/17 average times were: 0.0 no major applications received (SBC average 15/16 = 27.6)
1085 businesses were supported in 2016/17 (up from 1042 in 15/16)	£129.4k was approved in grants over 39 successful applications to the Scottish Borders Business Fund (up from £108K in 15/16)	91% invoices paid within 30 days on average were paid within 30 days in 16/17 (down from 92% in 15/16)	6.9 weeks for non-householders (SBC last year 17.4) 7.4 weeks for householders (SBC last year 6.7)

For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20th June 2017.
 *Performance indicators with a quarter lag in data.



02

IMPROVE ATTAINMENT AND ACHIEVEMENT LEVELS FOR ALL OUR CHILDREN AND YOUNG PEOPLE, WITH A FOCUS ON INCLUSION HOW ARE WE DOING?

Participation Measure

Recently 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.

2016 Annual Participation Measure:

<p>SCHOOL LEAVERS POSITIVE DESTINATION 2015/16</p> <p>94.2% of the 1166 school leavers went into a positive destination</p> <p>Scotland 93.3%</p>	<p>4,867 young people age 16-19 year in the Scottish Borders (included in this measure).</p> <p>91.4% are participating in Education, Employment or Training</p> <ul style="list-style-type: none"> • 74.6% in Education • 15.0% in Employment • 1.8% in Training & Personal Development <p>Scotland 90.4%</p>	<p>2.7% not participating in Education, Employment or Training</p> <ul style="list-style-type: none"> • 1.7% Unemployed Seeking • 1.0% Unemployed Not Seeking <p>Scotland 4.0%</p>	<p>5.9% Unconfirmed Status</p> <p>Scotland 5.6%</p>
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inclusion • attainment • achievement • leadership • inclusion • attainment • achievement • leadership

Our performance

<p>S5 PUPIL ATTAINMENT 2015/16</p> <p>38.2% achieved 3+ SCQF Level 6 (Higher) or above</p> <p>(up from 28.8% in 2010/11)</p>	<p>S6 PUPIL ATTAINMENT 2015/16</p> <p>45.9% achieved 3+ SCQF Level 6 (Higher) or above</p> <p>(up from 38.1% in 2010/11)</p>	<p>ATTENDANCE (TO DATE, DURING 2016/17 SCHOOL YEAR)</p> <p>95.3% pupils attended their primary school</p> <p>Scottish average for 16/17 = 95.3%</p>	<p>PRIMARY SCHOOL PUPILS EXCLUDED</p> <p>50% reduction in the number of primary school exclusions</p> <p>(Since 2013/14)</p>
<p>16.6% achieved 5+ SCQF Level 6 (Higher) or above</p> <p>(up from 11.7% in 2010/11)</p>	<p>34.3% achieved 5+ SCQF Level 6 (Higher) or above</p> <p>(up from 25.5% in 2010/11)</p>	<p>91.9% pupils attended their secondary school</p> <p>Scottish average for 16/17 = 91.9%</p>	<p>SECONDARY SCHOOL PUPILS EXCLUDED</p> <p>39.8% reduction in the number of secondary school exclusions</p> <p>(Since 2013/14)</p>



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk Correct at time of publication: 20th June 2017. *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?

April 2016 - March 2017:

<p>SELF-DIRECTED SUPPORT APPROACH 59% of adults are using the Self-Directed Support approach (2016/17)</p> <p>SB last year 20.6%</p>	<p>DOMESTIC ABUSE 871 reported incidents of domestic abuse</p> <p>SB 15/16 904</p>	<p>CRIMES AND OFFENCES 3,053 group 1-5 crimes and offences were recorded</p> <p>SB last year 2,916</p>	<p>WELFARE BENEFITS SERVICE 2,949 people contacted our Welfare Benefits Service receiving over £8.4m in additional benefits</p> <p>SB last year 2,754</p>
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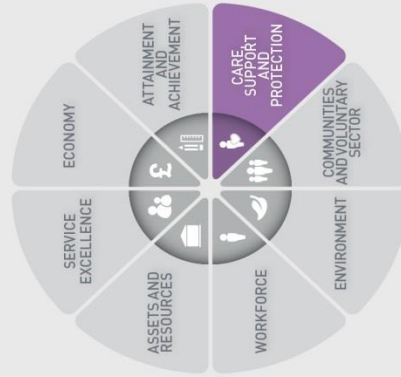
Supporting Victims of Domestic Abuse

The Pathway2 Project (2017-20) continues to provide specialist domestic abuse support to victims and their families. Funding has been secured from the Big Lottery, Scottish Government (pending) and partner agencies such as SBC, Police Scotland, NHS Borders, Borders Housing Alliance and Children 1st. The funding has enabled the development of two new resources – a “Court Advocate” and “Community Engagement Officer”, identified as gaps in the current response and will provide vital support for both victims and communities.

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

Our performance during Q3 2016/17

<p>CARE AT HOME 76% of adults (aged 65yrs+) received care at home compared to a care home/residential setting (2016/17)</p> <p>(above our target of 70%)</p>	<p>LOOKED AFTER CHILDREN 251 looked after and accommodated children (at end 2016/17)</p> <p>(up from 215 at end 2015/16)</p>	<p>CHILD PROTECTION 53 inter-agency discussions (Initial Referrals Discussions) concerning the safety of a child held, on average, a month (Apr'16-Mar'17)</p> <p>(up from 40 from Apr'15 - Mar'16)</p>
<p>NEW SERVICE USERS 100% of new service users received a service within 6 weeks of assessment (2016/17)</p> <p>(up from 95% in 2015/16)</p>	<p>LOOKED AFTER CHILDREN children looked after on 31 July 2016 as a percentage of the 0-17yr old population</p> <p>1.0% Scottish Borders 1.5% Scotland 1.1% Family Group*</p> <p>(up from 0.9% at end of July 2015)</p>	<p>CHILD PROTECTION 54 children on the Child Protection Register (2016/17)</p> <p>(up from 28 in 2015/16)</p>



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.

04

BUILD THE CAPACITY AND RESILIENCE OF OUR COMMUNITIES AND VOLUNTARY SECTOR HOW ARE WE DOING?

April 2016 - March 2017:

TWEEDDALE

The following funding has been awarded in 16/17

£141.5K	£33.6K	Quality of Life Fund
National Lottery		
£37.4K	£67.2K	Neighbourhood Small Schemes Fund
Community Grants Scheme		
£25.0K	£304.6K	Total Funding
Scottish Landfill		

EILDON

The following funding has been awarded in 16/17

£142.5K	£19.1K	Quality of Life Fund
National Lottery		
£40.9K	£72.0K	Neighbourhood Small Schemes Fund
Community Grants Scheme		
£33.2K	£307.6K	Total Funding
Scottish Landfill		

CHEVIOT

The following funding has been awarded in 16/17

£538.3K	£21.4K	Quality of Life Fund
National Lottery		
£20.9K	£51.2K	Neighbourhood Small Schemes Fund
Community Grants Scheme		
£30.0K	£661.7K	Total Funding
Scottish Landfill		



Participatory Budgeting - Burnfoot Bids Together

Burnfoot Community Futures (BCF) received £39k from the Scottish Government's Community Choices Fund last year to undertake a Participatory Budget project. The BCF Board worked with SBC, NHS Healthy Living Network, Burnfoot School and the local Early Years Centre.

To deliver the project, a volunteer-led Community Steering Group was formed, aiming to have funds dispersed to the community by April 2017. An overwhelming response was received with over 40 applications. A vetting process was carried out by the group, resulting in 26 applications being shortlisted and considered by the community at a voting event held on Sunday, 16 March 2017.

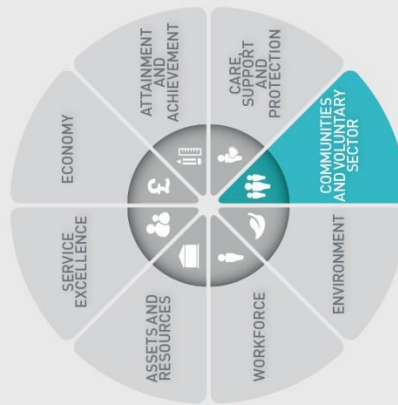
The Steering Group organised the voting event, which included a live music band, children's activities, and free refreshments. At the event 307 votes were received and 13 projects were successful.

These included:

- Burnfoot Rugby Team
- Equipment & uniforms for Boys Brigade, Girls Brigade and Brownies
- Cinema for all
- Funky Monkeys Hub Adventure
- Burnfoot Community School Playground Project

- Fit for all
- Bikeability
- Boxing Breakfast
- Driving Theory Tuition
- Senior Activity Club
- Firework display
- Special Fun Together
- Police Scotland – Friday evening activities

This is great example of community led capacity building, engagement and development within Scottish Borders.



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
 Correct at time of publication: 20 June 2017.
 *Performance indicators with a quarter lag in data.



05

**MAINTAIN AND IMPROVE
OUR HIGH QUALITY ENVIRONMENT
HOW ARE WE DOING?**

January 2016 – December 2016:

ROAD SAFETY 12 people were killed on our roads in 2016	ROAD SAFETY 65 people were seriously injured on our roads in 2016	HOUSEHOLD WASTE 39.03% of our household waste , on average, was recycled over the last 12 months	HOUSEHOLD WASTE 60.71% of our household waste was sent to landfill , on average, over the last 12 months	HOUSEHOLD WASTE 0.26% of our household waste required 'other' treatment , on average, over the last 12 months	SB last year 6	SB last year 62	SB last year 34.89%	SB last year 62.23%	SB last year 0.27%
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waste • spend to save • low carbon • waste • waste • spend to save • low carbon • waste • spend to save

Our performance during 2016/2017

ROAD CONDITION 46.6% of the 3,000km of roads in the Scottish Borders should be considered for maintenance (up from 46.3% in 15/16)	COMMUNITY RECYCLING CENTRES 56.23% of waste was recycled at SBC Community Recycling Centres , on average, over the last 12 months (up from 51.06% during 2015/16)
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Case Study

DriveWISE Borders 'Over 65s'

The DriveWISE Borders project concentrates on the 'at risk' groups, according to road traffic accident statistics in the local Borders region. The over 65s part of the project has seen a welcomed concentration of effort to some of the most vulnerable road users in our communities, updating and cementing their theoretical knowledge. The sheer enthusiasm and the level of engagement shown by attendees, with an uptake rate of Refresher Dives being around 70%, has been very encouraging. Reasons for uptake include widowed women who have lost confidence, and those with health issues returning to driving. Specific issues around day-to-day driving have emerged and topics affecting the older drivers have been freely discussed in a safe and open environment.



The plan to roll out the presentations across the Borders will allow as many members of our rural communities as possible to benefit. During the sessions, the attendees are encouraged to take part in a 'Fun Theory test' and are given a free 'Highway Code' and local information book, which have been well received.

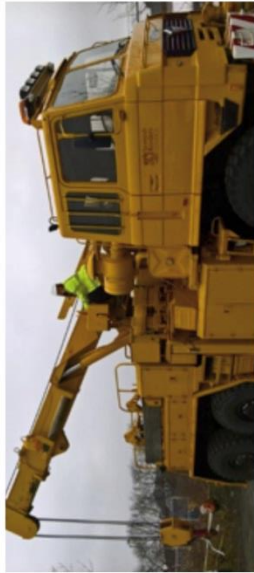


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Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.

06

DEVELOP OUR WORKFORCE
HOW ARE WE DOING?

SBC Modern Apprentices 2016/17



Winning photograph of Siobhan Murphy stating "No job too small", showing her daily working life.



Siobhan receiving her Apple watch prize alongside Gordon Mackie (from CGI) and David Robertson (SBC).

Case Study
Work Opportunities

To promote "Scottish Apprenticeship Week", SBC's IT partner CGI ran a photo competition in conjunction with SBC, open to all our Modern Apprentices (MAs). Our MAs were asked to send in a photo of their daily working life that encapsulated their apprenticeship and showed that apprenticeships are changing. The winner was Siobhan Murphy from the Environment and Infrastructure team and she won an Apple watch.



- benefits
- communication
- staff development
- flexibility
- benefits
- communication
- staff development

Our performance during 2016/2017

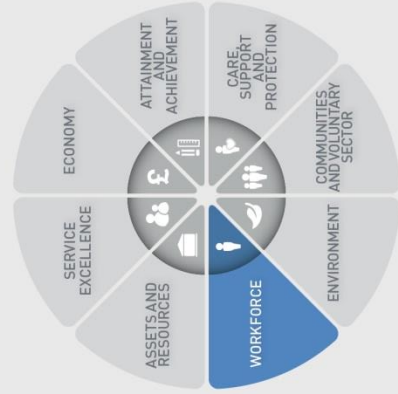
SBC ABSENCE RATE *
3.8%
of working days were lost, on average, due to absence as of December 2016
(down from 4.1% in Dec 15/16)

WORK OPPORTUNITIES
50
work opportunities are being supported by SBC through our "Work Opportunities Policy" as of March 2017
(down from 56 in March 15/16)



APPRENTICESHIPS
36
apprentices are employed with SBC as of March 2017
(37 in March 15/16)

APPRENTICESHIPS
67% male **33% female**
across various departments such as Human Resources, Engineering, Finance
(73% male in March 15/16)
(27% female in March 15/16)



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
Correct at time of publication: 20th June 2017. *Performance indicators with a quarter lag in data.

07

**DEVELOP OUR ASSETS AND RESOURCES
HOW ARE WE DOING?**



Eyemouth Hippodrome location of engagement event.

April 2016 - March 2017:

CAPITAL RECEIPTS £1,437,000 was received from selling our fixed assets such as buildings in 2016/17	OCCUPANCY RATES 88.8% of industrial and commercial properties owned by the council were occupied as of March 2017
SB 2015/16 £847,711	SB 2015/16 93%

Locality Property Plans

High-level property plans are being developed for each of the five localities (Berwickshire, Cheviot, Eldon, Teviot & Liddesdale and Tweeddale). These will form part of the wider "Locality Plans" and look at how public sector investment can be better focussed to meet community needs. The initiative seeks to ensure that diminishing resources are used to best effect and will help address resource challenges.

In February and March this year, a series of pre-consultation events were held across the Borders to hear first-hand about local issues, initiatives and priorities. Feedback is being used to inform first drafts of the Locality Property Plans and further consultation will be held before publication in October. The plans support the "Asset Transfer" section of the Community Empowerment Act and the Council's approach to achieving savings.

- buildings
- energy efficiency
- capital investment
- buildings
- energy efficiency
- capital investment
- buildings

Our performance during 2016/17

COUNCIL PROPERTIES 19 properties are no longer required	COUNCIL TAX 96.63% of Council Tax due was collected in 2016/17 (up from 96.5% in 15/16)	ENERGY CONSUMPTION* 2016/17 we used 8,914,731 kilowatt hours of electricity at a cost of £0.984m (down from 9,439,496 in 15/16) (down from £1.015m in 15/16)	ENERGY CONSUMPTION* 2016/17 we used 11,989,056 kilowatt hours of gas at a cost of £0.266m (down from 12,856,850 in 15/16) (down from £0.345m in 15/16)
7 properties are advertised for sale	CAPITAL PROJECTS 99 number of projects ongoing across the council of which 93 are on target 4 are slightly behind target 2 is not on target http://www.scotborders.gov.uk/sale_lets	*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.	



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08

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

April 2016 - March 2017:

CUSTOMER INTERACTIONS	FREEDOM OF INFORMATION REQUESTS (FOI)	COMPLAINTS	SOCIAL WORK COMPLAINTS
172,078 interactions with the public were handled by our Customer Service staff via email, face to face contact, phonecalls and mail in 2016/17	1246 requests for information under the Freedom of Information Act were received in 2016/17	563 customer complaints were handled by SBC in 2016/17	89 complaints received regarding the Social Work service in 2016/17
SBC 2015/16 175,333	SBC 2015/16 1147	SBC 2015/16 564	SBC 2015/16 71

Compliments during 2016/17

SBC receives many unsolicited compliments covering a range of services:
 "Thank you for the speedy response to the broken drain cover."
 "Many thanks for your welcome initiative; your actions have restored my faith in SBC. Looking after an elderly parent is not easy and I greatly appreciate your willingness to quickly investigate and resolve this straightforward issue."
 "... was very professional, and drafted a letter explaining everything succinctly and to the point. He listened intently to (the customer)".
 "The service at the Eshields Site has improved radically over the last few months."
 "Please accept and pass on my thanks for the thorough and very professional job which was completed a few days after my request. Great Service!"
 "I'm very happy with the new Food waste collection service- it means my kitchen bin is odour free and can be put out less often as the decaying food is kept separate".

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

Our performance during 2016/17

CUSTOMER INTERACTIONS
62,470 face to face interactions were logged by our Contact Centres during 2016/17
 (down from 67,949 in 2015/16)

103,761 phone interactions were logged by our Contact Centres in 2016/17
 (up from 102,342 in 2015/16)

FREEDOM OF INFORMATION
92.5% of FOI requests were completed on time in 2016/17
 (up from 88% in 2015/16)

SOCIAL MEDIA
 The number of engagements during 2016/17:
186,846 (Facebook)
87,704 (Twitter)

COMPLAINTS
 Our average response times for complaints for 2016/17 were as follows:
Stage 1 complaints 3.9 days (down from 4 in 2015/16)
Stage 2 complaints 17.5 days (up from 17.2 in 2015/16)
Escalated complaints 17.0 days (up from 16.7 in 2015/16)

In 2016/17 we closed:
84.3% of complaints at stage 1 within 5 working days
 (down from 85.2% in 2015/16)
84% of complaints at stage 2 within 20 working days
 (up from 77.5% in 2015/16)
69.2% of escalated complaints within 20 working days
 (down from 83.3% in 2015/16)



For more on performance visit www.scotborders.gov.uk/performance or email performance@scotborders.gov.uk
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Management Commentary

Equalities Mainstreaming

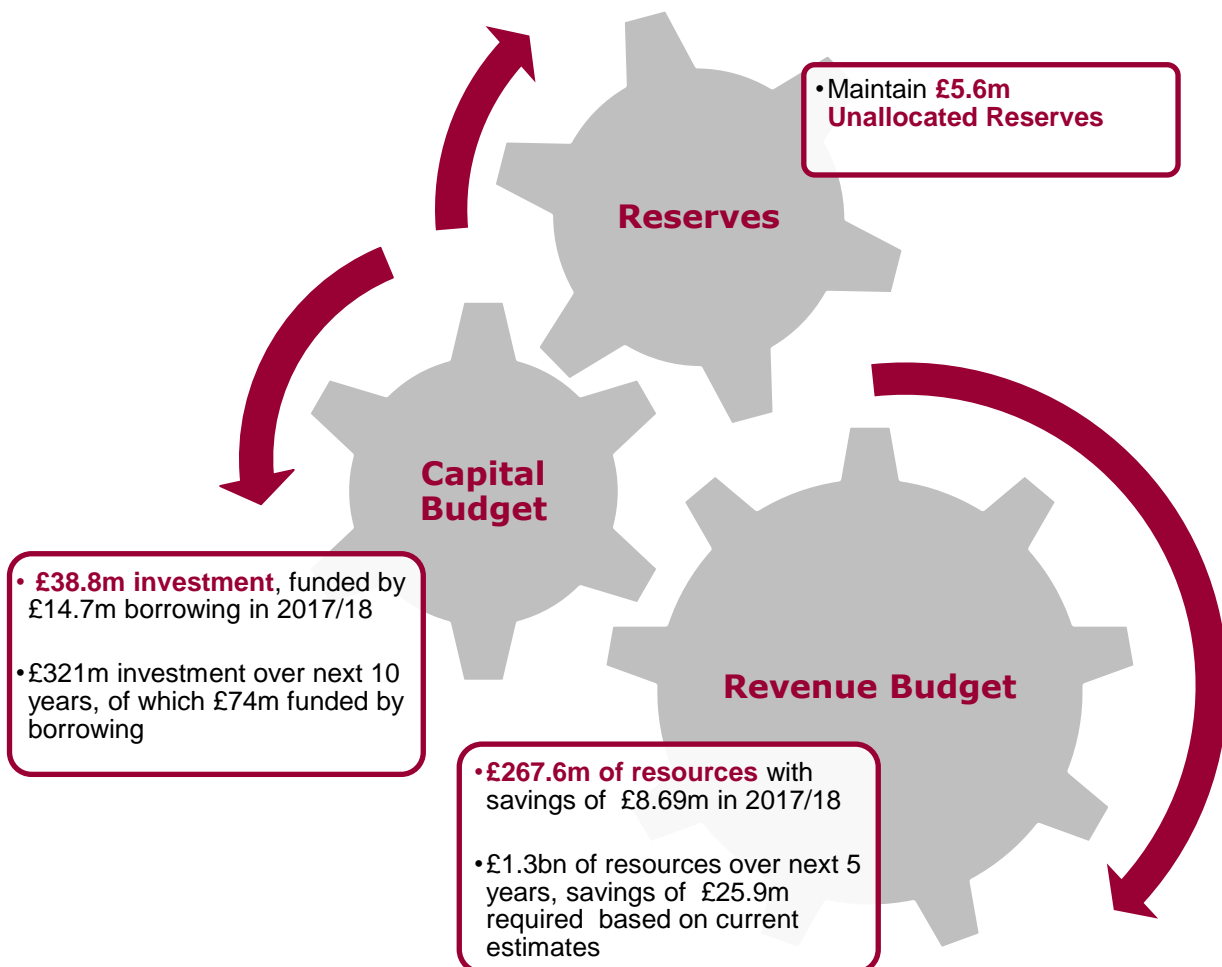
Scottish Borders Council takes a positive approach to equalities and human rights through taking forward the actions in its Mainstreaming Report and Equality Outcomes 2017 – 2021. This is being implemented by:

- 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.

Our Plans for the Future

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

Future Financial Plans - 2017/18

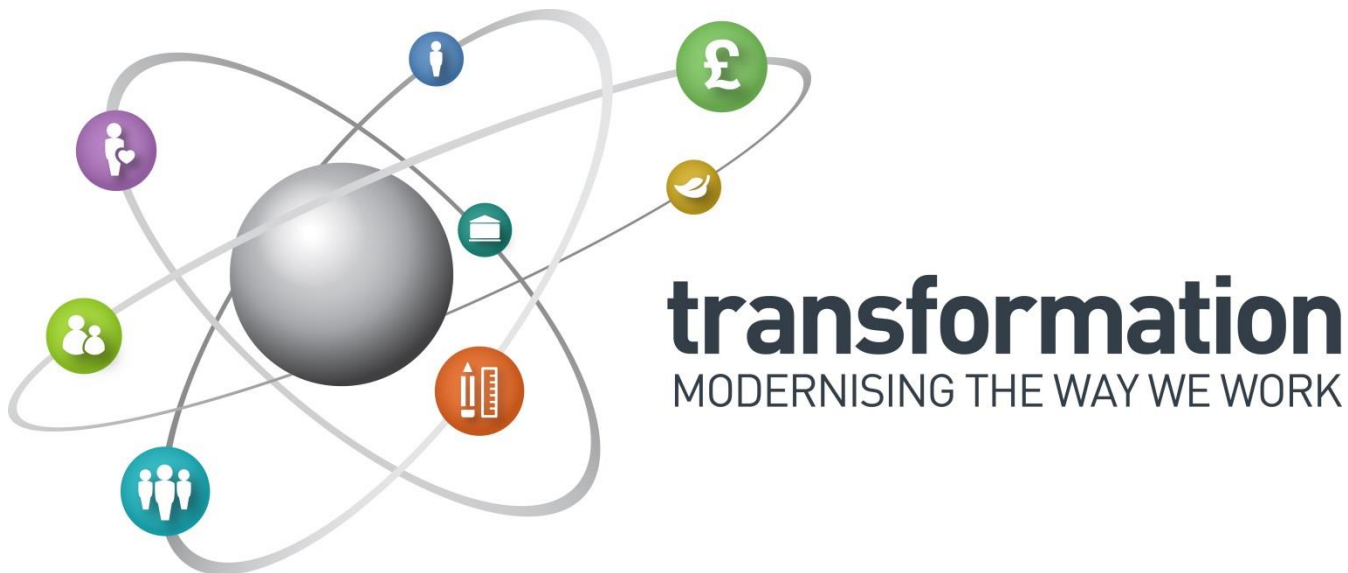


The Revenue and Capital Financial Plans from 2017/18 onwards can be found on the Council's webpages at www.scotborders.gov.uk

Management Commentary

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.

Shona Haslam
Leader
Scottish Borders Council
28 September 2017

Tracey Logan
Chief Executive

David Robertson CPFA
Chief Financial Officer

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council's Audit and Scrutiny Committee at its meeting on 25th September 2017.

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 2017.

Shona Haslam
Leader
Scottish Borders Council
28 September 2017

David Robertson CPFA
Chief Financial Officer

Annual Governance Statement 2016/17

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 2017, 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.

New Framework for Good Governance

A new 'CIPFA/SOLACE Framework' was published in Spring 2016 to ensure it remains fit for purpose, which applies to Annual Governance Statements prepared for the financial year 2016/17 onwards, and associated guidance for Scottish Authorities was published in November 2016. The overall aim of 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 revised 'Framework' defines the seven (previously six in 2007) 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 to ensure it reflects the changing context of Scottish Borders Council and is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. 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 will be published on the Council's website.

Annual Governance Statement 2016/17

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. 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 Council has a Single Outcome Agreement (SOA) in place agreed with the Scottish Government and Scottish Borders community planning partners. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the Council's Corporate Plan and the SOA which are approved by Council. The SOA will be replaced by the Local Outcomes Improvement Plan (October 2017) underpinned by Locality Plans.

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.

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 objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.

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

Annual Governance Statement 2016/17

as stated in the Council's Vision, Values and Standards within Corporate Plan. For example, significant partner engagement in health and social care Strategic and Locality Plans.

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, two Depute Chief Executives and ten Service Directors (in place during the year but subject to change commencing 2017/18). 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.

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. 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 Scrutiny Committee 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 Report 2016/17 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.

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

Annual Governance Statement 2016/17

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 Risk Committee whose 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 new CIPFA/SOLACE Framework (2016). 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 Depute Chief Executives and Service Directors, who have responsibility for the development and maintenance of the governance environment within their departments and services and who in turn identify actions to improve governance at a departmental level; the Chief Officer Audit & Risk's annual report on the work of Internal Audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by External Auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2016/17 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 new CIPFA/SOLACE Framework (2016).

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) complete remaining service people planning and succession planning to enable the Council's Strategic People Plan to be developed; (ii) 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 (iii) continue to monitor governance of arms-length external organisations (ALEOs).
- (b) On-going monitoring and review of the Performance Management Framework to ensure it 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 Council's decision to implement the new Business World ERP System from April 2017 means that there will be a requirement to review and agree amended Financial Regulations, policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial Regulations.
- (d) Review and possible reshaping of the Corporate Transformation Programme and consistent application across all the activity of the demonstrated key success factors including the robust definition of Business Case and Benefits, Return on Investment, Programme and Change Management, and Risk Management to ensure 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) Further actions to ensure comprehensive data and information management across the Council and within each department in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations, both current and planned.
- (f) Continue to improve the reporting arrangements to: (i) Evidence that learning from complaints is taking place and SPSO decisions are being reported to elected members; and (ii) Expand the volume of compliments and other comments, to gather a wide range of feedback from service users, and ensure these are reflected alongside the arrangements in place for dealing with complaints.

Annual Governance Statement 2016/17

- (g) Development and implementation of standardised framework for reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future, comply with community empowerment principles, and meet locality needs and priorities, and for enhancing on-going delivery of capital programmes and projects linked to the corporate priorities.

These actions to enhance the governance arrangements in 2017/18 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 2017/18 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
28 September 2017

Tracey Logan
Chief Executive

Remuneration Report

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

Remuneration Policy

Remuneration of Senior Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of Scottish Borders Council is £33,789. 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 £295,643. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The policy for Scottish Borders Council is to have a maximum of 14 Senior Councillors plus a Council Leader and Convener.

The total remuneration for Scottish Borders Councils' Senior Councillors, excluding the Leader and Convener, is £295,371. 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. Since this date no further changes have been made.

Remuneration of Senior Employees

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

A senior employee is any employee who:

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

Remuneration Report

Remuneration Disclosures

General Disclosure by Pay Band

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

Remuneration Bands	Chief Officer		Teachers		Other Staff		Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£50,000 - £54,999 ^	-	2	48	57	17	21	65	80
£55,000 - £59,999 ^	2	-	15	14	3	1	20	15
£60,000 - £64,999	4	6	2	3	1	1	7	10
£65,000 - £69,999 ^	1	1	2	2	1	-	4	3
£70,000 - £74,999 *	2	3	5	2	-	1	7	6
£75,000 - £79,999 ^	-	-	-	2	1	-	1	2
£80,000 - £84,999	3	4	-	-	-	-	3	4
£85,000 - £89,999	2	2	-	-	-	-	2	2
£90,000 - £94,999 ^	1	-	-	-	-	-	1	-
£95,000 - £99,999	-	-	-	-	-	-	-	-
£100,000 - £104,999	1	-	-	-	-	-	1	-
£105,000 - £109,999	-	2	-	-	-	-	-	2
£110,000 - £114,999	1	-	-	-	-	-	1	-
£115,000 - £119,999	-	-	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	-	-
£125,000 - £129,999	1	-	-	-	-	-	1	-
£130,000 - £134,999 ^	1	1	-	-	-	-	1	1
£135,000 - £139,999	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	-	-	-	-	-
£175,000 - £179,999 ^	1	-	-	-	-	-	1	-
Total	20	21	72	80	23	24	115	125

Key:

* Indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retirement within 2016/17.

^ Indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retirement within 2015/16.

Remuneration Report

Remuneration of Senior Councillors

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

Total Remuneration 2015/16 £	Councillor Name	Responsibility	Salaries, fees and allowances £	Taxable Expenses £	Total Remuneration 2016/17 £
33,454	D Parker	Leader of the Council	33,789	-	33,789
25,090	G Garvie	Convener	25,341	-	25,341
58,544		Leader and Convener Remuneration	59,130	-	59,130
25,090	J Mitchell	Depute Leader of the Council	25,341	-	25,341
22,666	M Cook	Executive Member for HR and Corporate Improvement	22,893	-	22,893
22,666	V Davidson	Executive Member for Culture, Sport, Youth & Communities	22,893	-	22,893
22,666	F Renton	Executive Member for Social Work & Housing	22,893	-	22,893
22,666	D Moffat	Executive Member for Community Safety	22,893	-	22,893
22,666	J Brown	Executive Member for Community Planning/Vice Convener	22,893	-	22,893
22,666	A Aitchison	Executive Member for Education	22,893	-	22,893
22,666	S Bell	Executive Member for Economic Development	22,893	-	22,893
22,701	G Edgar	Executive Member for Roads and Infrastructure	22,893	-	22,893
22,666	D Paterson	Executive Member for Environmental Services	22,893	-	22,893
22,666	R Smith	Executive Member for Planning and Environment	22,893	-	22,893
20,347	W Archibald	Convener of the Licensing Board	20,550	-	20,550
20,347	M Ballantyne	Leader of Opposition	20,550	-	20,550
292,479		Total Other Senior Councillor Remuneration	295,371	-	295,371
351,023		Total Senior Councillor Remuneration	354,501	-	354,501

(1) The total remuneration figures relate to the salary, fees and allowance for 2016-17 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.

2015/16 £'000		2016/17 £'000
669	Salaries	675
109	Expenses	98
778	Total	773

The draft annual return of Councillors' salaries and expenses for 2016/17 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees

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

2015/16	Name Post Title		2016/17				Total Remuneration £
			Salaries, fees and allowances £	Taxable Expenses £	Compensation for loss of employment £	Benefits other than in cash £	
	Senior Employees in post as at 01/04/16						
127,437	TM Logan	Chief Executive (1)	133,017	-	-	12,893	145,910
20,960	P Barr	Depute Chief Executive (2)	21,170	-	-	-	21,170
103,031	J McDiarmid	Depute Chief Executive	105,818	-	-	-	105,818
111,251	JR Dickson	Corporate Transformation & Service Director (3)	109,704	-	-	-	109,704
85,237	KD Robertson	Chief Financial Officer (4)	86,479	86	-	-	86,565
80,187	J Craig	Service Director Neighbourhood Services	82,511	-	-	-	82,511
66,168	C Hepburn	Chief Human Resources Officer	71,723	-	-	-	71,723
80,056	EH Torrance	Chief Social Work Officer (5)	53,884	7	-	-	53,891
			(FYE 80,697)				
80,203	GB Frater	Service Director Regulatory Services (6)	82,911	48	-	-	82,959
86,207	D Manson	Service Director Children & Young People	87,024	-	-	-	87,024
-	D Girdler	Chief Officer Roads (appointed 12 September 2016)	40,643 (FYE 73,525)	-	-	-	40,643
677 (FYE 84,000)	M Joyce	Service Director Assets & Infrastructure (appointed 29 March 2016)	84,000	69	-	-	84,069
	Senior Employees departed post before 01/04/17						
17,416 (FYE 72,797)	B Park	Chief Officer Roads (appointed 5 January 2016, left 31 August 2016)	30,635 (FYE 73,525)	-	-	-	30,635
858,830		Total	989,519	210	-	12,893	1,002,622

Notes

- (1) TM Logan figure of £133,017 includes £928 for 25% balance of Returning Officer fee for the General Election on 7 May 2015; £6231.75 for 75% of Returning Officer fee for the Scottish Parliament Election on 5 May 2016 and £2,014 for 50% of Counting Officer fee for the European Union Referendum on 23 June 2016.
- (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% (£84,678) met by SB Cares.
- (3) JR Dickson figure of £109,704 includes £3,061.64 for Depute Returning Officer fee for the Scottish Parliament Election on 5 May 2016, £1,000 for 25% of Counting Officer Fee and £1,581.01 for Depute Counting Officer fee for the European Union Referendum on 23 June 2016.
- (4) KD Robertson figure of £86,479 includes £200 Count Supervision fee for the Scottish Parliament Election on 5 May 2016 and £200 Count Supervision fee for the European Union Referendum on 23 June 2016.
- (5) E Torrance seconded to Health & Social Care Partnership from 1 December 2016.
- (6) GB Frater figure of £82,911 includes £200 Count Supervision fee for the Scottish Parliament Election on 5 May 2016 and £200 Count Supervision fee for the European Union Referendum on 23 June 2016.

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 2015/16 and 2016/17:

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

The total costs of £0.478m 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.

2015/16

Exit Package Cost band (including special payments) 2015/16	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	9	16	25	240,580
£20,001- £40,000	-	33	33	941,424
£40,001- £60,000 (1)	-	4	4	189,484
£60,001- £80,000	-	5	5	333,973
£80,001- £100,000 (2)	-	1	1	91,525
£100,001- £150,000	1	1	2	261,880
£150,001- £200,000 (3)	-	1	1	174,710
Total	10	61	71	2,233,576

Council Subsidiary Bodies

As per the Accounts Regulations 2014 "A Remuneration Report is to give for any local authority subsidiary body, the name of that body, together with:-

- The full post title and name of the chief executive of that body (or, if there is no chief executive, the post held and the name of the most senior manager in that body
- The full post title and name of each director or employee of the body whose annual remuneration in that year, including any annual remuneration from a local authority, was £150,000 or more

The details for the Councils subsidiary bodies are as follows:-

Bridge Homes LLP – Designated Member, David Robertson
 SB Cares and SB Supports LLP – Managing Director, Philip Barr
 Live Borders – Chief Executive Officer, Ewan Jackson

No director or employee had an annual remuneration of £150,000 or more

Remuneration Report

Pension Benefits

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

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

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

The normal retirement age under the scheme for both Councillors and employees is 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 2016/17 were as follows:

Whole Time Pay	2016/17
On earnings up to and including £20,500 (2015/16 £20,500)	5.50%
On earnings above £20,500 and up to £25,000 (2015/16 £20,500 to £25,000)	7.25%
On earnings above £25,000 and up to £34,400 (2015/16 £25,000 to £34,400)	8.50%
On earnings above £34,400 and up to £45,800 (2015/16 £34,400 to £45,800)	9.50%
On earnings above £45,800 (2015/16 £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.

Remuneration Report

Pension Benefits of Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2017 are shown in the following table, together with the contribution made by the Council to each Senior Councillor's pension during the year. It should be noted all Councillor pensions reported below are calculated on career average earnings.

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

Councillor Name	Responsibility	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2016	For year to 31 March 2017	Type	As at 31 March 2017	Difference from 31 March 2016
		£	£		£	£
D Parker	Leader of the Council	6,022	6,082	Pension Lump Sum	5,897 p.a 2,611	805 p.a 59
G Garvie	Convener	4,516	4,304	Pension Lump Sum	2,209 p.a -	84 p.a -
J Mitchell	Depute Leader of the Council	4,516	4,561	Pension Lump Sum	3,830 p.a 1,615	313 p.a (124)
M J Cook	Executive Member for HR and Corporate Improvement	4,080	4,121	Pension Lump Sum	4,157 p.a 1,863	533 p.a 33
V Davidson	Executive Member for Culture, Sport, Youth & Communities	4,080	4,121	Pension Lump Sum	3,926 p.a 1,729	551 p.a 43
D P Moffat	Executive Member for Community Safety	4,080	4,121	Pension Lump Sum	3,714 p.a 1,606	567 p.a 53
J Brown	Executive Member for Community Planning/Vice Convener	4,080	4,121	Pension Lump Sum	4,682 p.a 4,844	291 p.a (26)
A Aitchison	Executive Member for Education	4,080	4,121	Pension Lump Sum	3,575 p.a 1,526	258 p.a (126)
S Bell	Executive Member for Economic Development	4,080	4,125	Pension Lump Sum	2,072 p.a -	127 p.a -
G Edgar	Executive Member for Roads and Infrastructure	4,080	4,121	Pension Lump Sum	2,071 p.a -	126 p.a -
D Paterson	Executive Member for Environmental Services	4,080	4,121	Pension Lump Sum	8,319 p.a 15,756	723 p.a 492
R Smith	Executive Member for Planning and Environment	4,080	4,121	Pension Lump Sum	3,761 p.a 1,633	218 p.a (149)
Total		51,774	52,040			

Notes

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

Remuneration Report

Pension Benefits of Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2017 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 2017.

Name		In-year pension contributions		Accrued pension benefits		
		Restated for year to 31 March 2016	For year to 31 March 2017	Type	As at 31 March 2017	Difference from 31 March 2016
Senior Employees in post as at 01/04/16		£	£		£	£
TM Logan (1)	Chief Executive	21,849	20,915	Pension Lump Sum	38,305 p.a 67,156	(1,353) p.a (7,606)
P Barr (2)	Depute Chief Executive	3,773	3,811	Pension Lump Sum	22,461 p.a 22,609	2,381 p.a 224
J McDiarmid	Depute Chief Executive	18,546	19,047	Pension Lump Sum	6,037 p.a -	2,245 p.a -
JR Dickson	Corporate Transformation & Service Director	18,546	18,731	Pension Lump Sum	10,597 p.a -	2,230 p.a -
KD Robertson	Chief Financial Officer	15,341	15,494	Pension Lump Sum	29,951 p.a 53,443	2,051 p.a 529
J Craig	Service Director Neighbourhood Services	14,434	14,852	Pension Lump Sum	31,423 p.a 59,459	2,506 p.a 1,675
C Hepburn	Chief Human Resources Officer	11,910	12,910	Pension Lump Sum	10,809 p.a 2,387	2,108 p.a 184
EH Torrance (3)	Chief Social Work Officer	14,382	9,684	Pension Lump Sum	39,827 p.a 85,345	2,040 p.a 845
GB Frater	Service Director Regulatory Services	14,434	14,852	Pension Lump Sum	41,324 p.a 88,892	2,783 p.a 2,504
D Manson	Service Director Children and Young People (appointed 2 March 2015)	15,517	15,664	Pension Lump Sum	3,688 p.a -	1,811 p.a -
D Girdler	Chief Officer Roads (appointed 12 September 2016)	-	7,316	Pension Lump Sum	838 p.a -	838 p.a -
M Joyce (4)	Service Director Assets & Infrastructure (appointed 29 March 2016)	122	15,242	Pension Lump Sum	5,256 p.a -	5,242 p.a -
Senior Employees departed post before 01/04/17						
B Park	Chief Officer Roads (appointed 5 January 2016, left 31 August 2016)	3,716	5,514	Pension Lump Sum	26,577 p.a 54,454	944 p.a 657
Total		152,570	174,032			

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) T M Logan Car salary sacrifice commenced during 2016/17

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

(3) E Torrance seconded to Health & Social Care Partnership from 1 December 2016.

(4) M Joyce figure includes transfer in of pension rights.

Shona Haslam
Leader
28 September 2017

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 88.

Movement in reserves during 2015/16

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 01/04/2015	(18,991)	(7,552)	(39)	(1,314)	(27,896)	9,579	(18,317)

Movement in reserves during 2015/16

Total Comprehensive Income & Expenditure	(4,786)	-	-	-	(4,786)	(43,758)	(48,544)	C I & E
Adjustments between accounting basis & Funding basis under regulations	615	974	(63)	(7)	1,518	(1,518)	-	31
Increase or Decrease In 2015/16	(4,171)	974	(63)	(7)	(3,268)	(45,276)	(48,544)	
Balance at 31/03/2016 carried forward	(23,163)	(6,578)	(102)	(1,321)	(31,164)	(35,697)	(66,861)	

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	

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 new guidance issued by CIPFA, the Comprehensive Income and Expenditure Statement has been reported on a departmental basis in 2016/17. The figures for 2015/16 have therefore been restated accordingly.

2015/16 Restated			2016/17			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000	£'000	£'000	£'000	
38,507	(5,657)	32,850	48,991	(5,905)	43,086	
188,884	(17,449)	171,435	230,807	(63,999)	166,808	
70,822	(15,363)	55,459	65,393	(17,919)	47,474	
34,991	(31,219)	3,772	35,165	(32,913)	2,252	
1,413	-	1,413	4,143	-	4,143	
334,618	(69,688)	264,929	384,499	(120,736)	263,763	
6,600	(6,698)	(98)	10,939	(11,030)	(91)	8
1,915	(1,263)	652	1,598	(1,581)	17	
12,320	-	12,320	11,879	-	11,879	29
-	(60)	(60)	-	(55)	(55)	
21,224	(15,644)	5,580	22,468	(17,293)	5,175	20
-	(178,870)	(178,870)	-	(170,200)	(170,200)	
-	(33,707)	(33,707)	-	(33,594)	(33,594)	
11,086	(57,679)	(46,593)	10,162	(58,004)	(47,842)	
-	(28,939)	(28,939)	-	(23,709)	(23,709)	28
387,763	(392,548)	(4,786)	441,546	(436,203)	5,343	
		(8,032)			(5,032)	
		-			(723)	
		(35,726)			69,509	
		(43,758)			63,754	
		(48,544)			69,097	

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'.

2015/16 £'000		2016/17 £'000	Notes
302,841	Property Plant and Equipment	304,560	12
15,019	Other Land and Buildings	17,500	
89,035	Vehicle, Plant, Furniture & Equipment	123,534	
4,116	Infrastructure	3,838	
33,108	Surplus Assets	27,259	
1,014	Assets Under Construction	1,036	13
230	Heritage Assets	52	14
6,412	Intangible Assets	8,467	29
451,775	Long Term Assets	486,246	
676	Long Term Debtors	411	14
-	Intangible Assets - Current	-	
1,020	Short Term Investments	906	24
47,927	Inventories	46,620	30
(9,525)	Short Term Debtors	(10,150)	
16,476	less Bad Debt Provision	7,904	34
56,574	Current Assets	45,691	
(3,261)	Short Term Borrowing	(12,300)	29
(51,364)	Short Term Creditors	(53,155)	30
(1,491)	Provisions	(804)	25
(56,116)	Current Liabilities	(66,259)	
(171,996)	Long Term Borrowing	(184,215)	29
(52,864)	Deferred Liabilities	(51,252)	
(747)	Due to Trust Funds and Common Good	(598)	
(4,305)	Provisions	(3,972)	25
(13,868)	Capital Grants Receipts in Advance	(11,852)	
(243,780)	Long Term Liabilities	(251,889)	
208,453	Net Assets excluding pension liability	213,789	
(141,592)	Pension Liability	(216,025)	20
66,861	Net Assets/(Liabilities) including pension liability	(2,236)	

Balance Sheet

2015/16 £'000	Financed By:	2016/17 £'000	Notes
	Useable Reserves		
(6,578)	Capital Fund	(6,521)	} 31
(23,163)	General Fund Balance	(18,294)	
(102)	Property Maintenance Fund	-	
(1,321)	Insurance Fund	(1,125)	
	Unusable Reserves		
(118,459)	Capital Adjustment Account	(127,102)	} 31
5,189	Financial Instruments Adjustment Account	4,980	
(70,201)	Revaluation Reserve	(72,079)	
14,592	Pension Reserve	216,025	
6,182	Employee Statutory Adjustment Account	6,352	
(66,861)	Total Reserves	2,236	

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

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.

2015/16 £'000		2016/17		Notes
		£'000	£'000	
(4,786)	Net (Surplus) or deficit on the provision of services	5,343		
(37,503)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(23,364)		32
28,203	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23,890		32
(14,086)	Net Cash Flows From Operating Activities		5,869	
	Investing Activities			
46,267	Purchase of PP&E, investment property and intangible assets	45,177		
(1,263)	Proceeds from PP&E, investment property and intangible assets	(1,581)		
(52)	Purchase/(Disposal) of short & long term investments	-		
(34,607)	Other Items which are Investing Activities	(21,087)		
10,345	Net Cash Flows from Investing Activities		22,509	
	Financing Activities			
-	Cash received from loans & other borrowing	(21,300)		
1,462	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,613		
63	Repayments of short and long term borrowing	63		
737	Other items which are financing activities	(182)		
2,262	Net Cash Flows from Financing Activities		(19,806)	
(1,479)	Net (Increase) or Decrease in Cash and Cash Equivalents		8,572	
14,997	Cash and Cash Equivalents at the beginning of the reporting period		16,476	
16,476	Cash and Cash Equivalents at the end of the reporting period		7,904	34
(1,479)	Movement		8,572	

Accounting Policies

General Principles

The Annual Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption. In order to meet this obligation the Council has purchased allowances prospectively. 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 provision decreased.

Accounting Policies

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

Accounting Policies

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 3.3% (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

Accounting Policies

- 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.

Accounting Policies

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.

Accounting Policies

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.

Accounting Policies

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 indeterminate 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.

Accounting Policies

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 dependant on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Accounting Policies

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.

Accounting Policies

Property, Plant and Equipment

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

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

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

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.

Accounting Policies

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.

Accounting Policies

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 2016/17.

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.

IAS 26 Amendment to the reporting of pension scheme transaction costs

IAS 26 Amendment to the reporting of investment concentration

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. Examples of areas of estimation uncertainty within the financial statements are:-

- Assumptions used in the calculation of depreciation
- Assumptions about future events affecting provisions
- Principal actuarial assumptions used at the Balance Sheet date in respect of defined benefit pension plans
- Assessments of the recoverable amounts of arrears and other debtors
- Fair values for property, plant and equipment that are not based on recently observed market prices
- Fair values for financial assets and financial liabilities that are not based on recently observed market prices

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.

2015/16			2016/17			
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
27,589	5,261	32,850	Chief Executive	38,144	4,942	43,086
166,202	5,233	171,435	People	160,809	5,999	166,808
36,987	18,472	55,459	Place	35,253	12,221	47,474
29,447	(25,675)	3,772	Other	27,345	(25,093)	2,252
	1,413	1,413	Non Distributed Costs		4,143	4,143
260,225	4,704	264,929	Net Cost of Services	261,551	2,212	263,763
(264,397)	(5,318)	(269,715)	Other Income and Expenditure	(256,682)	(1,737)	(258,419)
(4,172)	(614)	(4,786)	(Surplus) or Deficit	4,869	475	5,343
(18,991)			Opening General Fund Balance	(23,163)		
(4,172)			Less/Plus (Surplus) or Deficit on General Fund	4,869		
(23,163)			Closing General Fund as 31 March	(18,294)		

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 2016/17

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
Chief Executive	3,911	830	201	4,942
People	3,138	1,268	1,593	5,999
Place	9,940	1,483	798	12,221
Other	(18,030)	45	(7,108)	(25,093)
Non Distributed Costs	7,957	(3,877)	63	4,143
Net Cost Services	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

Adjustments between Funding and Accounting Basis 2015/16

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
Chief Executive	4,517	1,030	(286)	5,261
People	2,386	1,781	1,066	5,233
Place	16,239	1,847	386	18,472
Other	(18,250)	24	(7,449)	(25,675)
Non Distributed Costs	613	985	(185)	1,413
Net Cost Services	5,505	5,667	(6,468)	4,704
Other income and expenditure from the Expenditure and Funding Analysis	(15,761)	5,580	4,863	(5,318)
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(10,256)	11,247	(1,605)	(614)

(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.

Notes to the Core Financial Statements

(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.

Income received on a segmental basis is analysed below:

Services	2015/16 Income from Services £'000	2016/17 Income from Services £'000
Chief Executive	(5,657)	(5,905)
People	(17,449)	(68,323)
Place	(15,363)	(17,919)
Other	(31,219)	(32,913)
Non Distributed Costs	-	-
Total income analysed on a segmental basis	(69,688)	(125,060)

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

Expenditure/Income	2015/16 £'000	2016/17 £'000
Expenditure		
Employee Benefits Expenses	144,197	140,576
Other Service Expenses	165,733	229,542
Support Services Recharges	1,779	2,143
Depreciation, Amortisation, Impairment	28,489	21,737
Interest Payments	12,320	11,879
Disposal of assets	651	18
Total Expenditure	353,169	405,895
Income		
Fees, Charges and Other Service Income	(69,786)	(125,152)
Interest and Investment Income	(60)	(55)
Income from Council Tax and Non Domestic Rates	(80,300)	(81,436)
Government Grants and Contributions	(207,809)	(193,909)
Total Income	(357,955)	(400,552)
(Surplus) or Deficit on the Provision of Services	(4,786)	5,343

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2016/17 financial year.

Notes to the Core Financial Statements

Note 7 Prior Year Adjustments

During the external audit for 2015/16 it was discovered that the revaluation treatment of three fixed assets had been incorrectly applied. As this was not considered to have crossed the materiality threshold it was agreed that the relevant accounting adjustments could be made in 2016/17.

This has resulted in a net gain of £724k to Property Plant & Equipment (shown within note 12) and corresponding adjustments of £482k to the Capital Adjustment Account and £242k to the Revaluation Reserve.

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:

2015/16 £'000		2016/17 £'000	3 Year Cumulative £'000
(14,363)	Turnover for the Year	(18,367)	(51,933)
(384)	(Surplus) / Deficit	(328)	(1,253)

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.

SBc Contracts employs 42 manual workers and 14 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 2016/17 SBc Contracts recorded an annual operating surplus of £0.425m against a revised budget target of a £0.349m surplus. After technical adjustments for pension (IAS 19), Employee benefits accrual and Carbon Reduction Commitment the net final surplus was £0.327m.

In 2016/17 turnover increased by £4m, or 28% to £18.3m. This higher turnover helped to support the higher than budgeted operating surplus achieved. Of the total turnover, £11.0m, 60% was generated by external work. The order book remains strong with major works programmed to start or continue on the new Kelso High School, Langlee Primary School, Broomlands Primary School, Old Tweed Bridge and at the Buccleuch & Firhill sites in Edinburgh.

SBc Contracts continues to contribute strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £8.4 million during 2016/17. Within the overall net surplus of £0.327m generated in 2016/17, £0.091m million was generated from external work and £0.236 million was generated from internal work.

Significant trading operations are required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2016/17 SBc Contracts recorded a surplus in each of the three years and generated a cumulative total surplus of £1.253 million.

Notes to the Core Financial Statements

Note 9 Agency Work

The Council acts as an intermediary for Scottish Water, collecting money on their behalf. In 2016/17 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 amount of transactions between the Council and companies in which members have an interest in 2016/17 was £0.2m. The Remuneration Report shows the total allowances paid to senior members in 2016/17. The Members' Register of Interests can be inspected and is available on the Council's web site at www.scotborders.gov.uk

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

During 2016/17, the Scottish Borders Council Pension Fund had an average balance of £2.286m (2015/16: £1.797m) of cash administered by Scottish Borders Council within separate external banking arrangements, which earned interest of £0.01m (2015/16: £0.01m). In addition the Council charged the Pension Fund £0.333 m 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:

	2015/16	2016/17
Due to/(from) the Scottish Borders Council Pension Fund	£(1.486)m	£0.104m

The Council provided routine material financial assistance to other bodies in 2016/17 as follows:

- Jedburgh Leisure Facilities Trust £0.115m
- VisitScotland £0.108m

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 £2.507m was transferred from NHS Borders and utilised as follows:

Children's Services	£0.107m
Older People	£1.220m
Adults with Learning Difficulties	£0.978m
People with Mental Health Needs	£0.127m
Support Services	£0.075m

Notes to the Core Financial Statements

Other funding from NHS Borders in 2016/17 to support services are:

Older people	£4.006m
Adults with Learning Difficulties	£1.937m
People with Mental Health Needs	£0.255m
People with Physical Difficulties	£0.310m
Other Support Services	£0.447m

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 £1.033m in 2016/17 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 £0.295m 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.

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 2016/17 and received no capital repayment from the LLP during the same period. The Council paid £2.59m in respect of advances to Bridge Homes LLP during 2016/17 and again 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 2016/17 the Council made a payment of £17.538m 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 from 1st April 2016. In 2016/17 the Council made a payment of £42.237m to the Board, with corresponding income of the same value shown within the Comprehensive Income & Expenditure Statement. At 31st March 2017 a debtor and creditor figure of £6.018m between the Board and Scottish Borders Council was outstanding. The Chief Financial Officer to the Board was supplied by Scottish Borders Council during 2016/17 at a nil cost to the partnership. Additionally the PA to the Chief Officer was also supplied by Scottish Borders Council again at nil cost. Both these officers provided full time support to the Board.

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 previously managed by Borders Sport and Leisure Trust are now also provided by Live Borders. A payment of £6.282m was made to the trust in 2016/17.

Note 11 Audit Remuneration

In 2016/17 the agreed audit fee for the year was £0.263m in respect of services provided by Audit Scotland (KPMG in 2015/16 £0.264m and £0.007m Common Good and Trust). A further £7,000 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.

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movement on Balances

Movements in 2016/17

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VPFE *	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2016	335,959	58,923	171,150	33,108	4,240	1,014	604,394
Prior Period adjustment	73	-	-	557	-	22	652
Revised Gross book value (GBV) at 31 March 2016	336,032	58,923	171,150	33,665	4,240	1036	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)
Revaluations	2,244	-	-	-	342	-	2,586
Impairments	(2,408)	(337)	(141)	(140)	(139)	-	(3,165)
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	(33,118)	(43,904)	(82,115)	-	(124)	-	(159,261)
Prior Period adjustment	72	-	-	-	-	-	72
Revised 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
Revaluations	3,882	-	-	-	87	-	3,969
Impairments	(19)	-	-	-	-	-	(19)
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	302,841	15,019	89,035	33,108	4,116	1,014	445,133
Prior Period adjustment	145	0	0	557	0	22	724
Revised Net book value at 31 March 2016	302,986	15,019	89,035	33,665	4,116	1,036	445,857

* VPFE – Vehicles, Plant, Furniture and Equipment

The Council had no investment properties in 2016/17. The £98k Transfer between categories relates to a movement between Property, Plant & Equipment and Intangible Assets.

Notes to the Core Financial Statements

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.

Negative revaluations are shown within the stated figures for impairment. In 2016/17 this amounted to a NBV of £1.983m (£8.016m in 15/16).

For net impairments £1.199m was charged to the CIES (15/16 £1.126m) and £0.002m charged to the Revaluation Reserve (£0 in 15/16)

Comparative Movements in 2015/16

	Property Plant & Equipment					Heritage Assets	Total Assets
	Other Land & Buildings	VP FE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Gross book value (GBV) at 31 March 2015	317,463	55,541	162,118	26,976	4,866	1,014	567,978
Acquisitions & Recognition in the year	6,361	6,142	7,973	24,118	18	-	44,612
Transfers between categories	16,101	-	1,627	(17,986)	258	-	-
Revaluations	6,557	273	89	-	109	-	7,028
Impairments	(8,988)	(380)	(587)	-	(407)	-	(10,362)
Disposals	(1,535)	(2,653)	(70)	-	(604)	-	(4,862)
Gross book value (GBV) at 31 March 2016	335,959	58,923	171,150	33,108	4,240	1,014	604,394
Cumulative depreciation at 31 March 2015	(27,019)	(40,920)	(75,635)	-	(136)	-	(143,710)
Depreciation for the year	(8,719)	(5,628)	(6,550)	-	(132)	-	(21,029)
Transfers between categories	50	-	-	-	(50)	-	-
Revaluations	1,185	-	-	-	125	-	1,310
Impairments	1,220	-	-	-	-	-	1,220
Disposals	165	2,644	70	-	69	-	2,948
Cumulative depreciation at 31 March 2016	(33,118)	(43,904)	(82,115)	-	(124)	-	(159,261)
Net book value at 31 March 2016	302,841	15,019	89,035	33,108	4,116	1,014	445,133
Net book value at 31 March 2015	290,444	14,621	86,483	26,976	4,730	1,014	424,268

Notes to the Core Financial Statements

Capital Commitments

As at 31 March 2017 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 £11.379m. These commitments can be categorised as follows:-

	Capital Commitments as at 31 March 2017 £'000
Place	1,760
People	9,511
Chief Executive	108
Total	11,379

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 2016/17 the fixed assets relating to Social Work, Resources 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 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
- 1 April 2012 – Education & Lifelong Learning and Surplus Properties

Education & Lifelong Learning Properties will be revalued as at 1 April 2017 with the resulting adjustments incorporated into the 2017/18 accounts of the Council.

	Property Plant & Equipment					Heritage Assets £'000	Total Assets £'000
	Other Land & Buildings	VPFE	Infrastructure	Assets under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000		
Carried at Historical Cost	86,834	53,519	213,118	27,259	(2,545)	1,036	379,221
New Certified Valuation							
1st April 2016	6,126	-	-	-	429	-	6,555
1st April 2015	7,742	273	89	-	234	-	8,338
1st April 2014	-	-	-	-	339	-	339
1st April 2013	9,618	-	9	-	340	-	9,967
Prior to & Including 1st April 2012	232,841	-	-	-	5,229	-	238,070
Gross book value (GBV) at 31 March 2017	343,161	53,792	213,216	27,259	4,026	1,036	642,490

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 2015	161	771	82	1,014	1,014
Additions	-	-	-	-	-
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

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.

2015/16 £'000		2016/17 £'000
3,550	Gross book value (GBV) at 31 March	1,825
199	Expenditure in the year	10
-	- Transfers	98
(46)	Impairments	-
(1,878)	Disposals	(203)
1,825	Gross book value (GBV) at 31 March	1,730
(3,255)	Cumulative amortisation at 31 March	(1,595)
(218)	Amortisation for the year	(188)
-	- Transfers	(98)
1,878	Disposals	203
(1,595)	Cumulative amortisation at 31 March	(1,678)
230	Net book value at 31 March	52

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

Carbon Reduction Commitment allowances purchased for future years responsibilities are shown as current intangible assets with a value for 2016/17 of £0.411m. When the allowances are surrendered to the CRC Registry, the current intangible asset is reduced accordingly.

Note 15 Assets Held for Sale

The Council had no assets held for sale in 2015/16 or 2016/17.

Note 16 Private Finance Initiatives and Similar Contracts

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. These assets are recognised on the Council's Balance Sheet. The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2017 are as follows:

	Repayment of liability and Service Charge	Interest	Total
	£'000	£'000	£'000
Payable in 2017/18	6,024	2,661	8,685
Payable within two to five years	26,012	9,827	35,839
Payable within six to ten years	39,832	10,244	50,076
Payable within eleven to fifteen years	49,014	7,642	56,656
Payable within sixteen to twenty years	60,109	3,992	64,101
Payable within twenty one to twenty five years	22,865	374	23,239
Total	203,856	34,740	238,596

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

Notes to the Core Financial Statements

Note 17 Leases

Council as Lessee

Finance Leases

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

2015/16 £'000		2016/17 £'000
	Net Asset Value	
51,783	Land and buildings	50,467
51,783		50,467

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 in the table above (with the exception of £0.016m in relation to industrial units), relate to the Council's PPP arrangement for the provision of three secondary schools, as detailed in Note 16. The minimum lease payments are made up of the following amounts:

Land & Buildings 2015/16 £'000		Land & Buildings 2016/17 £'000
	Finance Lease Liabilities	
1,816	Not later than 1 year	1,692
6,445	Later than 1 year and not later than 5 years	6,649
46,419	Later than 5 years	44,603
	Finance Costs Payable in Future Years	
2,743	Not later than 1 year	2,661
10,144	Later than 1 year and not later than 5 years	9,827
24,542	Later than 5 years	22,252
92,109	Minimum Lease Payments	87,684

The contingent rental figure, recognised as an expense in 2016/17 in respect of the Council's PPP arrangements, was £0.94m (2015/16 £0.84m).

Operating Leases

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

2015/16 £'000		2016/17 £'000
94	Not later than 1 year	89
38	Later than 1 year and not later than 5 years	10
132	Total	99

Notes to the Core Financial Statements

Council as Lessor

Finance Leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

2015/16 £'000		2016/17 £'000	
1,566	Not later than one year	1,667	
1,837	Later than one year and not later than five years	1,633	
6,667	Later than five years	6,561	
10,070	Total	9,861	

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.

2015/16 £'000		2016/17 £'000	
260,287	Opening capital financing requirement		262,930
Capital Investment			
1,357	Consent to Borrow	10,005	
44,612	Property, plant and equipment	51,881	
199	Intangible assets	10	61,896
Sources of Finance			
(1,524)	Capital Receipts	(1,273)	
(31,887)	Government grants and other contributions	(26,206)	
-	NHT Repayment of Principal	-	
(10,114)	Loans fund repayments	(10,202)	(37,681)
262,930	Closing Capital Financing Requirement		287,145

Notes to the Core Financial Statements

2015/16 £'000		2016/17 £'000
	Explanation of Movements in Year	
	Increase in underlying need to borrow (supported by government financial assistance)	
2,643	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	24,215
2,643	Increase in capital financing requirement	24,215

Note 19 Termination Benefits

During 2016/17 the Council terminated, or had agreed to terminate by the Balance Sheet date, the contracts of 24 employees, incurring liabilities of £0.478m - 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 and contracted out of the State Second Pension (This arrangement is no longer applicable from 1st April 2016). 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.

Notes to the Core Financial Statements

2015/16 £'000	Comprehensive Income and Expenditure Statement	2016/17 £'000
	<i>Cost of Services</i>	
17,407	Current Service Costs	15,402
985	Past Service Costs, including curtailments	326
	<i>Financing and Investment Income and Expenditure</i>	
5,580	Net Interest Expense	5,175
23,972	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	20,903
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:-	
10,486	Return on plan assets (excluding the amount included in the net interest expense)	(82,949)
(45,911)	Actuarial gains and losses arising on changes in financial assumptions	152,499
(301)	Other	(41)
(35,726)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	69,509
	<i>Movement in Reserves Statement</i>	
11,246	Reversal of net charges made for retirement benefits in accordance with the Code	4,924
	Actual amount charged against the General Fund Balance for pensions in the year	
11,250	Employers' contributions payable to the scheme	10,278
1,476	Retirement benefits payable to pensioners	1,499

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:-

2015/16 £'000	Pension Assets and Liabilities Recognised in the Balance Sheet	2016/17 £'000
627,664	Present value of the defined benefit obligation	786,344
(486,072)	Fair value of plan assets	(570,319)
141,592	Sub total	216,025
141,592	Net liability arising from defined benefit obligation	216,025

Notes to the Core Financial Statements

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £216m has a substantial effect on the net worth of the Council as recorded in the Balance Sheet, reducing the overall net value to a liability of £2.236m.

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

2015/16 £'000	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2016/17 £'000
485,013	Opening Fair Value of Scheme Assets	486,072
15,938	Interest Income	17,563
	Remeasurement (gains) and losses:-	
(10,486)	Return on plan assets, excluding the amount included in the net interest expense	82,949
(294)	Other	(270)
12,726	Employer Contributions including unfunded pensions	11,777
3,518	Contributions by Scheme Participants	3,412
(20,343)	Estimated Benefits Paid	(20,242)
-	Settlement prices received/(paid)	(10,942)
486,072	Closing Fair Value of Scheme Assets	570,319

Settlement prices paid represent the value of liabilities for those members who have transferred to other Fund employers during the year.

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

2015/16 £'000	Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligations)	2016/17 £'000
651,085	Opening Defined Benefit Obligation	627,664
17,407	Current Service Cost	15,402
21,224	Interest Cost	22,468
3,518	Contributions by Scheme Participants	3,412
	Remeasurement (gains) and losses:-	
(45,911)	Actuarial (gains)/losses arising from changes in financial assumptions	152,499
(301)	Other	(41)
-	Liabilities assumed/(extinguished) on settlements	(15,144)
985	Past Service Cost	326
(18,867)	Benefits Paid	(18,743)
(1,476)	Unfunded Pension Payments	(1,499)
627,664	Closing Defined Benefit Obligation	786,344

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 2017.

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.

2015/16 £'000	Local Government Pension Scheme assets comprised:	2016/17 £'000
1,272	Cash and cash equivalents	1,729
	Equity Instruments	
	<i>By industry type</i>	
41,630	Consumer	55,099
43,139	Manufacturing	52,346
6,511	Energy and utilities	6,783
47,689	Financial Institutions	63,729
11,217	Health and Care	16,649
38,060	Information Technology	38,579
188,246		233,185
	Bonds	
	<i>By sector</i>	
43,347	UK Corporate	46,568
8,752	UK Government	9,002
52,099	Other	55,570
	Investment Funds - Quoted in Active Market	
55,897	Managed Fund - UK Equities Passive	68,304
74,284	Managed Fund - Global Equities	93,975
1,534	Managed Fund - Smaller Companies	1,658
29,896	Managed Fund - Property	29,258
161,611		193,195
	Investment Funds - Not Quoted	
82,844		86,640
486,072	Total Assets	570,319

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:	
	<i>By company size</i>	
188,246	Large capitalisation	233,185

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 increase in salary levels have been estimated at 1% in line with the Public Sector pay cap. It should be noted that the discount rate used to calculate the pension liabilities for 2016/17 has reduced by 1% from the discount rate which was used to calculate the 2015/16 liabilities. This has had a major impact on the valuation of the fund liabilities as demonstrated by the increase in the pension liability shown on the balance sheet (page 42). The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary are shown below

2015/16	Basis for Estimating Assets and Liabilities	2016/17
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
22.80	Men	22.90
23.70	Women	23.80
	- longevity at 65 for future pensioners (years)	
25.00	Men	25.20
26.00	Women	26.10
3.3%	Rate of inflation - RPI	3.6%
2.4%	Rate of inflation - CPI	2.7%
0.9%	Rate of increase in salaries	1.0%
2.4%	Rate of increase in pensions	2.7%
3.7%	Rate for discounting scheme liabilities	2.7%

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

2015/16		Category Analysis of the Scheme Assets as at 31 March 2017	2016/17	
%	£'000		%	£'000
66	319,960	Equities	70	397,122
2	8,752	Gilts	2	9,002
9	43,347	Other Bonds	8	46,568
6	29,896	Property	5	29,258
0	1,272	Cash	0	1,729
17	82,845	Multi-Asset Fund	15	86,640
100	486,072	Total	100	570,319

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

Notes to the Core Financial Statements

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000	Decrease in Assumption £'000
Adjustment to discount rate (increase or decrease 0.1%)	772,212	800,748
Adjustment to long term salary increase (increase or decrease 0.1%)	787,836	784,858
Adjustment to pension increases and deferred revaluation (increase or decrease 0.1%)	799,242	773,683
Adjustment to mortality rating assumption (increase or decrease 1year)	816,299	757,522

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 2016/17 the Council paid £7.331m to teachers' pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay (£6.987m and 14.9% up to 31st August 2015 and 17.2% for the remainder in 2015/16). 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 2016/17 these amounted to £0.704m representing 1.65% of pensionable pay (£0.695m and 1.64% in 2015/16).

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 2017 there were 10,432 members.

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

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

Note 23 Events After the Balance Sheet Date

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

Notes to the Core Financial Statements

Note 24 Inventories

2015/16 £'000		2016/17 £'000
966	Balance outstanding at start of year	1,020
3,136	Purchases	2,801
(3,112)	Recognised as an expense in the year	(2,924)
30	Written back balances	9
1,020	Balance outstanding at year-end	906

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	Police Potential Clawback £'000	Asset Decommissioning £'000	Total £'000
Balance at 1 April 2016	(174)	(242)	(277)	(108)	(4,022)	(4,823)
Additional charges to provisions	(52)		(339)		(138)	(529)
Payments made or released	106	4	209	108	149	576
Balance at 31 March 2017	(120)	(238)	(407)	-	(4,011)	(4,776)
Within 12 Months	(120)	(238)	(407)	-	(39)	(804)
Over 12 months	-	-	-	-	(3,972)	(3,972)
Total	(120)	(238)	(407)	-	(4,011)	(4,776)

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 £322,548, though MMI have stated that the first £50,000 of this will be free of any levy. The estimate of outstanding claims relating to the Council that have not yet been paid is £0 at the Balance Sheet date.

Notes to the Core Financial Statements

- There has been a European Court of Justice ruling relating to workers annual leave payment entitlement. The financial implications of this judgement for Scottish Borders Council are unclear at present and therefore the Council, in agreement with our external auditors, have included this as a contingent liability in this years' annual accounts.
- 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 need to be established to reflect these pension fund liabilities. For those employees that transferred over to SB Cares the pension liability has been calculated at £6.167m and for Live Borders £2.937m.

Note 27 Contingent Assets

The following Contingent Assets are noted:

- During the year 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.

Note 28 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2016/17.

2015/16 Restated £'000		2016/17 £'000
	Credited to Taxation and Non Specific Grant Income	
(11,007)	General Capital Grant	(11,438)
(17,569)	Other Grants	(11,880)
(363)	Developer Contributions	(391)
(28,939)	Total	(23,709)
	Credited to Services	
(1,960)	Chief Executive	(2,074)
(1,429)	People	(1,624)
(1,255)	Place	(942)
(29,657)	Other	(30,760)
(34,301)		(35,400)

Notes to the Core Financial Statements

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 entity. The term 'financial instrument' covers both financial liabilities and financial assets.

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

	31st March 2016			
	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt	-	(236,795)	-	(236,795)
Market Debt	-	(147)	-	(147)
Other debt	-	(71,016)	-	(71,016)
Total	-	(307,958)	-	(307,958)

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.

Notes to the Core Financial Statements

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 fair 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 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	-	-	16,476	7,904
Debtors	6,412	8,467	38,402	36,470
Total Loans and Receivables	6,412	8,467	54,878	44,374
Borrowings				
Financial Liabilities (principal amount)	(171,996)	(184,215)	-	-
Accrued interest	-	-	(3,261)	(12,300)
Total Borrowings	(171,996)	(184,215)	(3,261)	(12,300)
Other Liabilities				
PPP and finance lease liabilities	(52,864)	(51,252)	(1816)	(1,692)
Bonds	-	-	(1,420)	(1,460)
Total other long-term liabilities	(52,864)	(51,252)	(3,236)	(3,152)
Creditors				
Short term creditors at amortised cost (excluding Other Liabilities)	-	-	(48,128)	(50,003)
Total Creditors	-	-	(48,128)	(50,003)

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 2016			31 March 2017	
£'000	%		£'000	%
(44,365)	25	Bonds and Mortgages	(44,584)	23
(127,631)	73	Public Works Loan Board	(139,631)	71
(171,996)	98	Long term borrowing (> 1 year)	(184,215)	94
(3,261)	2	Short Term Borrowing repayable within 12 months	(12,300)	6
(175,257)	100	Total Borrowing	(196,515)	100

Notes to the Core Financial Statements

Analysis of Borrowing by Maturity.

2016 £'000		2017 £'000
(3,261)	Less than 1 year	(12,300)
-	Between 1 and 2 years	(94)
(12,979)	Between 2 and 7 years	(14,584)
(3,853)	Between 7 and 15 years	(15,582)
(155,164)	More than 15 years	(153,955)
(175,257)	Total	(196,515)

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

	2016/17		
	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'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

	2015/16		
	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	
Interest expense	12,320	-	12,320
Interest payable and similar charges	12,320	-	12,320
Interest Income	-	(60)	(60)
Interest and investment income	-	(60)	(60)
Net (gain) / loss for the year	12,320	(60)	12,260

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(130,371)	(236,795)	(142,405)	(273,197)
Other debt	(44,886)	(71,163)	(54,110)	(90,379)
Total debt	(175,257)	(307,958)	(196,515)	(363,576)
Creditors	(51,364)	(51,364)	(53,155)	(53,155)
Total financial liabilities	(226,621)	(359,322)	(249,670)	(416,731)

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 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables				
Short Term Investments	-	-	-	-
Cash and Cash Equivalents	16,476	16,476	7,904	7,904
Debtors	38,402	38,402	36,470	36,470
Total loans and receivables	54,878	54,878	44,374	44,374

All of the Councils' financial assets were of less than one year duration and therefore the fair value equates to the amortised cost on the balance sheet. The Council does not currently hold any available for sale assets.

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 2016/17 which incorporates the prudential indicators was approved by the Council on 11 February 2016. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £307.2m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £272.4m. 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 £272.4m and £95.3m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt were as follows:

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

Notes to the Core Financial Statements

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch,

Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution located in each category.

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

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

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

The full Investment Strategy for 2016/17 was approved by the Council on 11 February 2016 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 2017 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.

Notes to the Core Financial Statements

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 11 February 2016:

	Approved Minimum Limits £'000	Approved Minimum Limits %	Approved Maximum Limits £'000	Approved Maximum Limits %	Actual 31 March 2016 £'000	Actual 31 March 2017 £'000
Less than one year			63,650	20	3,261	12,300
Between one and two years			63,650	20	0	94
Between two and seven years			63,650	20	12,979	14,584
Between seven and fifteen years			63,650	20	3,853	15,582
More than fifteen years	50,220	20	254,600	80	155,164	153,955
Total					175,257	196,515

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.

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.

Notes to the Core Financial Statements

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	(12)
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)	64,057

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.

Debtor and Creditor Analysis

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

Debtors

2015/16 £'000		2016/17 £'000
5,919	Central government bodies	3,621
193	Other local authorities	136
2,376	NHS bodies	3,671
979	Public Corporations and Trading Funds	1,172
38,460	Bodies External to General Government	38,020
47,927		46,620

Debtor and Creditor Analysis

Creditors

2015/16 £'000		2016/17 £'000
(3,903)	Central government bodies	(3,299)
(2)	Other local authorities	-
(106)	NHS Bodies	(2)
(1,764)	Public Corporations and Trading Funds	(1,870)
(45,589)	Bodies External to General Government	(47,984)
(51,364)		(53,155)

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 2016	Transfers between reserves and funds	Gains or Losses for the Year	Balance as at 31 March 2017
	£'000	£'000	£'000	£'000
Usable Reserves				
General Fund Balances	(23,163)	(474)	5,343	(18,294)
Capital Fund	(6,578)	57	-	(6,521)
Property Maintenance Fund	(102)	102	-	(0)
Insurance Fund	(1,321)	196	-	(1,125)
Unusable Reserves				
Capital Adjustment Account	(118,459)	(8,163)	(480)	(127,102)
Financial Instruments Adjustment Account	5,189	(209)	-	4,980
Revaluation Reserve	(70,201)	3,397	(5,275)	(72,079)
Pensions Reserve	141,592	4,924	69,509	216,025
Employee Statutory Adjustment Account	6,182	170	-	6,352
Total	(66,861)	0	69,097	2,236

Notes to the Core Financial Statements

Adjustments Between Accounting Basis And Capital Funding Basis Under Regulations

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

A summary of all reserves movements are shown below:

Adjustments between accounting basis & funding basis under regulations 2015/16

	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	(21,247)	-	-	-	(21,247)	21,247	-	12 & 14
Impairment losses (charged to CI&ES)	(1,126)	-	-	-	(1,126)	1,126	-	
Revaluation Losses	(7,754)	-	-	-	(7,754)	7,754	-	
Capital grants and contributions applied	28,939	-	-	-	28,939	(28,939)	-	28
Employee Statutory Adjustments	1,008	-	-	-	1,008	(1,008)	-	
Profit/(Loss) on disposal of assets	(652)	(1,262)	-	-	(1,914)	1,914	-	
Amount by which finance costs charged to the CI&ES are different in accordance with statutory requirements	206	-	-	-	206	(206)	-	
Net retirement charges per IAS 19	(22,496)	-	-	-	(22,496)	22,496	-	
Loans Fund principal repayments and Statutory premia	10,114	-	-	-	10,114	(10,114)	-	
Capital Expenditure charged to General Fund balance	531	-	-	-	531	(531)	-	
Employers contribution payable to Pension Fund	11,250	-	-	-	11,250	(11,250)	-	
Net Transfers to or (from) other reserves	1,841	2,236	(63)	(7)	4,007	(4,007)	-	
Total in year adjustments	614	974	(63)	(7)	1,518	(1,518)	-	

Notes to the Core Financial Statements

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	-	
Revenue Exp Funded From Capital under Statute	(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	1,639	102	196	3,690	(3,690)	-	
Total in year adjustments	(474)	57	102	196	(119)	119	-	

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:

2015/16 Restated £'000	Analysis as at 31 March	2016/17 £'000
	Earmarked Reserves	
(1,906)	People - Devolved School Management	(1,690)
	Specific Departmental Reserves	
(986)	Chief Executive	(160)
(1,817)	People	(504)
(705)	Place	(296)
(1,655)	Other	(1,099)
(1,676)	Revenue Support Grant / Council Tax	(534)
(1,618)	2nd Homes Council Tax	(2,272)
(1,500)	Treasury Reserve	-
(11,863)		(6,555)
(11,300)	Non-Earmarked Reserve	(11,739)
(23,163)	Total General Fund Reserve	(18,294)

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

2015/16		2016/17
£'000	Reconciliation to General Fund Surplus	£'000
(4,786)	Net (Surplus) or deficit on the provision of services	5,343
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(21,029)	Depreciation	(21,783)
(8,880)	Impairment & Revaluation Loss through I & E	(1,662)
(218)	Amortisation of intangible assets	(188)
(11,246)	Movement in pension liability	(4,924)
(652)	Gain/Loss on carrying amounts of assets disposed	(17)
54	Net movement in inventories charged to I & E	(114)
9,607	Net movement in debtors charged to I & E	(152)
(5,129)	Net movement in creditors charged to I & E	4,827
(10)	Net movement in provisions charged to I & E	648
(37,503)		(23,364)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
28,939	Capital grants received	23,709
(736)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	181
28,203		23,890
(14,086)	Net Cash Outflow / (Inflow) from Operating Activities	5,869

Note 33

Impairment Losses

During 2016/17 SBC recognised a net impairment loss (including negative revaluations) of £3.184m (£9.187m in 2015/16). A net impairment cost of £1.662m 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:

2015/16		2016/17
£'000		£'000
57	Cash held by officers	52
4,939	Bank current accounts	5,772
11,480	Short term deposits	2,080
16,476	Total	7,904

Supplementary Financial Statements

Council Tax Income Account

2015/16			2016/17	
£'000	£'000		£'000	£'000
	(57,679)	Gross Charges Levied		(58,004)
5,180		Less: Benefits	4,928	
5,180			4,928	
5,179		Discounts	4,579	
634		Provision for bad debts	645	
93		Miscellaneous	10	
	11,086			10,162
	(46,593)			(47,842)
	(46,593)	Total Income Credited to the Comprehensive Income & Expenditure Statement		(47,842)

Notes to the Council Tax Income Account

Note 1 Calculation of Council Tax base at 1 April 2016

Band	Number of Properties	Proportion	Band D Equivalent	Council Tax 2016/17 £
A	16,568	6/9	11,045	722.67
B	12,743	7/9	9,911	843.11
C	7,000	8/9	6,222	963.56
D	5,891	9/9	5,891	1,084.00
E	6,364	11/9	7,778	1,324.89
F	4,723	13/9	6,822	1,565.78
G	4,366	15/9	7,277	1,806.67
H	455	18/9	910	2,168.00
Total	58,110		55,856	
Less : Reductions for estimated discounts, exemptions, reliefs, rebates, etc. and non-collection			(12,247)	
Council Tax Base			£43,609	

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 2016/17 the Band D charges were £196.20 for water and £227.70 for waste water.

Supplementary Financial Statements

Non-Domestic Rate Income Account

2015/16			2016/17	
£'000	£'000		£'000	£'000
	(44,105)	Gross Rates Levied & Contribution in Lieu		(45,308)
12,877		Less: Reliefs and Other Deductions	12,030	
375		Write-offs of uncollectable debts & allowance for impairment	399	
	13,253	Interest paid on overpaid rates		12,429
	(30,853)			(32,879)
	(135)	Net General Fund expenditure on discretionary reliefs		(155)
	(30,988)	Net Non-Domestic Rate Income		(33,034)
	(170)	Adjustment to Previous Years National Non-Domestic Rates		0
	(31,158)	Contribution to National Pool		(33,034)
	33,707	Distribution received from National Pool		33,594
	(33,707)	Income Credited to the Comprehensive Income & Expenditure Statement		(33,594)

Notes to the Non-Domestic Rate Income Account

Note 1 Rateable Subjects at 31 March 2017

Classification	Number	Rateable Value £'000
Shops	1241	20,736
Public Houses	89	1,633
Offices including Banks	913	8,429
Hotels, Boarding Houses, etc	137	4,079
Industrial and Freight transport	1939	32,437
Leisure, Entertainment, Caravan sites, etc	1025	6,030
Garages and Petrol Stations	221	2,289
Cultural and Sporting	141	1,124
Education and Training	103	9,859
Public Service	432	5,719
Communications	7	16
Quarries, Mines, etc	12	45
Petrochemical	5	1,310
Religious	290	1,259
Health and Medical	98	4,059
Care Facilities	91	2,056
Other	547	2,191
Advertising	9	16
Undertakings	24	2,954
Total	7,324	106,611

Note 2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2016/17 was:
 48.4p for properties with a rateable value up to £35,000
 A 2.6p supplement is charged for properties with a rateable value of over £35,000

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 will be considered for amalgamation into the above three SBC trusts during 2017/18.
- **The Ormiston Trust for Institute** and
- **The Thomas Howden Wildlife Award Fund** remain separately registered trusts with OSCR.

All OSCR registered charities are subject to audit, in line with OSCR requirements and a full set of financial statements compliant with those requirements are published separately. The Council also administers a further 177 non registered charities, which will also be considered for inclusion into the SBC Education, Community Enhancement and Welfare Trusts in 2017/18.

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

2015/16		Charitable	Other	2016/17
£'000		£'000	£'000	Total £'000
	Income			
(64)	Dividends and Interest	(38)	(30)	(68)
(55)	Rents	-	(42)	(42)
(4)	Donations & Grants	-	(10)	(10)
0	Unrealised Gain on Investments	3	6	9
	Expenditure			
9	Administration	-	-	-
37	Grants to Beneficiaries	9	192	201
84	Depreciation	26	71	97
7	(Surplus) / Deficit for the Year	-	187	187
(826)	(Surplus) brought forward	(329)	(491)	(820)
(84)	Funding (brought forward/carried forward) to Revaluation Reserve	(26)	(71)	(97)
3	Transfer to Capital Reserve	(3)	(125)	(128)
80	Movement between Revenue & Capital Reserves	-	(10)	(10)
(820)	(Surplus) carry forward	(358)	(510)	(868)

Trust Funds

Balance Sheet

2015/16		Charitable	Other	2016/17
£'000		£'000	£'000	Total £'000
	Non-current Assets			
1,688	Land and Buildings	286	1,502	1,788
2,010	Investments	743	1,130	1,873
2	Long term Loan	-	1	1
	Current Assets			
271	Short Term Investments	75	269	344
22	Sundry Debtors	-	-	-
	Current Liabilities			
(15)	Sundry Creditors	-	(16)	(16)
3,978	Net Assets	1,104	2,886	3,990
	Financed by			
(820)	Revenue Reserve	(358)	(510)	(868)
(1,538)	Capital Reserve	(512)	(890)	(1,402)
(1,620)	Revaluation Reserve	(234)	(1,486)	(1,720)
(3,978)		(1,104)	(2,886)	(3,990)

Common Good Funds

The Council administers the Common Good Funds for nine towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2017, for each of the funds. The accounting policies applied are those as set out in pages 45 to 56.

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

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

Comprehensive Income and Expenditure Statements

Restated 2015/16 £'000		Duns £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income										
(237)	Fees and Charges	-	-	(107)	-	-	-	(12)	(49)	(70)	(238)
(54)	Investment Income	-	(4)	(11)	-	(25)	(7)	(7)	(10)	(5)	(69)
(105)	Grant Income	(1)	(1)	(6)	-	(1)	(1)	(6)	(6)	(5)	(27)
(396)		(1)	(5)	(124)	-	(26)	(8)	(25)	(65)	(80)	(334)
	Expenditure										
124	Property Costs	(1)	-	74	-	-	-	6	12	22	113
272	Depreciation	-	36	40	17	12	43	11	37	76	272
48	Administrative Costs	2	2	11	-	4	2	10	7	10	48
89	Donations and Contributions	-	-	37	-	76	5	2	24	27	171
533		1	38	162	17	92	50	29	80	135	604
137	(Surplus) / Deficit before unrealised losses	-	33	38	17	66	42	4	15	55	270

The 2015/16 Common Good Fund Comprehensive Income and Expenditure Statement has been restated for the transfer of Innerleithen Memorial Hall and Old Gala House to Innerleithen and Galashiels Common Good Funds respectively as other Recognised Gains/(losses) rather than income.

Common Good Funds

Balance Sheets

Total 2015/16 £'000		2016/17									
		Duns £'000	Galashiels £'000	Hawick £'000	Innerleithen £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets										
10,996	Land & Buildings	-	588	3,596	290	465	779	1,004	839	3,159	10,720
26	Heritage Assets	-	-	3	-	-	19	-	2	2	26
2,362	Investments	-	154	473	-	937	254	258	435	189	2,700
60	Long Term Loan to Third Party	-	-	-	-	38	-	9	-	-	47
	Current Assets										
21	Sundry Debtors	-	-	4	-	5	-	7	2	2	20
475	Short Term Investments	18	10	38	-	7	37	21	41	83	255
	Current Liabilities										
(45)	Sundry Creditors	-	-	(11)	-	-	-	(1)	(8)	(3)	(23)
13,895	Net Assets	18	752	4,103	290	1,452	1,089	1,298	1,311	3,432	13,745

	Financed by										
(508)	Revenue Reserve	(18)	(10)	(31)	-	(49)	(37)	(32)	(35)	(82)	(294)
(2,845)	Capital Reserve	-	(307)	(609)	(135)	(940)	(254)	(264)	(485)	(190)	(3,184)
(10,542)	Revaluation Reserve	-	(435)	(3,463)	(155)	(463)	(798)	(1,002)	(791)	(3,160)	(10,267)
(13,895)	Total Reserves	(18)	(752)	(4,103)	(290)	(1,452)	(1,089)	(1,298)	(1,311)	(3,432)	(13,745)

Group Accounts

Introduction to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (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 Account Tables and Notes are set out on pages 101 to 107.

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 95 to 98. 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 previously managed by Borders Sport and Leisure Trust (previously recognised as an Associate) are now also provided by Live Borders. The opening position for the group Movement In Reserves Statement for 2016/17 has been restated to reflect this change in recognition.

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 39.7% based on the Council's contribution to incoming resources. Jedburgh Leisure Facilities Trust's accounting period is to 31 March and, for the purposes of consolidation, the draft financial statements to 31 March 2017 have been used. The company's draft Statement of Financial Activities shows an operating profit of £0.003m for the year to 31 March 2017 of which £0.001m has been included in the Group Accounts. The company's draft Balance Sheet as at 31 March 2017 shows net assets of £0.008m of which £0.002m 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. As there had only been a small amount of staffing expenditure incurred in 2015/16, it was agreed with the council's previous auditors, KPMG, that this would not be consolidated into the Council's Group Accounts as a joint venture (in accordance with IFRS11) until 2016/17.

The Board's draft Comprehensive Income & Expenditure Statement show gross expenditure and income of £165.766m for the year of which £31.475m has been consolidated into the Group Accounts. Both the Balance Sheet and Movement In Reserves Statement show a net position of £0 for 2016/17.

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

Group Movement in Reserves Statement

Movement in reserves during 2015/16 - 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 01/04/2015	(27,896)	(6,187)	(34,083)	9,579	(12,291)	(2,712)	(36,795)

Movement in reserves during 2015/16

Total Comprehensive Income & Expenditure	(4,786)	(207)	(4,993)	(43,758)	498	(43,260)	(48,253)
Adjustments between accounting basis & funding basis under regulations	1,518	(356)	1,162	(1518)	356	(1,162)	-
Increase or Decrease in 2015/16	(3,268)	(563)	(3,831)	(45,276)	854	(44,422)	(48,253)
Balance at 31/03/2016 carried forward	(31,164)	(6,750)	(37,914)	(35,697)	(11,437)	(47,134)	(85,048)

Movement in reserves during 2016/17

	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)	(6,750)	(37,914)	(35,697)	(11,437)	(47,134)	(85,048)
Restatement Due To Change In Recognition		(814)	(814)		(346)	(346)	(1,160)
Restated Balance at 01/04/2016	(31,164)	(7,564)	(38,728)	(35,697)	(11,783)	(47,480)	(86,208)

Movement in reserves during 2016/17

Total Comprehensive Income & Expenditure	5,343	(240)	5,103	63,754	5,768	69,522	74,625
Adjustments between accounting basis & funding basis under regulations	(119)	(369)	(488)	119	369	488	-
Increase or Decrease in 2016/17	5,224	(609)	4,615	63,873	6,137	70,010	74,625
Balance at 31/03/2017 carried forward	(25,940)	(8,173)	(34,113)	28,176	(5,646)	22,530	(11,583)

Group Comprehensive Income and Expenditure Statement

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
36,087	(3,267)	32,820	Chief Executive	54,627	(10,759)	43,868
188,955	(17,506)	171,449	People	231,202	(64,029)	167,173
70,822	(15,363)	55,459	Place	65,393	(17,919)	47,474
34,991	(31,218)	3,773	Other	35,184	(32,932)	2,252
1,413	-	1,413	Non-Distributed Costs	4,143	-	4,143
533	(343)	190	Common Good	604	(307)	297
130	(59)	71	Trust Funds	298	(43)	255
2,718	(2,663)	55	Share of Operating Results of Associates & Joint Ventures	31,549	(31,550)	(1)
335,649	(70,419)	265,230	Services provided by the Council	423,000	(157,539)	265,461
335,649	(70,419)	265,230	Net Cost of Services	423,000	(157,539)	265,461
6,600	(6,698)	(98)	Roads Trading Operation (Surplus)/Deficit (External)	10,939	(11,030)	(91)
1,915	(1,263)	652	Other Operating Expenditure (Gain)/Loss on Disposal of Assets	1,598	(1,581)	17
12,320	-	12,320	Financing & Investment Income and Expenditure Interest Payable & Similar Charges	11,879	-	11,879
-	(149)	(149)	Interest Receivable & Similar Income	-	(78)	(78)
21,224	(15,644)	5,580	Net Interest Expense on the Net Defined Benefit Liability	22,468	(17,293)	5,175
3	-	3	Share Of Associates & Joint Ventures Interest Payable	-	-	-
-	(178,870)	(178,870)	Taxation and Non-Specific Grant Income Revenue Support Grant	-	(170,200)	(170,200)
-	(33,707)	(33,707)	Non-Domestic Rates Pool for Scotland	-	(33,594)	(33,594)
11,086	(57,679)	(46,593)	Council Tax	10,162	(58,004)	(47,842)
-	(28,939)	(28,939)	Capital Grants and Contributions	-	(23,709)	(23,709)
		(4,571)	(Surplus)/Deficit on Provision of Services			7,018

Group Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	£'000	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		(4,571)	(Surplus)/Deficit on Provision of Services			7,018
		(8,426)	(Surplus)/Deficit on revaluation of Non Current Assets			(5,835)
		(353)	Any Other (Gains) Or Losses			(1,177)
		(34,903)	Actuarial (gains)/losses on pension assets/liabilities			74,619
		(43,682)	Other Comprehensive Income and Expenditure			67,607
		(48,253)	Total Comprehensive Income and Expenditure			74,625

Group Balance Sheet

Restated 2015/16 £'000		2016/17 £'000
318,192	Property Plant and Equipment	325,082
15,361	Other Land and Buildings	18,199
89,035	Vehicle, Plant, Furniture & Equipment	123,534
4,116	Infrastructure	3,838
33,108	Surplus Assets	27,259
1,040	Assets Under Construction	1,062
230	Heritage Assets	52
4,372	Intangible Assets	4,574
1,330	Long Term Investments	198
4,131	Investments in Associates & Joint Ventures	3,914
	Long Term Debtors	
470,915	Long Term Assets	507,712
676	Intangible Assets - Current	411
-	Short Term Investments	-
1,051	Inventories	1,025
48,017	Short Term Debtors	41,482
(9,525)	less Bad Debt Provision	(10,150)
17,902	Cash and Cash Equivalents	13,414
58,121	Current Assets	46,182
(3,261)	Short Term Borrowing	(12,300)
(53,192)	Short Term Creditors	(54,568)
(1,491)	Provisions	(804)
(57,944)	Current Liabilities	(67,672)
(171,996)	Long Term Borrowing	(184,392)
(52,864)	Deferred Liabilities	(51,252)
(422)	Liabilities of Associates & Joint Ventures	(196)
(4,305)	Provisions	(3,972)
(13,868)	Capital Grants Receipts in Advance	(11,852)
(243,455)	Long Term Liabilities	(251,664)
227,637	Net Assets excluding pension liability	234,558
(142,589)	Pension Liability	(222,975)
85,048	Net Assets/(Liabilities) including pension liability	11,583

Group Balance Sheet

2015/16 £'000	Financed By:	2016/17 £'000
	Useable Reserves	
(6,578)	Capital Fund	(6,521)
(23,163)	General Fund Balance	(18,294)
(102)	Property Maintenance Fund	-
(1,321)	Insurance Fund	(1,125)
(6,750)	Share of Group Entities Usable Reserves	(8,173)
	Unusable Reserves	
(118,459)	Capital Adjustment Account	(127,102)
5,189	Financial Instruments Adjustment Account	4,980
(70,201)	Revaluation Reserve	(72,079)
141,592	Pension Reserve	216,025
6,182	Employee Statutory Adjustment Account	6,352
(11,437)	Share of Group Entities Unusable Reserves	(5,646)
(85,048)	Total Reserves	(11,583)

The unaudited accounts were issued on 28 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

David Robertson CPFA
Chief Financial Officer
28 September 2017

Group Cash Flow Statement

Restated 2015/16 £'000		2016/17	
		£'000	£'000
(4,571)	Net (Surplus) or deficit on the provision of services	7,018	
(57)	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	1	
(39,580)	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	(30,018)	
28,203	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23,891	
(16,005)	Net Cash Flows From Operating Activities		892
	Investing Activities		
47,958	Purchase of PP&E, investment property and intangible assets	48,930	
(1,263)	Proceeds from PP&E, investment property and intangible assets	(1581)	
189	Purchase/(Disposal) of short & long term investments	(72)	
(34,685)	Other Items which are Investing Activities	(2,147)	
12,199	Net Cash Flows from Investing Activities		25,860
	Financing Activities		
-	Cash received from loans & other borrowing	(2,134)	
1,462	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,613	
63	Repayments of short and long term borrowing	96	
(620)	Other items which are financing activities	(2,439)	
905	Net Cash Flows from Financing Activities		(22,044)
(2,901)	Net (Increase) or Decrease in Cash and Cash Equivalents		4,708
15,001	Cash and Cash Equivalents at the beginning of the reporting period		18,121
17,902	Cash and Cash Equivalents at the end of the reporting period		13,413
(2,901)	Movement		4,708

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 45 to 56.

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

Note 2 Group Cash Flow

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

Restated 2015/16 £'000		2016/17 £'000
	Reconciliation to General Fund Surplus	
(4,571)	Net (Surplus) or deficit on the provision of services	7,018
(57)	Adjustments for associate entities included in the net (surplus) or deficit on the provision of services that are excluded from the group cash flow statement	1
	Adjustments to (surplus) or deficit on the provision of services for non cash movements	
(21,385)	Depreciation	(22,467)
(8,901)	Impairment & Revaluation Loss through I & E	(1,662)
(218)	Amortisation of intangible assets	(188)
(11,246)	Movement in pension liability	(6,385)
(652)	Gain/Loss on carrying amounts of assets disposed	(17)
85	Net movement in inventories charged to I & E	(40)
10,808	Net movement in debtors charged to I & E	(489)
(8,061)	Net movement in creditors charged to I & E	581
(10)	Net movement in provisions charged to I & E	648
(39,580)		(30,018)
	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	
28,939	Capital grants received	23,709
(736)	Any other items received for the financing of capital or to meet principal repayments which have been recognised through the I & E	182
28,203		23,891
(16,005)	Net Cash Outflow / (Inflow) from Operating Activities	892

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 £5.3m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group deficit of £6.9m. The effect on the group balance sheet is an increase in net assets and reserves of £13.8m (£18.2m increase in 2015/16).

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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the Council Tax Income Account, and the Non-domestic Rate Income Account 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services 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 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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.

Responsibilities of the Chief Financial Officer 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.

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation 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&I) 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.

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 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable 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 auditable 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

Assistant Director
Audit Scotland
102 West Port
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29 September 2017

Glossary of Terms

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

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

- **Revenue Support Grant (RSG):** this is the largest part of AEF. It is a block grant which helps finance the overall cost of Council services.
- **Non-Domestic Rate Income (NDRI):** local businesses pay rates based on a rateable value determined by the Assessor and a rate poundage determined by the Scottish Government. The Council pays rates levied into a national pool and receives income from the pool based on a formula.
- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services/activities and can enable the Scottish Government to more directly influence service provision than with a block grant.

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

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

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

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

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

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

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

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

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

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

Common Good Funds: have been accumulated by former burghs since their foundation from the 12th Century onwards. They are held by the Council as custodian for the benefit of residents of the 9 former burghs, Duns, Innerleithen, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Peebles and Selkirk. They are administered by the Council to have regard to the interest of the inhabitants of the area to which the Common Good formally related.

All of the Common Good Funds are presently registered as a single charity with OSCR.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

Trust Funds: The Council administers 289 trust funds and bequests, held for the benefit of specific functions or groups or beneficiaries, 112 of which have charitable status and have been reorganised into 6 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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