

SCOTTISH BORDERS COUNCIL
STATEMENT OF ACCOUNTS

2010/11

Scottish Borders Council

Statement of Accounts 2010/11

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Explanatory Foreword by the Director of Resources

Introduction

The post of Chief Financial Officer (CFO) was vacant during 2010/11 and the Director of Resources took over as interim Section 95 Officer with the responsibility for signing the Statement of Accounts.

The Chief Executive of Scottish Borders Council retired on the 15 August 2011, during the interim period the Directors of Social Work, Resources and Education & Lifelong Learning will fulfil the responsibilities of the Chief Executive on a monthly rotation basis.

The Local Government Pension Scheme Regulations 2008 require the Council to produce a separate statement of accounts for its Pension Fund. Consequently the Pension Fund accounts are not now included as part of this document.

A review of Common Good and Trust Fund assets began during 2010/11 and this resulted in the transfer of some assets from the General Fund Balance Sheet to the Selkirk Common Good and Peebles Trusts Fund Balance Sheets. The review is ongoing and it is expected to result in further asset transfers to Common Good during 2011/12.

Adoption of International Financial Reporting Standards (IFRS)

In line with all UK local authorities the Council has been required to adopt International Financial Reporting Standards (IFRS) in the production of its accounts. Previously accounts were compiled on a UK Generally Accepted Accounting Practice (UK GAAP) basis. 2010/11 is the first year of full IFRS compliance and this has required changes in some of the Council's accounting methodologies and policies. Consequently there are areas where the balance sheet and supporting accounts have had to be restated for the financial year 2009/10 to enable full IFRS comparison with 2010/11. The main areas of adjustment to adopt IFRS are:

Employee Benefit Accruals – under IFRS we are required to account for employee benefits payable during the financial year, so adjustments have to be made to allow for items such as untaken annual leave as at 31 March 2011.

Long Term Assets – there have been changes in the classification and valuation of long term assets.

Leases – there have been changes in the criteria used in determining the classification of leases, which requires the examination of all leases and lease type agreements to determine the practical nature of these arrangements. In practice this has resulted in some operating leases being reclassified as finance leases.

Government Grants Deferred – IFRS requires that capital grants are recognised in the year of receipt rather than being deferred over the life of the asset. This change has resulted in a new accounting treatment for capital expenditure and the adjustments are reflected in the accounts.

The main statements contained within these financial statements are as follows:

- Movement in Reserves Statement – this shows the movement in the year on the different reserves held by the Council
- Comprehensive Income and Expenditure Statement – this outlines the financial performance of the Council during the 2010/11 financial year.
- Balance Sheet – this details the net worth of the Council at 31 March 2011 after taking into account the performance for the year shown in the Comprehensive Income and Expenditure Statement.
- Cash Flow Statement – this provides another way of looking at the performance for the year removing the accrual of income and expenditure and showing how the cash in and out of the Council has affected the opening and closing position.

Explanatory Foreword by the Director of Resources

The Revenue Budget for 2010/11

The original budget for 2010/11 was approved by the Council in February 2010 and planned net expenditure totalled £268.9m. Revenue Support Grant and our share of the Non-Domestic Rates Pool from the Scottish Government totalled £217.8m (81% of total funding) and included £1.5m in recognition of the 'Council Tax freeze'. The Council planned to raise £49.6m through the Council Tax and a 'Band D' Council Tax of £1,084 was levied. The Council Tax for Scottish Borders continued to be among the lowest in mainland Scotland in 2010/11. The original budget was subject to a number of amendments during the year as service pressures and savings were identified, additional Revenue Support Grant was received and budget virement approved. In addition a sum of £2.5m was transferred to reserves in order to support the 2011/12 budget. Consequently, the final budget for the year was £269.4m.

Revenue Outturn 2010/11

A surplus of £23.1m, on an IFRS basis, on Provision of Services was made. The net cost of services was £245.7m and page 37 shows the movement between this and the actual outturn figure.

The 2010/11 Local Government Finance Settlement and the Council's budget process provided resources required to meet the Council's net service expenditure in 2010/11. It is expected that future settlements, aligned with the Council's budget process, will again provide sufficient resources to finance future liabilities, despite the ongoing reduction in external funding from Scottish Government.

General Fund Reserve

The Council maintains a General Fund Reserve 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.
- Earmarked reserves to meet known or predicted liabilities.

The analysis of the General Fund Reserve at 31 March 2011 is as follows:

Restated 2010 £'000		2011 £'000
(1,144)	Earmarked Reserves	
(3,111)	Devolved School Management	(1,198)
(4,255)	Specific Departmental Reserves	(3,409)
(5,873)	Non Earmarked Reserve	(4,607)
(10,128)	Total General Fund Reserve	(6,868)
		(11,475)

The net increase in the General Fund Reserve is £1.347m.

The Council's Financial Strategy identifies the optimum level of non earmarked reserves considered necessary to provide a working balance and a contingency to cushion the impact of unexpected events or emergencies (i.e. not earmarked for specific purposes) as falling within 2% - 4% of net revenue expenditure (between £5.4m and £10.8m at 2010/11 levels). The Reserve not earmarked for specific purposes at £6.9m is within that range. £4.6m of the total Reserve is earmarked for specific purposes and will be spent either in 2011/12 or future financial years.

Explanatory Foreword by the Director of Resources

Significant Trading Operation

As the Council's only significant trading operation, the roads trading operation (SBc Contracts) has a statutory obligation to at least break even over rolling three-year periods. During 2010/11 a net surplus of £0.186m was achieved and over the three-year period the surplus totalled £0.679m.

Capital Expenditure and Debt Outstanding

In 2010/11 the Council incurred capital expenditure totalling £27.6m. An analysis of capital expenditure and its financing can be found on pages 48-49. A feature of the capital programme in 2010/11 was a relatively high degree of slippage and the Council is addressing this by implementing the Blair report recommendations (Best Practice on Capital Management) for the compilation of future years' capital budgets, as well as a review of the phasing of the 2011/12 to 2015/16 capital programme. It is for the Council to set its own capital investment limits, ensuring that under the Prudential Code they are prudent, affordable and sustainable. Outstanding advances from the Loans Fund to finance capital expenditure totalled £196.41m at 31 March 2011 (£195.18m at 31 March 2010). The average rate of interest paid on outstanding debt was 5.4% (2009/10: 4.6%). At the end of the financial year, temporary borrowing of £3m was in place.

Short Term Deposits

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £10m deposited (£5m with Heritable Bank and £5m with Landsbanki), with varying maturity dates and interest rates. During 2010/11 three repayments were received from Heritable Bank totaling £0.763m, which, when added to receipts of £1.764m in 2009/10, gives a total of £2.527m (50.08% of the claim of £5m). In addition, the Council has now accounted for the cash loss from Icelandic deposits, calculated at £1.021m, and has funded these losses via the Scottish Government's consent to borrow scheme.

Group Accounts

The revised guidance on Council subsidiaries, associates and joint ventures means that the Council only considers that the Lothian & Borders Police and Fire & Rescue Boards, Borders Sport and Leisure Trust and Jedburgh Leisure Trust merit inclusion in the Group Accounts, as well as the Common Good and Trust Funds administered by the Council. The Group Accounts are shown on pages 76 to 86.

Council and Group Balance Sheets

The net assets of Scottish Borders Council total £108m as at 31 March 2011 (2009/10 restated net asset £47.9m). Subsequent to the incorporation of subsidiaries and associates, the Group Balance Sheet shows net liabilities of £119.4m as at 31 March 2011 (restated net liabilities of £204.4m in 2009/10). This mainly reflects the inclusion of pension liabilities relating to council officers and other employees, and the incorporation of Joint Boards as associates within the group. These liabilities, falling due in future years, will be financed by increased annual pension contributions. In common with similar public bodies, future revenue streams will meet the financing of these liabilities. It is therefore considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Thanks

As always, my thanks are due to all staff, especially those in Corporate Finance and Financial Services, for their hard work and commitment during the year.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Interim Section 95 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts (in Scotland, the audited accounts must be laid before a meeting of the Council within two months of receipt of the audit certificate).

The Chief Financial Officer's responsibilities

The Interim Section 95 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Interim Section 95 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Interim Section 95 Officer has also:

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

Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2011, and its income and expenditure for the year ended 31 March 2011.

Tracey Logan
Director of Resources
30 September 2011

Statement on the System of Internal Financial Control

1. This statement is given in respect of the Accounts for Scottish Borders Council and its group entities. As interim Statutory Officer for Finance (Section 95 officer) for the Council, I acknowledge my responsibility for the role of putting in place the arrangements for the proper administration of financial affairs of the Council and of making sure that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control operates within a financial strategy and is based on a framework of delegation and accountability for officers and elected members embodied in procedural standing orders, financial regulations, scheme of delegation, scheme of administration, committees and sub-committees, supported by a framework of administrative procedures including the segregation of duties, and regular financial management information. In particular, this includes:
 - (a) Financial systems which include:
 - Comprehensive budgeting systems.
 - Regular reviews by Corporate Management Team and appropriate Committees of revenue and capital budgetary control reports which identify actual income and expenditure to date and compare projected outturn with approved budgets.
 - Setting targets to measure financial and other performance.
 - Clearly defined capital investment control guidelines.
 - (b) HR and Payroll system controls to make sure that staff remuneration and reimbursement payments are made correctly and on time.
 - (c) Procurement system controls to make sure that orders for goods and services are properly authorised and creditor system controls to make sure that payments made to suppliers are correct.
 - (d) Council Tax, Non Domestic Rates and Debtor system controls to make sure that income due to the Council is correctly identified, collected and accounted for.
 - (e) Controls over the operation of computer systems and administrative procedures to make sure that secure systems are developed to meet business and accounting needs.
 - (f) Corporate Counter Fraud Strategy, including the whistle-blowing policy and the fraud, theft or corruption response plan, which outline how employees and members of the public can voice concerns in relation to suspected fraud, theft or corruption and how this will be dealt with by the Council.
4. The Council has an Internal Audit function, which operates in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Internal Audit in Local Government. The Head of Audit & Risk (HAR) is line managed by the Director of Resources. The HAR reports directly to the Audit Committee and meets with them in private session twice per year and also has direct unimpeded access throughout the year to the Chief Financial Officer (Section 95 Finance Officer), Chief Executive and the Head of Legal & Democratic Services (Monitoring Officer). The work of the Internal Audit function is informed by an analysis of the risk to which the Council is exposed, and annual Internal Audit plans are based on this analysis, and then endorsed and approved by the Audit Committee. The Committee meets four times each year at which the HAR provides the Audit Committee with a report on Internal Audit activity. The Internal Audit Annual Report presented to the June meeting of the Audit Committee includes the HAR's independent opinion on the adequacy and effectiveness of the systems of internal financial control, internal control and governance, and security control on computer network infrastructure.

Statement on the System of Internal Financial Control

5. My review of the effectiveness of the system of internal financial control is informed by:
- (a) The work of the Internal Auditors as described above;
 - (b) The work of professional accountancy staff within the Council;
 - (c) The External Auditors' reports;
 - (d) Progress with enhancements to the systems of internal financial control during the year including review of financial strategy, compilation of budgets that are consistent with Council priorities and business plans, implementation of change programmes to achieve efficiency savings, review of treasury management policy and strategy, and improvements arising from implementation of audit recommendations; and
 - (e) Directors' Assurance Statements, on the standard of internal financial control within each department, which in turn are informed by similar assurances from their Heads of Service.
 - (f) An Assurance Statement from the each of the three senior finance managers (Corporate Finance Manager, Financial Services Manager and Customer Services Manager) on the standard of internal financial control within their respective service area for the period 1 April 2010 to 31 March 2011.
6. I have undertaken the role of the Statutory Officer for Finance (Section 95 Officer), whose duties include putting in place the arrangements for the proper administration of financial affairs of the Council, from 31 January 2011, in the interim and until the appointment of a Chief Financial Officer. In determining the options for the interim Section 95 Officer, advice was sought from both internal and external audit and further arrangements have been put in place to mitigate any associated risks, perceived or otherwise. For example, specific powers have been delegated to the Corporate Finance Manager, Financial Services Manager and Customer Services Manager in respect of their roles which have been reflected in the Council's Scheme of Delegation approved by Council 24 March 2011. Having reviewed the above, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control systems during the year ended 31 March 2011.

However, I have noted that work in the following areas would further enhance the internal financial control environment to manage financial risks:

- (a) The ongoing implementation of:
 - Recommendations made by Internal Audit and External Audit, with particular emphasis on prompt implementation of high priority recommendations.
 - The regular review and compliance testing of Procedural Standing Orders, Financial Regulations and the Scheme of Delegation.
- (b) The development projects to implement the re-designed business systems for significant financial processes for Accounts Receivable (from identification of charging for service delivery to billing, collection and recovery of sundry debts) and for Accounts Payable (from purchase order to payment) and to fully document the re-engineered business processes.
- (c) Planned improvements to debt management and enhanced payment security procedures.
- (d) Refinements to the new proactive approach to medium term Financial Planning to deal with expected funding pressures, and to fully document the processes.
- (e) Development and improvement of Systems and Reporting Tools to enhance Financial Management Information to managers, corporate management and elected members.
- (f) Financial awareness, training and development of best practice, from induction for new employees to Financial Management Core Competency for managers.
- (g) Implementation of the new Capital Management Framework to deliver the Council's capital financial plans.
- (h) Continued implementation of the Council's approved Corporate Procurement Strategy to ensure more rigorous compliance to corporate standards, rules and procedures.

Statement on the System of Internal Financial Control

7. My opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of the Group's internal financial control systems. My review of the effectiveness of the system of internal financial control of the Joint Boards and Trusts that are included in the Group Accounts is informed by:
- (a) The Treasurers' Assurance Statements on the standard of internal financial control at Lothian and Borders Fire and Rescue Board and Lothian and Borders Police Board;
 - (b) The External Auditor's report on the accounts of Borders Sports and Leisure Trust; and
 - (c) The Independent Examiner's Report on the accounts of Jedburgh Leisure Trust.

Signed

Tracey Logan
Director of Resources
30 September 2011

Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of 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.

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 fixed 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.

Accounting Policies

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations.

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. 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 Receipts Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Receipts Reserve 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.

Exceptional Items, Extraordinary Items and Prior Year Adjustments

- Any **exceptional** item will be included in the cost of service or on the face of the Comprehensive Income and Expenditure Statement, together with relevant notes, dependent upon the most appropriate way of presenting a true and fair view of the accounts.
- Any **extraordinary** item will be disclosed on the face of the Comprehensive Income and Expenditure Statement, with appropriate notes, after dealing with all items within the ordinary activities of the Council.
- **Prior period adjustments** arising from changes in accounting policy or the correction of fundamental errors will result in the restatement of the comparative figures for the previous year.

Events After the Reporting Period

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

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.

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 yields benefits to the Council and the services that it provides for more than one financial year. 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. 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 all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Authority does not capitalise borrowing costs incurred whilst assets are under construction. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, 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 impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulative gains).
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Disposals and Non-current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is

Accounting Policies

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 fixed 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.

Investment Property

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

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

Accounting Policies

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.

Council as lessee:

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Lease payments are apportioned between:

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

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

Council as lessor:

Amounts due from the lessee under a finance lease are recorded in the balance sheet of the Council as a debtor at the amount of the net investment. The total gross earnings under a finance lease are allocated to periods to give a constant periodic rate of return to the Council's net cash investment in the lease in each period.

Operating Leases

Council as lessee:

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Council as lessor:

An asset held by the Council for use under operating leases is recorded as Property, Plant and Equipment and depreciated over its useful life. Rental income from an operating lease is recognised on a straight line basis over the period of the lease.

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.

Accounting Policies

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.

Redemption of Debt and Interest Charges

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

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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis 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 of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However the arrangements for the teachers' scheme mean that liabilities

Accounting Policies

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 revenue account 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 scheme 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 5.5% (based on the indicative rate of return on high quality corporate bond (ibovxx AA rated corporate bond index)).

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 seven components:

- 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 revenue accounts of services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services on the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
- 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 - debited to the Pensions Reserve.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Accounting Policies

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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations 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 any amounts payable to the fund but unpaid at the year-end.

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.

Accounting for Financial Instruments

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

Financial Liabilities:

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

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

Financial Assets:

Financial assets can be classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have a fixed or determinable payment.

Loans and receivables are initially measured at fair value and carried 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 Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Accounting Policies

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the accounts when:

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

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. 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 is recognised in the accounts where the Council has a possible obligation, but cannot be judged as probable enough to warrant a provision. 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.

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.

Accounting Policies

Valuation of Inventories

Inventories are valued at the lower of cost or net realisable value.

Overhead and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11(BVACOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on continuing services.

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

The Council is able to reclaim VAT from Her Majesty's Revenue and Customs under certain conditions. The Comprehensive Income and Expenditure Statement only includes amounts related to VAT which are not recoverable.

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. These are 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.

	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 01/04/2009	(10,949)	(7,248)	(39)	(1,660)	(19,896)	(91,957)	(111,853)	

Movement in reserves during 2009/10

(Surplus)/deficit on provision of services	(10,201)	8,181	-	-	(2,020)	(8,181)	(10,201)	
Other Comprehensive Income & Expenditure	-	-	-	-	-	74,181	74,181	
Total Comprehensive Income & Expenditure	(10,201)	8,181	-	-	(2,020)	66,000	63,980	

Adjustments between accounting basis & funding basis under regulations

Charges for depreciation & amortisation of non-current assets	(19,489)	-	-	-	(19,489)	19,489	-	
Impairment/revaluation losses (charged to comp I & E)	(2,316)	-	-	-	(2,316)	2,316	-	
Capital grants and contributions applied	17,354	-	-	-	17,354	(17,354)	-	
Employee - Statutory Adjustments	332	-	-	-	332	(332)	-	
Profit/loss on sale of non current assets	(32)	(2,875)	-	-	(2,907)	2,907	-	
Amount by which finance costs charged to the I & E are different in accordance with statutory requirements	558	-	-	-	558	(558)	-	
Net retirement benefits per IAS 19	(12,740)	-	-	-	(12,740)	12,740	-	
Loans Fund principal repayments and Statutory premia	8,228	-	-	-	8,228	(8,228)	-	
Statutory Provision relating to PPP	2,991	-	-	-	2,991	(2,991)	-	
Capital Expenditure charged to General Fund balance	189	-	-	-	189	(189)	-	
Employers contribution payable to Pension Fund	13,828	-	-	-	13,828	(13,828)	-	
Net Transfers to or from other reserves	2,119	(1,727)	(10)	92	474	(474)	-	
Increase/Decrease in 2009/10	821	3,579	(10)	92	4,482	59,498	63,980	
Balance at 31/03/2010	(10,128)	(3,669)	(49)	(1,568)	(15,414)	(32,459)	(47,873)	

Movement in Reserves Statement

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 31/03/2010							
(10,128)	(3,669)	(49)	(1,568)	(15,414)	(32,459)	(47,873)	

Movement in reserves during 2010/11

(Surplus)/deficit on provision of services	(23,096)	-	-	-	-	-	(23,096)	
Other Comprehensive Income & Expenditure	-	-	-	-	-	(38,290)	(38,290)	
Total Comprehensive Income & Expenditure	(23,096)	-	-	-	-	(38,290)	(61,386)	

Adjustments between accounting basis & funding basis under regulations

Charges for depreciation & amortisation of non-current assets	(20,236)	-	-	-	-	20,236	-	
Impairment/revaluation losses (charged to comp I & E)	(14,856)	-	-	-	-	14,856	-	
Capital grants and contributions applied	11,202	-	-	-	-	(11,202)	-	
Employee - Statutory Adjustments	(729)	-	-	-	-	729	-	
Profit/loss on sale of non current assets	(14)	(5,108)	-	-	-	5,122	-	
Amount by which finance costs charged to the I & E are different in accordance with statutory requirements	536	-	-	-	-	(536)	-	
Net retirement benefits per IAS 19	16,717	-	-	-	-	(16,717)	-	
Loans Fund principal repayments and Statutory premia	8,493	-	-	-	-	(8,493)	-	
Statutory Provision relating to PPP	3,185	-	-	-	-	(3,185)	-	
Capital Expenditure charged to General Fund balance	21	-	-	-	-	(21)	-	
Employers contribution payable to Pension Fund	15,391	-	-	-	-	(15,391)	-	
Net Transfers to or from other reserves	2,039	2,707	(126)	61	-	(3,389)	1,292	
Increase/Decrease in 2010/11	(1,347)	(2,401)	(126)	61	(3,813)	(56,281)	(60,094)	
Balance at 31/3/2011	(11,475)	(6,070)	(175)	(1,507)	(19,227)	(88,740)	(107,967)	

Comprehensive Income and Expenditure Statement

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

Restated 2009/10				2010/11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
107,677	(4,774)	102,903	Education	108,397	(4,717)	103,680	
29,767	(27,007)	2,760	General Fund Housing Services	20,163	(16,711)	3,452	
15,302	(1,482)	13,820	Cultural & Related Services	15,594	(1,395)	14,199	
21,950	(3,211)	18,739	Environmental Services	28,233	(2,407)	25,826	
21,261	(5,786)	15,475	Roads & Transport Services	23,751	(4,766)	18,985	
8,526	(2,983)	5,543	Planning & Development Services	6,209	(2,747)	3,462	
81,209	(15,566)	65,643	Social Work	90,105	(16,219)	73,886	
10,600	(1,865)	8,735	Central Services	23,088	(12,301)	10,787	
1,586	-	1,586	Non-Distributed Costs	(27,977)	-	(27,977)	} 7
307	-	307	Exceptional Items	1,815	-	1,815	
298,185	(62,674)	235,511	Services provided by the Council	289,378	(61,263)	228,115	
12,037	-	12,037	Lothian & Borders Police Board	10,248	-	10,248	
8,646	-	8,646	Lothian & Borders Fire Board	7,300	-	7,300	
318,868	(62,674)	256,194	Net Cost of Services	306,926	(61,263)	245,663	
		259	Roads Trading Operation (Surplus)/Deficit (External)			(177)	8
		32	Other Operating Expenditure (Gain)/Loss on Disposal of Assets			14	
		11,982	Financing & Investment Income and Expenditure Interest Payable & Similar Charges			12,084	28
		(586)	Interest Receivable			(376)	28
		18,910	Interest Costs on Pensions			25,842	} 19
		(14,281)	Return on Pension Assets			(22,790)	
		(170,045)	Taxation and Non-Specific Grant Income Revenue Support Grant			(177,031)	
		(46,076)	Non-Domestic Rates Pool for Scotland			(44,989)	
		(49,236)	Council Tax			(50,134)	
		(17,354)	Recognised Capital Income (Grant, Contributions, Donations)			(11,202)	27
		(10,201)	(Surplus)/Deficit on Provision of Services			(23,096)	

Comprehensive Income and Expenditure Statement

Restated 2009/10				2010/11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
		(10,201)	(Surplus)/Deficit on Provision of Services			(23,096)	
		(10,486)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment			1,864	
		(13)	(Surplus)/Deficit on revaluation of available for sale financial assets			-	
		84,683	Actuarial (gains)/losses on pension assets/liabilities			(40,154)	
		74,184	Other Comprehensive Income and Expenditure			(38,290)	
		63,983	Total Comprehensive Income and Expenditure			(61,386)	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date 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'.

Restated 2008/09 £'000	Restated 2009/10 £'000		2010/11 £'000	Notes
		Property Plant and Equipment		
263,374	318,751	Other Land and Buildings	302,660	12
18,533	18,466	Vehicle, Plant, Furniture & Equipment	16,978	
67,692	72,240	Infrastructure	74,306	
9,001	8,781	Surplus Assets	5,005	
43,585	45,060	Assets Under Construction	50,382	13
907	1,012	Intangible Assets	614	
350	156	Assets Held for Sale	-	
2,879	391	Long Term Debtors	399	
406,319	464,857	Long Term Assets	450,344	
19,865	5,983	Short Term Investments	5,524	
825	722	Inventories	807	23
28,736	30,353	Short Term Debtors	32,418	28
(6,330)	(6,404)	less Bad Debt Provision	(6,892)	
12,597	3,747	Cash and Cash Equivalents	10,757	33
55,693	34,401	Current Assets	42,614	
(3,361)	(8,276)	Short Term Borrowing	(6,281)	28
(62,046)	(51,966)	Short Term Creditors	(58,282)	
(3,435)	(1,498)	Provisions	(2,413)	24
(68,843)	(61,740)	Current Liabilities	(66,976)	
(165,104)	(165,010)	Long Term Borrowing	(164,852)	
		Other Long Term Liabilities		
(36,867)	(63,601)	Deferred Liabilities	(61,894)	
(1,302)	(680)	Finance Leases/Bonds	(523)	
(2,990)	(2,789)	Due to Trust Funds and Common Good	(3,306)	
(283,494)	(467,812)	Pension Liability	(421,281)	19
212,847	313,572	Pension Asset	339,303	19
(4,406)	(3,325)	Capital Grants Receipts in Advance	(5,462)	
(281,316)	(389,645)	Long Term Liabilities	(318,015)	
111,854	47,873	Net Assets	107,967	

Balance Sheet

Restated 2008/09 £'000	Restated 2009/10 £'000	Financed by	2010/11 £'000	Notes
		Useable Reserves		
(7,248)	(3,669)	Capital Fund	(6,070)	} 30
(10,949)	(10,128)	General Fund Balance	(11,475)	
(39)	(49)	Property Maintenance Fund	(175)	
(1,660)	(1,568)	Insurance Fund	(1,507)	
		Unusable Reserves		
(137,813)	(149,568)	Capital Adjustment Account	(138,129)	} 30
9,513	8,955	Financial Instruments Adjustment Account	6,507	
(42,673)	(54,121)	Revaluation Reserve	(48,924)	
70,647	154,240	Pension Reserve	81,978	
8,369	8,035	STACA Statutory Mitigation Account	8,766	
-	-	Icelandic Banks Statutory Adjustment Account	1,062	
(111,853)	(47,873)		(107,967)	

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.

Tracey Logan
 Director of Resources
 30 September 2011

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.

2009/10 £'000		2010/11 £'000		Notes
	Operating Activities			
(10,201)	Net Surplus or (deficit) on the provision of services	(23,096)		
(8,621)	Adjustments to surplus or deficit on the provision of services for non cash items	4,133		31
(221)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(14,009)		31
(19,043)	Net Cash Flows From Operating Activities		(32,972)	
	Investing Activities			
42,147	Purchase of PP&E, investment property and intangible assets	28,044		
(548)	Proceeds from PP&E, investment property and intangible assets	(5,123)		
(14,321)	Other Receipts from Investing Activities	(1,414)		
27,278	Net Cash Flows from Investing Activities		21,507	
	Financing Activities			
(5,026)	Cash receipts from short and long term borrowing	(6,732)		
5,257	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,669		
384	Repayments of short and long term borrowing	9,518		
615	Net Cash Flows from Financing Activities		4,455	
8,850	Net (Increase) or Decrease in Cash and Cash Equivalents		(7,010)	
12,597	Cash and Cash Equivalents at the beginning of the reporting period		3,747	
3,747	Cash and Cash Equivalents at the end of the reporting period		10,757	33
8,850	Movement		(7,010)	

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No 1985/267) and require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

All information disclosed in tables 1-6 (page 26-31) in this Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of 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.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010/11 the salary for the Leader of Scottish Borders Council is £32,470. 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 £340,935. 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 Civic Head.

The total remuneration for Scottish Borders Councils' senior councillors, excluding the Leader, is £304,980. 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 Council 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 28 October 2010.

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 sets the salaries for the Chief Executives of Scottish local authorities. Teaching staff salaries are set by The Scottish Negotiating Committee for Teachers (SNCT). Circular CO/144 sets the amount of salary for the Chief Executive of Scottish Borders Council for the period 2008 to 2011.

A senior employee is any employee who meets one or more of the following criteria:

- 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.
- Who 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.
- Whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

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.

Remuneration Report

Table 1 below shows the numbers of employees at Scottish Borders Council whose remuneration was £50,000 or more, excluding employer's pension and national insurance contributions:

Table 1

2010/11	Chief Officer	Manual	Other Staff	Teachers	Total
£50,000 - £54,999 *	-	2	16	39	57
£55,000 - £59,999	1	-	1	14	16
£60,000 - £64,999	4	-	-	2	6
£65,000 - £69,999	-	-	-	1	1
£70,000 - £74,999 *	12	-	-	4	16
£75,000 - £79,999	-	-	-	1	1
£80,000 - £84,999	-	-	-	-	-
£85,000 - £89,999	1	-	-	-	1
£90,000 - £94,999 *	1	-	-	1	2
£95,000 - £99,999	-	-	-	-	-
£100,000 - £104,999	3	-	-	-	3
£105,000 - £109,999 *	2	-	-	-	2
£110,000 - £114,999	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-
£120,000 - £124,999	1	-	-	-	1
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-
£135,000 - £139,999 *	1	-	-	-	1
Total	26	2	17	62	107

Table 2

2009/10	Chief Officer	Manual	Other Staff	Teachers	Total
£50,000 - £54,999 *	3	3	9	36	51
£55,000 - £59,999 *	4	1	2	7	14
£60,000 - £64,999 *	-	-	1	4	5
£65,000 - £69,999 *	3	-	1	1	5
£70,000 - £74,999	12	-	-	2	14
£75,000 - £79,999	1	-	-	-	1
£80,000 - £84,999 *	-	-	-	1	1
£85,000 - £89,999	1	-	-	-	1
£90,000 - £94,999	-	-	-	-	-
£95,000 - £99,999	3	-	-	-	3
£100,000 - £104,999	-	-	-	-	-
£105,000 - £109,999 *	1	-	-	-	1
£110,000 - £114,999	-	-	-	-	-
£115,000 - £119,999	1	-	-	-	1
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-
Total	29	4	13	51	97

In table 1 a * indicates bandings that contain employees whose remuneration contained an element of voluntary severance or early retiral.

In table 2 a * indicates bandings that contain employees whose remuneration contained an element of voluntary severance.

Remuneration Report

Pension Benefits

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

Councillors' pension benefits are based on a career average pay. The councillors pay for each year or part year ending 31 March is increased by the increase in 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 this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non manual employees. The tiers and members contributions rates for 2010/11 remain at 2009/10 rates, (due to negative increase in the cost of living index for 2010/11) and are as follows:

2009/10	Whole Time Pay	2010/11
5.50%	On earnings up to and including £18,000	5.50%
7.25%	On earnings above £18,000 and up to £22,000	7.25%
8.50%	On earnings above £22,000 and up to £30,000	8.50%
9.50%	On earnings above £30,000 and up to £40,000	9.50%
12.00%	On earnings above £40,000	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.

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

The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising 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

The following tables provide details of the remuneration paid to the Council's Senior Councillors and Senior Employees.

Remuneration of Senior Councillors

Table 3

Total Remuneration 2009/10 £	Councillor Name	Responsibility	Total Remuneration 2010/11 £
32,435	D Parker	Leader	32,470
24,327	A Hutton	Convener	24,353
18,245	RH Smith	Vice Convener (until 28/10/2010) Executive Member for Children & Strategic Services/Vice Convener (from 29/10/2010)	19,321
24,327	AJ Nicol	Depute Leader	24,353
24,327	N Calvert	Depute Leader (Finance)	24,353
24,138	CJ Bhatia	Executive Member E&LL (until 23/06/2010)	6,578
-	G Turnbull	Executive Member E&LL (from 24/06/2010)	17,586
24,138	MJ Cook	Executive Member Corporate Improvement	24,164
20,990	VM Davidson	Executive Member Economic Development	21,013
20,990	JL Wyse	Executive Member Environmental Services	21,013
20,990	GHT Garvie	Executive Member Culture, Sport & Community Learning	21,013
20,990	CA Riddle-Carre	Executive Member Planning & Environment	21,013
20,990	JA Fullarton	Executive Member Roads & Infrastructure	21,013
24,138	JD Raw	Executive Member Social Work (until 23/06/2010)	6,578
-	FA Renton	Executive Member Social Work (24/06/2010- 28/10/2010) Executive Member for Social Care & Health (29/10/2010)	16,383
18,103	JB Houston	Chairman (Development and Building Standards)	18,123
18,103	DP Moffat	Chairman (Scrutiny)	18,123
3,041	S Scott (1)	Executive Member Communities & Health	3,045
340,272	Total		340,495

Note

(1) S Scott: Councillor Scott holds the position of Executive Member for Communities and Health, although not a remunerated post Councillor Scott also holds the position of Vice Convener for Lothian and Borders Community Justice Authority which is a remunerated post. His remuneration for 2010/11 was £3,045 (2009/10 £3,041). This excludes his standard remuneration for the Council.

Remuneration paid to Councillors

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

2009/10 £'000		2010/11 £'000
639	Salaries	646
125	Expenses	119
764	Total	765

The annual return of Councillors' salaries and expenses for 2010/11 is available on the Council's website at www.scotborders.gov.uk.

Remuneration Report

Remuneration of Senior Employees of the Council

Table 4

2009/10		Name	Post Title	2010/11			Total Remuneration £
Total Remuneration £	Salaries, fees and allowances £			Compensation for loss of employment £	Benefits other than in cash £		
119,656	D Hume (1)	Chief Executive	123,136	-	-	123,136	
95,333	TM Logan	Director of Resources	101,039	-	296	101,335	
99,078	JG Rodger	Director of Education & Lifelong Learning	101,394	-	-	101,394	
89,136	IM Lindley	Director of Planning & Economic Development	91,106	-	-	91,106	
99,110	AC Lowe	Director of Social Work	101,394	-	-	101,394	
70,712	LD Walker (4)	Assessor, Electoral Registration Officer until 10/10/2010	41,107 (FYE 72,012)	-	-	41,107	
-	MJ Dickson	Assessor, Electoral Registration Officer from 11/10/2010	29,636 (FYE 68,583)	-	-	29,636	
79,944	AG Brown (2)	CFO until 21/3/2010, Director of Technical Services from 22/03/2010 until 24/10/2010	59,089 (FYE 97,782)	80,388	-	139,477	
3,207	RA Webb (3)	CFO from 2/03/2010 until 31/1/2011	70,386 (FYE 80,604)	-	-	70,386	
43,620	JE Tolland (5)	Organisational Development & Design Manager 22/06/2009 until 18/10/2009, Head of Business Improvement Unit from 19/10/2009	63,383	-	242	63,625	
41,386	A Salmons	Head of Procurement from 16/09/2009	59,109	-	-	59,109	
70,319	I Wilkie (6)	Head of Legal Services until 30/09/2009, Head of Legal & Democratic Services from 01/10/2009	72,064	-	-	72,064	
811,501	Total		912,843	80,388	538	993,769	

No SBC senior employees received remuneration from subsidiaries during 2010/11.

Note

(1) D Hume: Salary, fees and allowances of £123,136 includes £3,502 for Returning Officer fee.

Changes in Appointments of Senior Employees

- (2) AG Brown was the Director of Technical Services from 22 March 2010 until 24 October 2010 when he left as part of the voluntary severance programme; this post remained vacant for the rest of the financial year. From 2011/12 the Director of Technical Services post and Director of Planning and Economic Development post was amalgamated to create the new post of Director of Environment and Infrastructure taken up by Rob Dickson on 23 May 2011.
- (3) R Webb left the post of Chief Financial Officer on 31 January 2011; this post remained vacant for the rest of the financial year. Please note some data in table 4 above has not been disclosed due to a contractual agreement in place.
- (4) L Walker left the post of Assessor, Electoral Registration Officer on 10 October 2010 and was replaced by M Dickson.
- (5) J Tolland held the post of Organisational Development and Design Manager from 22 June 2009 until 18 October 2009 then became Head of Business Improvement Unit.
- (6) I Wilkie held the post of Head of Legal Services until 30 September 2009 then took up the new position of Head of Legal and Democratic Services from the 1 October 2009 as part of a restructure.

Remuneration Report

Pension Benefits

Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2011 are shown in the table 5 below, together with the contribution made by the Council to each Senior Councillors pension during the year. It should be noted all 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.

Table 5

Councillor Name	Responsibility	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2011 £	For year to 31 March 2010 £	Type	As at 31 March 2011 £	Difference from 31 March 2010 £
D Parker	Council Leader	5,845	5,838	Pension	1,906 p.a.	613 p.a.
A Hutton	Convener of the Council	4,384	4,369	Lump Sum	2,388	102
RH Smith	Vice Convener (until 28/10/2010)	3,478	3,284	Pension	1,432 p.a.	460 p.a.
	Executive Member for Children & Strategic Services/Vice Convener (from 29/10/2010)			Lump Sum	1,794	76
N Calvert	Depute Leader (Finance)	4,384	4,371	Pension	1,092 p.a.	360 p.a.
CJ Bhatia	Executive Member E&LL (until 23/06/2010)	3,315	4,345	Lump Sum	1,368	76
G Turnbull	Executive Member E&LL (from 24/06/2010)	3,961	2,919	Pension	1,432 p.a.	460 p.a.
MJ Cook	Executive Member for Corporate Improvement	4,340	4,345	Lump Sum	1,793	75
V Davidson	Executive Member Economic Development	3,782	3,778	Pension	3,541 p.a.	484 p.a.
JL Wyse	Executive Member Environmental Services	3,782	3,778	Lump Sum	8,295	306
CA Riddell-Carre	Executive Member Planning & Environment	3,782	3,783	Pension	1,042 p.a.	391 p.a.
J Fullarton	Executive Member Roads & Infrastructure	3,782	3,778	Lump Sum	1,306	155
JD Raw	Executive Member Social Work (until 23/06/2010)	3,315	4,345	Pension	1,418 p.a.	456 p.a.
JB Houston	Chairman (Development and Building Standards)	3,262	3,259	Lump Sum	1,777	76
DP Moffat	Chairman (Scrutiny)	3,262	3,259	Pension	1,235 p.a.	397 p.a.
				Lump Sum	1,547	65
				Pension	12,815 p.a.	984 p.a.
				Lump Sum	36,287	1,828
				Pension	1,236 p.a.	397 p.a.
				Lump Sum	1,548	65
				Pension	1,235 p.a.	397 p.a.
				Lump Sum	1,547	65
				Pension	1,330 p.a.	371 p.a.
				Lump Sum	1,666	(28)
				Pension	1,065 p.a.	343 p.a.
				Lump Sum	1,334	57
				Pension	1,067 p.a.	341 p.a.
				Lump Sum	1,337	56
Total		54,674	55,451			

Note

1. Councillors Nicol, Garvie, Renton and Scott are not part of the Pension Scheme.

Remuneration Report

Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

Table 6

Name	Post Title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2011 £	For year to 31 March 2010 £	Type	As at 31 March 2011 £	Difference from 31 March 2010 £
D Hume	Chief Executive	21,460	21,438	Pension	49,013 p.a.	1,987 p.a.
				Lump Sum	135,118	-
TM Logan	Director of Resources	18,187	17,365	Pension	24,155 p.a.	2,703 p.a.
				Lump Sum	62,342	2,818
JG Rodger	Director of Education & Lifelong Learning	18,200	17,756	Pension	40,789 p.a.	2,641 p.a.
				Lump Sum	112,247	2,738
IM Lindley	Director of Planning & Economic Development	16,348	15,950	Pension	33,316 p.a.	2,291 p.a.
				Lump Sum	90,588	2,215
AC Lowe	Director of Social Work	18,200	17,756	Pension	40,817 p.a.	2,641 p.a.
				Lump Sum	112,330	2,740
LD Walker (1)	Assessor, Electoral Registration Officer	7,368	12,633	Pension	36,886 p.a.	1,101 p.a.
				Lump Sum	105,219	1,372
MJ Dickson	Assessor, Electoral Registration Officer	9,659	7,500	Pension	16,757 p.a.	4,498 p.a.
				Lump Sum	44,799	10,171
AG Brown (2)	Director of Technical Services	10,636	14,365	Pension	39,919 p.a.	(915)
				Lump Sum	120,817	2,412
RA Webb (3)	Chief Financial Officer	12,558	577	Pension	1,123 p.a.	1,018 p.a.
				Lump Sum	-	-
JE Tolland	Head of Business Improvement	11,410	7,852	Pension	19,113 p.a.	2,152 p.a.
				Lump Sum	26,519	1,608
A Salmons (4)	Head of Procurement	10,640	7,450	Pension	1,752 p.a.	1,023 p.a.
				Lump Sum	-	-
I Wilkie	Head of Legal & Democratic Services	12,949	12,633	Pension	30,283 p.a.	1,909 p.a.
				Lump Sum	83,647	2,039
Total		167,615	153,275			

Note

- (1) LD Walker retired 10/10/2010
- (2) AG Brown retired 29/10/2010
- (3) R Webb was employed from 02/03/2010 to 31/01/2011 – notional pension amount shown as the employee has less than 2 years service
- (4) A Salmons joined the Council 22/06/09 – notional pension amount shown as employee is not entitled to pension benefits until completion of 2 years service

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 not required to be made by an individual under the LGPS).

Signed

David Parker
Council Leader

Glenn Rodger
Acting Chief Executive

Notes to the Core Financial Statements

Note 1 First Time Adoption of International Financial Reporting Standards

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the Statement of Accounts for 2009/10.

The following table explains the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

	Balance Sheet reported in 2009/10 £'000	IFRS Adjustments					2009/10 As Restated Balance Sheet £'000
		Gov & Non Gov Grants Adj £'000	Lease & Lease Type Arrangements £'000	Property, Plant & Equipment Adj £'000	Employee Benefits Accrual £'000	Capital Receipts Adj £'000	
Intangible Assets	1,012	-	-	-	-	-	1,012
Tangible Fixed Assets	460,404	-	1,096	1,954	-	-	463,454
Long Term Debtors	391	-	-	-	-	-	391
Total Long Term Assets	461,807	-	1,096	1,954	-	-	464,857
Current Assets	34,401	-	-	-	-	-	34,401
Current Liabilities	(56,494)	-	-	-	(8,035)	2,789	(61,740)
Net Current Assets	(22,093)	-	-	-	(8,035)	2,789	(27,339)
Total Assets less Current Liabilities	439,714	-	1,096	1,954	(8,035)	2,789	437,518
Long Term Borrowing	(165,010)	-	-	-	-	-	(165,010)
Deferred Liabilities	(63,601)	-	-	-	-	-	(63,601)
Capital Grants Receipts in Advance	(3,325)	-	-	-	-	-	(3,325)
Government Grants & Contributions Deferred	(80,011)	80,011	-	-	-	-	-
Other Long Term Liabilities	-	-	(680)	-	-	(2,789)	(3,469)
Pension Liability	(467,812)	-	-	-	-	-	(467,812)
Pension Asset	313,572	-	-	-	-	-	313,572
Net Assets/Liabilities	(26,473)	80,011	416	1,954	(8,035)	-	47,873

Financed by	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Reserves	(15,247)	-	-	-	-	(167)	(15,414)
Pensions Reserve	154,240	-	-	-	-	-	154,240
Revaluation Reserve	138,993	-	-	-	-	(167)	138,826
Capital Adjustment Account	(50,351)	-	-	(3,770)	-	-	(54,121)
STACA Statutory Mitigation Act	(71,124)	(80,011)	(416)	1,816	-	167	(149,568)
Financial Instruments Adjustment Account	8,955	-	-	-	8,035	-	8,035
	8,955	-	-	-	-	-	8,955
	26,473	(80,011)	(416)	(1,954)	8,035	-	(47,873)

Notes to the Core Financial Statements

Comprehensive Income and Expenditure Restatement

	Reported in 2009/10 £'000	IFRS Adjustments				2009/10 As Restated £'000	
		Gov & Non Gov Grants Adj £'000	Lease & Lease Type Arrangements £'000	Property, Plant & Equipment Adj £'000	Employee Benefits Accrual £'000		Other Adj £'000
Services Provided by the Council	232,371	3,229	(27)	218	(297)	17	235,511
Lothian & Borders Police & Fire Board	20,683	-	-	-	-	-	20,683
Roads Trading Operation	294	-	-	-	(35)	-	259
Other Operating Expenditure	32	-	-	-	-	-	32
Financing & Investment Income & Expenditure	15,959	-	83	-	-	(17)	16,025
Taxation & Non-Specific Grant Income	(265,357)	(17,354)	-	-	-	-	(282,711)
(Surplus)/Deficit on Provision of Services	3,982	(14,125)	56	218	(332)	-	(10,201)

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be fully adopted by the authority in the 2011/12 financial statements.

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 Statement of 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.
- The Council has £5m deposited with Heritable Bank, during 2009/10 and 2010/11 50.08% was received, on this basis the accounts have been prepared assuming that 84.98% of the claim will be recovered.
- The Council has £5m deposited with Landsbanki Islands hf, the 2010/11 accounts have been completed on the basis that the Council would be recognized as a preferential creditor with a recovery of 94.85% of the investment.

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

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

Notes to the Core Financial Statements

Note 5 Segmental Reporting

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

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

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Chief Executive	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
2,667	(5)	2,662	Chief Executive	1,996	-	1,996
676	-	676	Business Improvement	89	-	89
517	(88)	429	Safer Communities	476	(62)	414
322	(4)	318	Communications & Reprographics	323	(11)	312
3	(3)	-	Procurement	2	(2)	-
791	(2)	789	Assessor & Electoral Registration Officer	761	(3)	758
4,976	(102)	4,874	Total	3,647	(78)	3,569

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Resources	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
379	-	379	Directorate and Business Management	-	-	-
277	(722)	(445)	Finance	372	-	372
4,996	(1,963)	3,033	Customer Services	1,485	(163)	1,322
(14)	(218)	(232)	Audit & Risk Management	84	-	84
468	(35)	433	Human Resources	1,641	(32)	1,609
1,457	(509)	948	Legal & Democratic Services	1,609	(476)	1,133
804	(40)	764	Business & Technology Solutions	2,576	(1,301)	1,275
-	-	-	Management PF	10	-	10
112	(75)	37	Office Accommodation	563	(62)	501
729	(233)	496	Catering	253	(233)	20
188	(149)	39	Cleaning	163	(120)	43
-	-	-	Other PF	101	-	101
9,396	(3,944)	5,452	Total	8,857	(2,387)	6,470

Notes to the Core Financial Statements

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Education & Lifelong Learning	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
5,080	(86)	4,994	Early Years	5,151	(73)	5,078
32,791	(168)	32,623	Primary Schools	34,245	(183)	34,062
37,890	(441)	37,449	Secondary Schools	39,326	(469)	38,857
5,432	(1,337)	4,095	Central Schools	4,354	(1,363)	2,991
3,581	-	3,581	Transportation	3,375	-	3,375
4,119	(14)	4,105	Additional Needs	-	-	-
3,094	(1,484)	1,610	School Meals	3,009	(1,562)	1,447
3,784	(623)	3,161	Physical Activities	3,861	(647)	3,214
3,641	(325)	3,316	Community Learning & Development	3,704	(440)	3,264
453	(160)	293	Community Arts	509	(175)	334
2,032	(58)	1,974	Libraries & Information	2,024	(41)	1,983
1,135	(139)	996	Museums & Galleries	1,169	(131)	1,038
1,325	(227)	1,098	Central Community Services	1,172	(210)	962
4,279	(25)	4,254	Strategic Services	5,525	(18)	5,507
108,636	(5,087)	103,549	Total	107,424	(5,312)	102,112

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Planning & Economic Development	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
1,911	(44)	1,867	Business Services	1,512	(43)	1,469
4,424	(1,412)	3,012	Economic Development	2,209	(947)	1,262
1,159	(85)	1,074	Countryside and Heritage	1,664	(224)	1,440
1,054	(681)	373	Development Management	939	(739)	200
646	(703)	(57)	Building Standards	651	(898)	(247)
449	(16)	433	Plans & Research	490	(17)	473
9,643	(2,941)	6,702	Total	7,465	(2,868)	4,597

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Social Work	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
14,505	(391)	14,114	Integrated Children's Services	25,048	(382)	24,666
32,241	(8,650)	23,591	Elderly	33,112	(9,216)	23,896
17,136	(2,855)	14,281	Adults with Learning Disabilities	17,208	(3,090)	14,118
3,901	(764)	3,137	People with Physical Disabilities	4,021	(780)	3,241
2,112	(247)	1,865	People with Mental Health Needs	2,130	(287)	1,843
6,004	(646)	5,358	Generic Services & Staff Teams	6,253	(827)	5,426
3,085	(1,348)	1,737	Housing Strategy	2,305	(282)	2,023
2,044	(1,185)	859	Homeless Services	2,139	(1,220)	919
9,426	(1,727)	7,699	Social Work Strategy	9,447	(1,608)	7,839
90,454	(17,813)	72,641	Total	101,663	(17,692)	83,971

Notes to the Core Financial Statements

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Technical Services	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
3,663	(323)	3,340	Roads	4,046	(72)	3,974
4,288	-	4,288	Winter Maintenance	4,916	-	4,916
1,124	(22)	1,102	Lighting	1,139	(27)	1,112
192	(179)	13	Pay Parking	169	(152)	17
1,963	(325)	1,638	Roads Management	1,886	(213)	1,673
1,231	(579)	652	Passenger Transport	851	(217)	634
3,822	(2,067)	1,755	Bus Subsidies	3,810	(2,102)	1,708
242	(65)	177	SBC Minibuses	200	(122)	78
644	(633)	11	Fleet Management	217	(414)	(197)
6,032	(663)	5,369	Refuse Collection & Recycling	5,890	(613)	5,277
4,597	(1,005)	3,592	Refuse Disposal	7,019	(1,021)	5,998
547	-	547	Waste Strategy	543	(2)	541
1,617	(4)	1,613	Street Cleansing	1,486	-	1,486
574	(2)	572	Public Conveniences	915	(2)	913
1,461	(479)	982	Burial Grounds	1,915	(492)	1,423
1,902	(375)	1,527	Environmental Health & Trading Standards	1,729	(337)	1,392
2,849	(263)	2,586	Parks & Open Spaces	3,017	(176)	2,841
10	-	10	Management ES	(136)	-	(136)
893	(11)	882	SB Local	927	(9)	918
272	(14)	258	Management PF TS	1	-	1
1,942	(2,286)	(344)	Management Projects	1,377	(1,466)	(89)
274	(1)	273	Flood/Coast/Reservoir	265	(1)	264
153	-	153	Other Projects	142	-	142
15	-	15	Other TS	21	(10)	11
8,263	(2)	8,261	Business Management	14,158	(2)	14,156
(226)	-	(226)	Trading Contribution	(173)	-	(173)
48,344	(9,298)	39,046	Total	56,330	(7,450)	48,880

Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Other	Gross Expenditure 2010/11 £'000	Income 2010/11 £'000	Net Expenditure 2010/11 £'000
19,888	-	19,888	Loan Charges	18,929	-	18,929
(9)	-	(9)	Interest on Revenue Balances	(10)	-	(10)
1,982	-	1,982	Contribution to Property Maintenance Fund	1,964	-	1,964
350	-	350	Provision for bad debts	125	-	125
24,044	(23,409)	635	Housing Benefits	25,871	(25,347)	524
80	-	80	Non Domestic Rates	139	-	139
12,037	-	12,037	Police	10,248	-	10,248
8,646	-	8,646	Fire	7,300	-	7,300
2,359	(137)	2,222	Corporate Programmes, Partnerships, Projects	4,668	(125)	4,543
5	-	5	Miscellaneous	7	(4)	3
69,381	(23,546)	45,836	Total	69,241	(25,476)	43,765

340,831	(62,731)	278,099	Total Net Cost of Services	354,627	(61,263)	293,364
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The income and expenditure of the Council's principle departments which has been used by management in making decisions can be summarised by subjective level as shown below:

Notes to the Core Financial Statements

Departmental Income and Expenditure 2010/11

	Chief Executive £'000	Education £'000	PED £'000	Resources £'000	Social Work £'000	Technical Services £'000	Other £'000	Total £'000
Employee Costs	2,732	68,594	3,486	18,933	43,072	16,419	3,077	156,313
Premises Costs	-	8,876	233	1,687	1,725	1,494	1,965	15,980
Transport Costs	29	3,995	87	318	3,770	14,099	6	22,304
Supplies & Services Costs	498	7,068	745	4,658	1,939	4,550	34,272	53,730
Third Party Payments	386	5,970	1,532	1,335	63,898	12,139	18,503	103,763
Transfer Payments	-	565	-	-	222	-	25,871	26,658
Support Services	1,594	4,369	1,009	1,269	4,885	8,354	639	22,119
Capital Charges	35	8,289	383	6,114	1,507	11,214	18,953	46,495
Income	(1,705)	(5,614)	(2,878)	(27,844)	(37,047)	(19,389)	(59,521)	(153,998)
	3,569	102,112	4,597	6,470	83,971	48,880	43,765	293,364

Reconciliation to Subjective Analysis 2010/11

Reconciliation of departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES).

	Portfolio Analysis £'000	Not in Net Cost of Services £'000	Not reported to Management £'000	Not included in CIES £'000	Total £'000
Employee Costs	156,313	24	(34,407)	-	121,930
Premises Costs	15,980	-	16	-	15,996
Transport Costs	22,304	-	(61)	-	22,243
Supplies & Services Costs	53,730	(32)	3	-	53,701
Third Party Payments	103,763	-	-	-	103,763
Transfer Payments	26,658	-	-	-	26,658
Support Services	22,119	-	-	-	22,119
Capital Charges	46,495	-	5,493	(18,929)	33,059
Income	(153,998)	195	-	-	(153,803)
	293,364	187	(28,956)	(18,929)	245,666

The reason for the difference in the income figures between the department reconciliation and the CIES is due to the fact that CIES only reports External income.

Notes to the Core Financial Statements

Comparative figures for principle departments:

Departmental Income and Expenditure 2009/10

	Chief Executive £'000	Education £'000	PED £'000	Resources £'000	Social Work £'000	Technical Services £'000	Other £'000	Total £'000
Employee Costs	2,821	71,439	3,550	15,770	37,499	17,619	596	149,294
Premises Costs	1	8,089	224	1,484	1,594	1,799	1,995	15,186
Transport Costs	58	4,357	108	304	3,079	14,809	9	22,724
Supplies & Services Costs	997	7,290	758	3,471	2,043	5,345	32,502	52,406
Third Party Payments	808	6,118	1,021	801	60,448	11,509	22,155	102,860
Transfer Payments	-	595	-	-	115	-	24,044	24,754
Support Services	1,314	3,318	1,441	1,299	5,129	3,271	438	16,210
Capital Charges	31	7,895	2,690	1,999	733	5,919	19,894	39,161
Income	(1,157)	(5,552)	(3,090)	(19,675)	(37,998)	(21,226)	(55,797)	(144,495)
	4,873	103,549	6,702	5,453	72,642	39,045	45,836	278,100

Reconciliation to Subjective Analysis 2009/10

	Portfolio Analysis £'000	Not in Net Cost of Services £'000	Not reported to Management £'000	Not included in CIES £'000	Total £'000
Employee Costs	149,298	187	(5,107)	-	144,378
Premises Costs	15,185	-	81	-	15,266
Transport Costs	22,723	-	136	-	22,859
Supplies & Services Costs	52,406	(533)	100	-	51,973
Third Party Payments	102,859	-	2,635	-	105,494
Transfer Payments	24,753	-	78	-	24,831
Support Services	16,211	-	92	-	16,303
Capital Charges	39,160	-	218	(19,888)	19,490
Income	(144,495)	96	-	-	(144,399)
	278,100	(250)	(1,767)	(19,888)	256,195

Notes to the Core Financial Statements

Note 6 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2010/11 financial year.

Note 7 Exceptional Items, Extraordinary Items and Prior Year Adjustments

The Non-Distributed Cost figure of (£27.977m) in the Comprehensive Income & Expenditure Statement is the net effect of a prior year depreciation adjustment (£0.279m), surplus asset impairment £5.772m and an IAS 19 past service gain (£33.470m).

During the year the Council made further provision for voluntary severance/early retirement of £1.815m. This is shown as an exceptional item in the Comprehensive Income and Expenditure Statement.

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:

2008/09 £'000	2009/10 £'000		2010/11 £'000	3 Year Cumulative £'000
UKGAAP	UKGAAP	Accounting Basis	IFRS	
(27,389)	(24,632)	Turnover for the Year	(22,894)	(74,915)
(281)	(212)	(Surplus) / Deficit	(186)	(679)

SBc Contracts undertakes a wide range of activities including:

- A range of revenue and capital work for Council Services (mainly highways and bridges construction).
- Improvement and repair of roads and bridges assets.
- The provision of a comprehensive Winter Maintenance Service.
- External contracts for other local authorities and the Scottish Government.
- Sub-contractor on a number of public contracts including Clovenfords Primary School Access Road and Galashiels Inner Relief Road.
- A wide range of external contracts for the private sector.

SBc Contracts employs 192 manual workers and around 20 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:

- Producing a surplus.
- Supporting additional high added-value jobs in the Vehicle Maintenance trading operation.
- Maintaining very competitive charge-out rates to offer "Best Value" for Council revenue and capital projects.

In 2010/11 SBc Contracts recorded an annual trading surplus of £0.186m against an internal budget target of £0.073m.

Notes to the Core Financial Statements

Note 8 Significant Trading Operation (continued)

In 2010/11 turnover decreased by £1.74m (7.06%) to £22.9m due to pressure on Council budgets. Of this total £8.29m (36.2%) was generated by non Scottish Borders Council work. Despite the difficult internal and external market environment, SBc Contracts again contributed very strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £3.32m during 2010/11. Within the overall £0.186m surplus generated in 2010/11, a surplus of £0.177m was generated from external work and a surplus of £0.009m generated on internal work.

Significant trading operations are statutorily required to at least achieve break-even over rolling three-year periods. For the three year period ending in financial year 2010/11, SBc Contracts recorded a surplus in each individual year and generated a cumulative total surplus of £0.679m.

Note 9 Agency Work

The Council acts as an intermediary in some instances collecting money on behalf of various organisations, as detailed below:

2009/10 £'000			2010/11 £'000
308	Scottish Water	Collection of domestic water and waste water charges	307
25	Scottish Government	Reimbursable trunk road expenditure	0
4		Management fee	7
337	Total		314

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 Remuneration Report shows the total allowances paid to members in 2010/11. The Members' Register of Interests can be inspected and is available on the Council's web site.

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 2010/11 the Pension Fund had an average balance of £3.228m of cash deposited with the Council, on which interest of £0.011m was paid. In addition the Council charged the Pension Fund £0.262m in respect of expenses incurred in administering the fund.

The Council provided material financial assistance to other bodies in 2010/11 as follows:-

- Borders Sport and Leisure Trust £1.537m
- Jedburgh Leisure Facilities Trust £0.132m
- VisitScotland £0.180m

Notes to the Core Financial Statements

Expenditure in relation to the Joint Police and Fire & Rescue Boards was:

- Police £10.248m
- Fire & Rescue £ 7.300m

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

Resource Transfer – a total of £4.839m was transferred from NHS Borders and utilised as follows:-

- Children's Services £0.105m
- Older People £1.386m
- Adults with Learning Difficulties £2.472m
- People with Physical Difficulties £0.707m
- Mental Health £0.169m

Borders Ability Equipment Store

- The store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £0.606m with a contribution from the NHS Borders of £0.250m.

Galashiels Resource Centre

- This is a Day Centre run jointly with the NHS Borders for adults with mental health needs. Gross expenditure totalled £0.173m.

During 2010/11 the Council had a number of material transactions with Transport Scotland in relation to the Waverley Railway project, although the authorised undertaking role transferred to Transport Scotland during 2008/09. The Council has been involved in procuring land, along with design and utility work. In respect of 2010/11 grant funding of £6.675m was received from Transport Scotland of which £3.926m was applied during the year.

Note 11 Audit Remuneration

In 2010/11 the agreed audit fee for the year was £329,400 including the notified fixed element charge of £99,000 in respect of services provided by Audit Scotland (2009/10 £314,400 and £109,000 respectively).

This fee includes a charge of £34,091 for a separate audit of an annual report and account for Scottish Borders Pensions Fund.

Notes to the Core Financial Statements

Note 12 Property, Plant & Equipment

Movements on Balances

	Property Plant & Equipment					Assets Held for Sale £'000	Total Assets £'000
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000		
Gross book value (GBV) at 31 March 2010	337,005	49,572	119,781	45,060	8,781	326	560,525
Prior Period adjustment	514	(417)	-	-	318	(9)	406
Revised Gross book value (GBV) at 31 March 2010	337,519	49,155	119,781	45,060	9,099	317	560,931
Expenditure in the year	9,069	5,186	7,311	5,925	4	1	27,496
Transfers between categories	(5,877)	184	-	(603)	6,296	-	-
Revaluations	1,214	-	-	-	82	-	1,296
Impairments	(10,556)	(619)	(225)	-	(10,462)	-	(21,862)
Disposals	(5,098)	(4,127)	(262)	-	(151)	(148)	(9,786)
Gross book value (GBV) at 31 March 2011	326,271	49,779	126,605	50,382	4,868	170	558,075
Cumulative depreciation at 31 March 2010	(18,254)	(31,106)	(47,541)	-	-	(170)	(97,071)
Prior Period adjustment	(186)	380	-	-	(323)	-	(129)
Revised Cumulative depreciation at 31 March 2010	(18,440)	(30,726)	(47,541)	-	(323)	(170)	(97,200)
Depreciation for the year	(8,507)	(6,153)	(5,020)	-	(96)	-	(19,776)
Transfers between categories	317	-	-	-	(317)	-	-
Revaluations	805	-	-	-	40	-	845
Impairments	1,887	17	-	-	820	-	2,724
Disposals	327	4,061	262	-	13	-	4,663
Cumulative depreciation at 31 March 2011	(23,611)	(32,801)	(52,299)	-	137	(170)	(108,744)
Net book value at 31 March 2011	302,660	16,978	74,306	50,382	5,005	-	449,331
Net book value at 31 March 2010	318,751	18,466	72,240	45,060	8,781	156	463,454
Prior Period adjustment	328	(37)	-	-	(5)	(9)	277
Revised Net book value at 31 March 2010	319,079	18,429	72,240	45,060	8,776	147	463,731

The Council had no investment properties in 2010/11.

Community assets are valued on a historical cost basis at Nil value as per the Code of Practice and include assets such as parks, playing fields, cemeteries, etc.

Negative revaluations are shown within the stated figures for impairment. In 2010/11 this amounted to a NBV of £18.285m. Shown within the line for disposals are transfers to trust funds (NBV £1.101m) and Common Good (NBV £0.90m).

Notes to the Core Financial Statements

Information on Assets Held

The main assets held by the Council as at 31 March 2011 are as follows:-

Land and Buildings		Vehicles, Plant, Furniture and Fittings	
Council Offices	58	Vehicles	677
Residential / Day Centres	25	Plant and other equipment	2,153
Depots, stores and workshops	41		
Halls	33	Infrastructure	
Landfill sites	15	Roads (kilometre length)	2,952
Libraries	11	Bridges	1,261
Museums	8	Car parks	90
Pavilions	5		
Public conveniences	59	Industrial Properties	
Nursery units	47	Industrial units	262
Primary schools	66		
Secondary schools	11	Community Assets	
Sports centre / Swimming pools	15	Cemeteries	153
Community Centres and Youth Clubs	30	Parks and play areas	137
Shops	32	War memorials	51
Agricultural / Development land	16	Clocks	11
Outdoor study centres	5	Monuments and statues	23
Golf courses / Clubhouses	2		
Other land, sites and buildings	181		

Capital Commitments

Capital expenditure to 31 March has resulted in commitments estimated to the value of £37.2m being entered into in respect of future years (£19.627m as at 31 March 2010).

	Capital Commitments £'000
Engineering Infrastructure	14,073
Property	16,060
Business Infrastructure	3,128
Fleet	2,674
Other	1,265
Total	37,200

Within the figure for Engineering Infrastructure, £5.5m relates to the land purchase arrangements for the Borders Railway which is fully funded by specific grants from Transport Scotland.

Notes to the Core Financial Statements

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 2010/11 the fixed assets of the Technical Services department and Surplus Properties were re-valued. This included toilets, car parks, parks and open spaces, depots and other miscellaneous lands and properties.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational and surplus properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Properties were valued by the Council's Estates Manager, N.Hastie MRICS.

Vehicles and Plant etc.

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

Infrastructure

- Infrastructure was valued at depreciated historic cost.

Depreciation

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

Revaluation Cycle

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

- 1 April 2010 – Technical Services and Surplus Properties
- 1 April 2009 – Industrial units and other Planning & Economic Development properties
Common Good & Trust properties
- 1 April 2008 – Education properties
- 1 April 2007 – Social Work and Corporate Resources properties
- 1 April 2006 – Technical Services properties (other than those included within Environmental Services)

Social Work and Corporate Resources will be revalued as at 1 April 2011 with the resulting adjustments incorporated into the 2011/12 accounts of the Council.

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.

	Property Plant & Equipment					Assets Held for Sale £'000	Total Assets £'000
	Other Land & Buildings £'000	VPFE £'000	Infrastructure £'000	Assets under Construction £'000	Surplus Assets £'000		
Carried at Historical Cost	107,120	49,779	126,605	50,132	883	170	334,689
New Certified Valuation							
1st April 2010	2,018	-	-	-	122	-	2,140
1st April 2009	23,285	-	-	-	-	-	23,285
1st April 2008	151,706	-	-	250	3,801	-	155,757
1st April 2007	31,574	-	-	-	62	-	31,636
1st April 2006	7,469	-	-	-	-	-	7,469
1st April 2005	3,099	-	-	-	-	-	3,099
Gross book value (GBV) at 31 March 2011	326,271	49,779	126,605	50,382	4,868	170	558,075

Note 13 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.

2009/10 £'000		2010/11 £'000
2,009	Gross book value (GBV) at 31 March	2,552
543	Expenditure in the year	62
-	Disposals	-
2,552	Gross book value (GBV) at 31 March	2,614
(1,102)	Cumulative amortisation at 31 March	(1,539)
(437)	Amortisation for the year	(461)
-	Disposals	-
(1,539)	Cumulative amortisation at 31 March	(2,000)
1,013	Net book value at 31 March	614

There were no disposals, revaluations, transfers or impairments of intangible assets in 2010/11.

Notes to the Core Financial Statements

Note 14 Assets Held for Sale

2009/10 £'000		2010/11 £'000
350	Balance outstanding at start of year	156
2	Assets newly classified as held for sale	1
-	Assets declassified as held for sale	(9)
(195)	Assets sold	(148)
156	Balance outstanding at year-end	-

Note 15 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 2011 are as follows:

	Payment for Services £'000	Interest £'000	Total £'000
Payable in 2011/12	4,387	3,104	7,491
Payable within two to five years	19,799	11,581	31,380
Payable within six to ten years	31,229	12,616	43,845
Payable within eleven to fifteen years	39,170	10,436	49,606
Payable within sixteen to twenty years	48,198	7,927	56,125
Payable within twenty one to twenty five years	58,931	4,569	63,500
Payable within twenty six to thirty years	36,564	701	37,265
Total	238,278	50,934	289,212

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 incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability to the contractor for capital expenditure incurred is as follows:

2009/10 £'000		2010/11 £'000
-	Balance outstanding at start of year	-
(6,000)	Payments during the year	-
6,000	Capital Expenditure incurred in the year	-
-	Other movements	-
-	Balance outstanding at year-end	-

Notes to the Core Financial Statements

Note 16 Leases

(Lessee)

In its capacity as lessee, the Council made the following payments to lessors in 2010/11:

2009/10 £'000		2010/11 £'000
	Operating Leases	
-	Land and buildings	-
211	Plant and equipment	211
211	Sub total	211
	Finance Leases	
4,245	Land and buildings	4,743
871	Plant and equipment	394
5,116	Sub total	5,137
5,327	Total	5,348

The following assets were held under finance leases:

2009/10 £'000		2010/11 £'000
	Gross Asset Value	
72,512	Land and buildings	72,512
4,926	Plant and equipment	4,904
77,438		77,416
	Accumulated Depreciation	
(2,052)	Land and buildings	(4,096)
(3,649)	Plant and equipment	(4,355)
(5,701)		(8,451)
	Net Asset Value	
70,460	Land and buildings	68,416
1,277	Plant and equipment	549
71,737		68,965

Depreciation of £4.11m was charged to 2010/11 (2009/10: £3.31m). Finance lease obligations, net of finance charges, are as follows:

Land & Buildings 2009/10 £'000	Plant & Equipment 2009/10 £'000		Land & Buildings 2010/11 £'000	Plant & Equipment 2010/11 £'000
1,562	13	Not later than 1 year	1,624	167
6,716	-	Later than 1 year and not later than 5 years	6,778	156
56,885	-	Later than 5 years	55,116	-
65,163	13	Total	63,518	323

Aggregate finance charges in respect of finance leases totalled £3.212m (£3.066m in 2009/10).

There were no commitments existing at the balance sheet date in respect of finance leases which have been entered into but whose commencement occurs after the year end.

Notes to the Core Financial Statements

In respect of operating leases the Council is committed to make payments of £0.067m in 2011/12, relating to obligations expiring as follows :-

Plant & Equipment Restated 2009/10 £'000		Plant & Equipment 2010/11 £'000
11	Not later than 1 year	13
10	Later than 1 year and not later than 5 years	54
-	Later than 5 years	-
21	Total	67

(Lessor)

As lessor, the aggregate rentals receivable in the year were as follows:-

2009/10 £'000		2010/11 £'000
(165)	Finance leases	-
(1,000)	Operating leases	(1,757)
(1,165)	Total	(1,757)

At the 31 March 2011 the Council had no investments in finance leases as lessor.

The Gross Book Value of assets held for use in operating leases was £9.153m with related accumulated depreciation charges of £0.54m.

Note 17 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.

2009/10 £'000		2010/11 £'000	
214,544	Opening capital financing requirement		260,777
	Capital Investment		
44,437	Property, plant and equipment	27,495	
-	Assets held for sale	1	
543	Intangible assets	62	
28,433	PPP schools transferred during the year	-	27,558
	Sources of Finance		
-	Capital Receipts	(3,581)	
(16,910)	Government grants and other contributions	(11,604)	
(10,270)	Loans fund repayments	(9,804)	(24,989)
260,777	Closing Capital Financing Requirement		263,346

Notes to the Core Financial Statements

Note 17 Capital Expenditure and Capital Financing (continued)

2009/10 £'000		2010/11 £'000
	Explanation of Movements in Year	
9,185	Increase in underlying need to borrow (supported by government financial assistance)	9,185
8,615	Increase/(Decrease) in underlying need to borrow (not supported by government financial assistance)	(6,616)
28,433	Assets acquired under PPP contracts	-
46,233	Increase in capital financing requirement	2,569

Note 18 Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1.6m. These liabilities are not from a particular area but from throughout the whole Council.

Note 19 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed 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, final salary scheme, with pensioners receiving index-linked pensions. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended and is contracted out of the State Second Pension. The Pension Fund is subject to a triennial valuation by an independent, qualified Actuary, whose report indicates the required future employer's contributions.
- The Teachers' Pension Scheme. This is a defined benefit scheme. However it is accounted for as a defined contribution scheme. Further details can be found at Note 20.

Transactions relating to retirement benefits

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

Notes to the Core Financial Statements

Assets and liabilities in relation to Post-employment benefits

2009/10 £'000	Comprehensive Income and Expenditure Statement	2010/11 £'000
	<i>Cost of Services</i>	
6,743	Current Service Cost	13,699
973	Past Service Cost	(33,949)
395	Losses (Gains) on Curtailments and Settlements	481
	<i>Financing and Investment Income and Expenditure</i>	
18,910	Interest Cost	25,842
(14,281)	Expected Return on Scheme Assets	(22,790)
12,740	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(16,717)
	<i>Movement in Reserves Statement</i>	
(12,740)	Reversal of net charges made for retirement benefits in accordance with the Code	16,717
	Actual amount charged against the General Fund Balance for pensions in the year	
13,828	Employers' contributions payable to the scheme	15,391

The cumulative amount of the actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £40.1m.

Reconciliation of present value of the scheme liabilities:

2009/10 £'000	Reconciliation of the Present Value of Scheme Liabilities	2010/11 £'000
283,494	Opening Defined Benefit Obligation	467,812
6,743	Current Service Cost	13,699
18,910	Interest Cost	25,842
4,074	Contributions by Scheme Participants	4,221
167,060	Actuarial losses (gains)	(42,607)
(12,201)	Benefits Paid	(12,478)
395	Curtailments	481
973	Past Service Cost	(33,949)
(1,636)	Unfunded Pension Payments	(1,740)
467,812	Closing Defined Benefit Obligation	421,281

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 2011.

Notes to the Core Financial Statements

Reconciliation of the fair value of the scheme assets:

2009/10 £'000	Reconciliation of Fair Value of Scheme Assets	2010/11 £'000
212,847	Opening Fair Value of Scheme Assets	313,572
14,281	Expected Return on Scheme Assets	22,790
82,379	Actuarial Gains (Losses)	(2,453)
13,828	Employer Contributions including unfunded pensions	15,391
4,074	Contributions by Scheme Participants	4,221
(13,837)	Estimated Benefits Paid	(14,218)
313,572	Closing Fair Value of Scheme Assets	339,303

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on the scheme assets in the year was £20.337m (£96.660m in 2009/10).

Scheme History

The table below shows the five year historic data in relation to the value of the assets and liabilities of the Local Government Pension Scheme as well as the actuarial gains and losses in absolute terms and as a percentage of the scheme assets and liabilities.

Summary for the current and previous four years	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Defined Benefit Obligation	(421,281)	(467,812)	(283,492)	(315,537)	(337,415)
Scheme Assets	339,303	313,572	212,847	271,205	284,131
Surplus / (Deficit)	(81,978)	(154,240)	(70,645)	(44,332)	(53,284)
Experience adjustments on Scheme Liabilities	(1,916)	(4,776)	5,730	-	-
Percentage of Liabilities	(-0.5%)	(1.0%)	(2.0%)	0%	0%
Experience adjustments on Scheme Assets	(2,453)	82,379	(82,107)	(38,649)	(3,765)
Percentage of Assets	(0.7%)	26.3%	(38.6%)	(14.3%)	(1.3%)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £421.3m has a substantial effect on the net worth of the Council as recorded in the Balance Sheet, resulting in a positive overall balance of £108m.

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. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £12.7m.

Notes to the Core Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The principal assumptions used by the actuary are shown below:

2009/10	Principal Assumptions used by the Actuary	2010/11
	Long-term expected rate of return on assets in the scheme	
7.8%	Equity investments	7.7%
4.5%	Gilts	4.4%
5.5%	Other bonds	5.5%
5.5%	Property	5.4%
3.0%	Cash	3.0%
	Mortality assumptions	
	- longevity at 65 for current pensioners (years)	
18.62	Men	18.60
21.54	Women	21.50
	- longevity at 65 for future pensioners (years)	
19.54	Men	19.50
22.46	Women	22.50
3.9%	Rate of inflation	3.5%
5.4%	Rate of increase in salaries	5.0%
3.9%	Rate of increase in pensions	2.7%
5.5%	Rate for discounting scheme liabilities	5.5%
50%	Take up of option to convert annual pension into retirement lump sum	50%

The scheme assets consist of the following categories, by proportion and value of the total assets held:

2009/10		Category Analysis of the Fair Value of the Scheme Assets as at 31 March 2011	2010/11	
%	£'000		%	£'000
79	247,722	Equities	77	261,264
6	18,814	Gilts	7	23,751
8	25,086	Other Bonds	8	27,144
5	15,679	Property	5	16,965
2	6,271	Cash	3	10,179
100	313,572	Total	100	339,303

Note 20 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 2010/11, the Council paid £6.770m to teachers' pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay (£6.645m and 14.9% in 2009/10). There were no contributions remaining payable at the year-end.

Notes to the Core Financial Statements

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 this Statement of 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 2010/11 these amounted to £0.585m representing 1.26% of pensionable pay (£0.500m and 1.10% in 2009/10).

Note 21 Scottish Borders Council Pension Fund

Scottish Borders Council manages and administers this Fund which provides pensions and other benefits to its employees and a further 13 employers in the Scottish Borders. As at 31 March 2011 there were 8,852 members.

The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 (SSI 2010/234) require an administering authority to publish a 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 will be available by contacting Scottish Borders Council, Resources Department, Council Headquarters, Newtown St Boswells, TD6 0SA.

Note 22 Events After the Balance Sheet Date

The Chief Executive retired on the 15 August 2011. The Council will be looking to fill this post but during the interim period, the Directors of Social Work, Resources and Education and Lifelong Learning will fulfil the responsibilities of the Chief Executive on a monthly rotation.

Note 23 Inventories

2009/10		2010/11
825	Balance outstanding at start of year	722
3,721	Purchases	4,508
(3,819)	Recognised as an expense in the year	(4,363)
(5)	Written off balances	(60)
722	Balance outstanding at year-end	807

Note 24 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.

Notes to the Core Financial Statements

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Total £'000
Balance at 1 April 2010	(156)	(850)	(492)	(1,498)
Additional charges to provisions	(273)	-	(1,815)	(2,088)
Payments made or released	151	530	492	1,173
Balance at 31 March 2011	(278)	(320)	(1,815)	(2,413)
Within 12 Months	(278)	(320)	(1,815)	(2,413)
Over 12 months	-	-	-	-
Total	(278)	(320)	(1,815)	(2,413)

Note 25 Contingent Liabilities

Scottish Borders Education Partnership, a limited company, on behalf of their main Contractor and one of their Sub-Contractors, has submitted a claim against the Council seeking compensation for financial loss as a consequence of the Council's alleged delay in providing wayleaves and sub-leases for the installation of electrical supply by Scottish Power at Berwickshire High School.

The parties have been exchanging information on the merits of each of their respective case. If no resolution is found the claim may proceed to arbitration or other dispute resolution procedure as agreed by the parties. The Council appointed advisors to review and defend the claim.

The information usually required by IAS 37 is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the claim.

Note 26 Contingent Assets

At 31 March 2011 the Council does not have any contingent assets.

Note 27 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2010/11.

2009/10 £'000		2010/11 £'000
	Credited to Taxation and Non Specific Grant Income	
(9,541)	General Capital Grant	(5,932)
(4,293)	Waverly Railway	(3,926)
(2,027)	Other Grants	(782)
(1,493)	Developer Contributions	(562)
(17,354)	Total	(11,202)
	Credited to Services	
(555)	Education	(581)
(1,213)	Housing	(378)
(88)	Cultural & Related Services	(41)
(168)	Environmental Services	(151)
(239)	Roads & Transport Services	(20)
(158)	Planning & Development	(141)
(1,769)	Social Work	(1,794)
(30,430)	Other Grants (including DWP Benefit Subsidy)	(32,861)
(34,620)		(35,967)

Notes to the Core Financial Statements

Note 28 Financial Instruments

Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000
Investments				
Loans and Receivables	-	-	9,483	11,560
Total Investments	-	-	9,483	11,560
Debtors				
Loans and Receivables	391	399	29,932	31,086
Total Debtors	391	399	29,932	31,086
Borrowings				
Financial Liabilities (principle amount)	(165,010)	(164,852)	(5,106)	(3,117)
Accrued interest	-	-	(3,170)	(3,164)
Total Borrowings	(165,010)	(164,852)	(8,276)	(6,281)
Other Long-Term Liabilities				
PPP and finance lease liabilities	63,601	61,894	-	-
Finance Leases/Bonds	680	523	-	-
Total other long-term liabilities	64,281	62,417	-	-
Creditors				
Short term creditors at amortised cost	-	-	51,966	58,282
Total Creditors	-	-	51,966	58,282

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustment for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Loans are taken principally from the Public Works Loans Board, but are also taken from the money market, to meet the Council's overall capital financing requirements.

Notes to the Core Financial Statements

31 March 2010			31 March 2011	
£'000	%		£'000	%
(44,369)	26	Bonds and Mortgages	(44,322)	26
(120,131)	69	Public Works Loan Board	(120,132)	70
(510)	-	European Investment Bank	(398)	-
(165,010)	95	External Borrowing	(164,852)	96
(165,010)	95	Long Term Borrowing	(164,852)	96
(8,276)	5	Short Term Borrowing repayable within 12 months	(6,281)	4
(173,286)	100	Total Borrowing	(171,133)	100

Analysis of Loans by Maturity.

2010		2011
£'000		£'000
(8,276)	Less than 1 year	(6,281)
(249)	Between 1 and 2 years	(270)
(284)	Between 2 and 7 years	(150)
(6,289)	Between 7 and 15 years	(7,895)
(158,188)	More than 15 years	(156,537)
(173,286)	Total	(171,133)

Notes to the Core Financial Statements

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

	2010/11				
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000	Assets & Liabilities at fair value through the CIE A/C £'000	Total £'000
Interest expense	12,084	-	-	-	12,084
Losses on derecognition	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Interest payable and similar charges	12,084	-	-	-	12,084
Interest Income	-	(376)	-	-	(376)
Gains on derecognition	-	-	-	-	-
Interest and investment income	-	(376)	-	-	(376)
Impairment Reversal	-	(2,083)	-	-	(2,083)
Losses on revaluation	-	-	-	-	-
Amounts recycled to the Income and Expenditure Account after impairment	-	-	-	-	-
Surplus arising from revaluation of financial assets and similar charges	-	(2,083)	-	-	(2,083)
Net (gain) / loss for the year	12,084	(2,459)	-	-	9,625

	2009/10				
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000	Assets & Liabilities at fair value through the CIE A/C £'000	Total £'000
Interest expense	11,953	-	-	-	11,953
Losses on derecognition	-	-	-	-	-
Impairment Losses	-	29	-	-	29
Interest payable and similar charges	11,953	29	-	-	11,982
Interest Income	-	(586)	-	-	(586)
Gains on derecognition	-	-	-	-	-
Interest and investment income	-	(586)	-	-	(586)
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Amounts recycled to the Income and Expenditure Account after impairment	-	-	-	-	-
Surplus arising from revaluation of financial assets	-	-	-	-	-
Net (gain) / loss for the year	11,953	(557)	-	-	11,396

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, carrying amount is assumed to approximate to fair value.
- 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 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(122,773)	(154,101)	(122,773)	(158,708)
Other debt	(50,513)	(43,561)	(48,360)	(44,923)
Total debt	(173,286)	(197,662)	(171,133)	(203,631)
Creditors	(51,966)	(51,966)	(58,282)	(58,282)
Total financial liabilities	(225,252)	(249,628)	(229,415)	(261,913)

	31 March 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Money market loans < 1 year	9,483	9,483	11,560	11,560
Money market loans > 1 year	-	-	-	-
Bonds	-	-	-	-
Total investments	9,483	9,483	11,560	11,560
Debtors	23,949	23,949	25,526	25,526
Total loans and receivables	33,432	33,432	37,086	37,086

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

Note 29 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 commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring 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 seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are established through a legal framework based on the Local Government (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 for 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 the Government Regulations.

These are required to be reported and approved at or before the Council's annual Council Tax setting 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 at least annually to Members.

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 was approved by the Council on 22 April 2010 and the prudential indicators were approved by the Council on 11 February 2010. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £237.2m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary (excluding PFI) was expected to be £194.8m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £194.8m and £68.2m 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 Treasury 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 Ratings Services. The Annual Treasury Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not placed with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below. Details of the Treasury Investment Strategy can be found on the Council's website but the key areas include:

- Sector limits will be applied to the overall amount lent out to any one sector at any one time in order to limit sector specific exposure risk, being :

UK Building Societies	£25m
Banks	£35m
UK Local Authorities	£40m
UK Government Debt Management Office	Unlimited
Institutions covered by Government Guarantee	£10m

- Group limits that are applied to the overall amount lent out to institutions within the same group at any one time in order to limit group specific exposure risk, as follows:

Group of Banks	£10m
----------------	------

- Individual institution limits where surplus funds may, from time to time, be placed with institutions that satisfy our credit counterparty criteria. Although we receive credit counterparty data from the three principal international rating agencies we apply the 'lowest common denominator' principle, meaning that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. This includes UK local authorities, plus UK incorporated institutions, UK building societies and banks incorporated in the European Economic Area entitled to accept deposits through a branch in the UK that meet the following criteria, using the lowest common denominator approach:

	Standard & Poors	Moody's	Fitch
Short-Term Rating	A-1	P-1	F1
Long-Term Rating	A	A-2	A
Individual / Financial Strength Rating	Not Assessed	C	C
Support Rating	Not Assessed	Not Assessed	3

- No limit is applied to lending to a UK local authority other than it must not exceed the relevant sector limit of £40m.
- An individual institution limit of £5m is applied to any other organisation, subject to that amount not breaching any relevant sector or group limit.

Notes to the Core Financial Statements

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 deposits and bonds other than the continuing developments in respect of its deposits in two Icelandic banks as set out below.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £10m invested in this sector at that time. All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The current position on actual payments received and estimated future payouts is shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 84.98p in the £.

Date	Repayment
Received to Date	50.08%
April 2011	6.25%
July 2011	5.00%
October 2011	5.00%
January 2012	5.00%
April 2012	5.00%
July 2012	5.00%
October 2012	3.65%

Recoveries are expressed as a percentage of the authority's claim in the administration, which included interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. The current position on estimated future payouts is shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 94.85p in the £.

Recovery is subject to the following uncertainties and risks:

- Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is currently subject to appeal.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in new Landsbanki.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Based on initial estimates, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009 (or maturity date if earlier).

Notes to the Core Financial Statements

Accounting for Impairment Losses

Under Scottish Government statutory guidance the impairment losses charged in 2010/11 represent the anticipated actual cash loss, rather than the present value of the cash recovery anticipated under the Code of Practice on local Authority Accounting in the UK. The Council has applied this adjustment and the difference between the accounting and guidance approaches is held within the Icelandic Banks Statutory Adjustment Account. This account will clear as the anticipated repayments are made.

The amount held in the Icelandic Banks Statutory Adjustment Account as at 31 March 2011 were:

Banks	Impairment under statutory accounting requirement £'000	Anticipated Impairment Cash Loss £'000	Icelandic Banks Statutory Adjustment Account £'000
Landsbanki	1,283	264	1,019
Heritable	835	757	78
Total	2,118	1,021	1,097

Debtors

The Council does not generally allow credit for its customers, such that the total of £9.250m is past its due date for payment. This can be analysed by age as follows:

2009/10 £'000	Period	2010/11 £'000
3,442	Up to 1 month	3,695
270	1 to 2 months	887
188	2 to 3 months	368
128	3 to 4 months	224
3,755	4 months +	4,076
7,783		9,250

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

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 it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures 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 prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

Notes to the Core Financial Statements

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 on 11 February 2010:

	Approved Minimum Limits £000	Approved Minimum Limits %	Approved Maximum Limits £000	Approved Maximum Limits %	Actual 31 March 2011 £000	Actual 31 March 2010 £000
Less than one year	-	-	54,880	20	6,281	8,276
Between one and two years	-	-	54,880	20	270	249
Between two and seven years	-	-	54,880	20	150	284
Between seven and fifteen years	-	-	54,880	20	7,895	6,289
More than fifteen years	54,880	20	274,400	100	156,537	158,188
Total					171,133	173,286

All trade and other payables (£58.282m) are due to be paid in less than one year and are not shown in the table above.

Market risk

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.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Notes to the Core Financial Statements

	£'000
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)	24,620

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk - The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Debtors

2009/10 £'000		2010/11 £'000
2,843	Central government bodies	2,921
315	Other local authorities	259
186	NHS bodies	421
71	Public corporations and trading funds	71
26,938	Other entities and individuals	28,746
30,353		32,418

Creditors

2009/10 £'000		2010/11 £'000
	- Central government bodies	-
	- Other local authorities	1
	- NHS bodies	-
	- Public bodies	-
51,966	Other entities and individuals	58,281
0		58,282

Notes to the Core Financial Statements

Note 30 Movement in Reserves

Unusable Reserves

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

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 Instrument 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.

Pension Reserve

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

STACA Statutory Mitigation Account

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

Icelandic Banks Statutory Adjustment Account

This account absorbs the anticipated loss of interest arising from deposits in the failed Icelandic Banks.

A summary of the Unusable Reserves is shown below:

Notes to the Core Financial Statements

2009/10 £'000		2010/11 £'000
(149,568)	Capital Adjustment Account	(138,129)
8,955	Financial Instrument Adjustment Account	6,507
(54,121)	Revaluation Reserve	(48,924)
154,240	Pension Reserve	81,978
8,035	STACA Statutory Mitigation Account	8,766
-	Icelandic Banks Statutory Adjustment Account	1,062
(32,459)	Total Unusable Reserves	(88,740)

A summary of all reserves are shown below:

	Balance as at 31 March 2010 £'000	Transfers between reserves and funds £'000	Gains or Losses for the Year £'000	Balance as at 31 March 2011 £'000
General Fund	(10,128)	21,749	(23,096)	(11,475)
Property Maintenance Fund	(49)	(126)	-	(175)
Insurance Fund	(1,568)	61	-	(1,507)
Capital Fund	(3,669)	(2,401)	-	(6,070)
Pensions Reserve	154,240	(32,108)	(40,154)	81,978
Revaluation Reserve	(54,121)	3,333	1,864	(48,924)
Capital Adjustment Account	(149,568)	11,439	-	(138,129)
Financial Instruments Adjustment Account	8,955	(2,448)	-	6,507
STACA Statutory Mitigation Acct	8,035	731	-	8,766
Icelandic Banks Statutory Adjustment Account	-	1,062	-	1,062
Total	(47,873)	1,292	(61,386)	(107,967)

Notes to the Core Financial Statements

Usable Reserves

The General Fund Balances are further analysed as follows:

2009/10 £'000	Analysis as at 31 March	2010/11 £'000
	Earmarked Reserves	
(1,144)	Education - Devolved School Management	(1,198)
	Specific Departmental Reserves	
(544)	Central Services	(1,386)
(464)	Education	(88)
(118)	Planning Development Services	(94)
(1,879)	Social Work	(1,625)
(91)	Roads and Transport Services	(176)
(15)	Environmental Services	(40)
(4,255)		(4,607)
(5,873)	Non-earmarked Reserve	(6,868)
(10,128)	Total General Fund Reserve	(11,475)

Note 31 Cash Flow

2009/10 £'000	Reconciliation to General Fund Surplus	2010/11 £'000
(10,201)	Net Surplus or (deficit) on the provision of services	(23,096)
	Adjustments to surplus or deficit on the provision of services for non cash movements	
(21,531)	Depreciation & impairment of fixed assets	(39,096)
3,229	Amortisation of capital grants	11,202
1,088	IAS 19 pension adjustments	32,108
1,070	Other non-cash items	4,267
(101)	Increase/(decrease) in inventories	86
(991)	Increase/(decrease) in debtors	4,347
6,554	(Increase)/decrease in creditors	(7,865)
2,061	(Increase)/decrease in provisions	(915)
(8,621)		4,133
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
139	Interest received	73
142	Interest element of finance lease rental receipts	158
(502)	Capital grants received	(12,718)
-	Other capital cash receipts	(1,522)
(221)		(14,009)
(19,043)	Net Cash Outflow / (Inflow) from Operating Activities	(32,972)

Notes to the Core Financial Statements

Note 32

Impairment Losses

During 2010/11 SBC recognised a net impairment loss of £19.138m on Technical Services and Surplus properties. This was principally due to a net downward revaluation of the old high schools at Earlston (£4.879m), Berwickshire (£2.965m), Eyemouth (£1.495m) and depots at Easter Langlee (£2.255m) and Eshiels (£4.181m). A net cost of £14.856m impairment has been charged to the Comprehensive Income and Expenditure Statement and shown within the Net Cost of Services.

Note 33

Cash and Cash Equivalents

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

2009/10 £'000		2010/11 £'000
66	Cash held by officers	66
(2,513)	Bank current accounts	815
6,194	Short term deposits	9,876
3,747	Total	10,757

Supplementary Financial Statements

Council Tax Income Account

2009/10			2010/11	
£'000	£'000		£'000	£'000
	(54,938)	Gross Charges Levied		(55,677)
5,757		Less: Benefits	5,955	
(5,846)		Government Subsidy	(6,030)	
(89)			(75)	
4,877		Discounts	4,961	
626		Provision for bad debts	630	
320		Lump Sum Payment Discounts	-	
(31)		Miscellaneous	27	
	5,703			5,543
	(49,235)			(50,134)
	(1)	Community Charge collected		-
	(49,236)	Total Income reflected in the Income and Expenditure Account		(50,134)

Notes to the Council Tax Income Account

1 Calculation of Council Tax base at 1 April 2010

Band	Number of Properties	Proportion	Band D Equivalent	Council Tax 2010/11 £
A	16,651	6/9	11,101	722.67
B	12,573	7/9	9,779	843.11
C	6,515	8/9	5,791	963.56
D	5,582	9/9	5,582	1,084.00
E	5,995	11/9	7,327	1,324.89
F	4,294	13/9	6,202	1,565.78
G	3,834	15/9	6,390	1,806.67
H	410	18/9	820	2,168.00
Total	55,854		52,992	
Less : Reductions for estimated discounts, exemptions, reliefs, rebates, etc. and non-collection			(7,258)	
Estimated net income from a Council Tax of £1 for 2010/11			£45,734	

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. These charges were determined by Scottish Water and for 2010/11 the Band D charges were £183.51 for water and £210.06 for waste water. There is also a requirement to account separately for water charges collected and the payments made to the water authority. The total income due to Scottish Water based on 2010/11 is £14.901m and, after making a bad debt provision, the net amount projected to be paid is £14.695m.

Non-Domestic Rate Income Account

2009/10			2010/11	
£'000	£'000		£'000	£'000
	(28,964)	Gross Charges Levied		(32,119)
5,849		Less: Reliefs and remissions	8,205	
277		Provision for bad debts	308	
24		Interest paid on overpaid rates	-	
	6,150			8,513
	(22,814)			(23,606)
	(75)	Net General Fund expenditure on discretionary reliefs		(122)
	(22,889)	Net Non-Domestic Rate Income		(23,728)
22,889		Contribution to National Pool	23,728	
(46,076)		Distribution received from National Pool as part of Aggregate External Finance	(44,989)	
	(23,187)			(21,261)
	(46,076)	Total Income reflected in the Income and Expenditure Account		(44,989)

Notes to the Non-Domestic Rate Income Account

1 Rateable Subjects at 1 April 2010

Classification	Number	Rateable Value £'000
Shops	1,263	19,376
Public Houses	99	1,378
Offices including Banks	835	7,305
Hotels, Boarding Houses, etc	136	3,487
Industrial and Freight transport	1,689	18,110
Leisure, Entertainment, Caravan sites, etc	889	4,832
Garages and Petrol Stations	228	1,813
Cultural and Sporting	125	761
Education and Training	107	9,527
Public Service	429	4,501
Communications	7	17
Quarries, Mines, etc	14	358
Petrochemical	6	1,406
Religious	295	1,230
Health and Medical	93	3,805
Care Facilities	107	1,984
Other (including advertising)	576	1,478
Undertakings	22	3,543
Total	6,920	84,910

2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2010/11 was:

- 40.7p for properties with a rateable value up to £35,000
- 41.4p for properties with a rateable value above £35,000

Trust Funds

The Council is trustee for more than 200 trusts and endowments. Of these 39 are registered for charitable status with the Office of the Scottish Charity Regulator (OSCR). The Income and Expenditure Account and Balance Sheet below show separately both those registered with OSCR and those that are not.

The accounting policies applied are those detailed in pages 8 to 17. The total trusts and endowments are consolidated as a subsidiary in the Council's Group Accounts.

The income on the Trust Funds represents both dividends from external investments (principally Government Stocks) and interest earned on balances invested in the Council's Loans Fund. These balances are shown under Current Assets in the Balance Sheet below.

During 2010/11 several assets previously held on SBC's balance sheet were identified as trust properties. This resulted in a NBV increase of £1.101m, held within Land and Buildings, being shown on the Trust Fund Balance Sheet at 31 March 2011.

2009/10 £'000	Income and Expenditure Account	Charitable £'000	Other £'000	2010/11 Total £'000
	Income			
(23)	Dividends and Interest	(2)	(20)	(22)
-	Rents	-	(2)	(2)
-	Donations & Grants	-	(4)	(4)
	Expenditure			
-	Administration	-	1	1
35	Grants to Beneficiaries	1	21	22
17	Depreciation	16	20	36
29	(Surplus) / Deficit for the Year	15	16	31
(633)	(Surplus) b/f	(138)	(483)	(621)
(17)	Funding (from)/to Revaluation Reserve	(16)	(20)	(36)
(621)	(Surplus) c/f	(139)	(487)	(626)

Trust Funds

2009/10 £'000	Balance Sheet	Charitable £'000	Other £'000	2010/11 Total £'000
	Non-current Assets			
508	Land and Buildings	223	1,369	1,592
27	Investments	6	21	27
5	Long term Loan	-	5	5
	Current Assets			
720	Capital Advances to the Loans Fund	51	1,091	1,142
618	Revenue Advances to the Loans Fund	138	485	623
	Current Liabilities			
(1)	Sundry Creditors	-	(2)	(2)
1,877	Net Assets	418	2,969	3,387
	Financed by			
(621)	Revenue Reserve	(139)	(487)	(626)
(817)	Capital Reserve	(108)	(1,130)	(1,238)
(439)	Revaluation Reserve	(171)	(1,352)	(1,523)
(1,877)		(418)	(2,969)	(3,387)

Tracey Logan
 Director of Resources
 30 September 2011

Common Good Funds

The Council administers the Common Good Funds for eight towns within its area. The statements below give the income and expenditure for the year and the assets and liabilities at 31 March 2011, for each of the funds. The accounting policies applied are those as set out in pages 8 to 17. The total Common Good Funds are consolidated into the Council's Group Accounts as subsidiaries.

The funds for Hawick, Jedburgh and Kelso have some investments under an external fund manager and all funds have both capital and revenue balances invested in the Council's Loans Fund.

The Common Good Financial Statements are prepared in line with the guidance published by LASAAC in December 2007.

During 2010/11 several assets previously held on SBC's balance sheet were identified as Common Good (Selkirk) properties. This resulted in a NBV increase of £0.900m, held within Land and Buildings, being shown on the Common Good balance sheet at 31 March 2011.

Income and Expenditure Accounts

Total 2009/10 £'000		2010/11								
		Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income									
(249)	Fees and Charges	-	-	(118)	-	-	(11)	(52)	(57)	(238)
(28)	Investment Income	-	-	(5)	(19)	(3)	(1)	(2)	(1)	(31)
(1)	Grant Income	(2)	(1)	-	-	(101)	(7)	(5)	(11)	(127)
(278)		(2)	(1)	(123)	(19)	(104)	(19)	(59)	(69)	(396)
	Expenditure									
308	Property Costs	1	-	95	-	-	32	12	15	155
94	Depreciation	2	-	36	9	-	9	21	18	95
31	Administrative Costs	2	2	11	4	2	10	8	15	54
114	Donations and Contributions	-	1	20	27	3	-	20	8	79
547		5	3	162	40	5	51	61	56	383
269	(Surplus) / Deficit	3	2	39	21	(99)	32	2	(13)	(13)
(1,350)	(Surplus) / Deficit b/f	(27)	(26)	(337)	(191)	(59)	(155)	(292)	(88)	(1,175)
(94)	Funding (from)/to Revaluation Reserve	(2)	-	(36)	(9)	-	(9)	(21)	(18)	(95)
0	Transfer (from)/to Capital Reserve	-	-	-	-	-	-	250	-	250
(1,175)		(26)	(24)	(334)	(179)	(158)	(132)	(61)	(119)	(1,033)

NB

Grants Approved but not paid or accrued at 31 March 2011 total £83,506 and under OSCR requirements should be treated as contingent liabilities.

Common Good Funds

Balance Sheets

Total 2009/10 £'000		2010/11								
		Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Non-current Assets									
5,864	Land & Buildings	11	-	2,637	440	-	712	614	2,253	6,667
7	Other Fixed Assets	-	-	3	-	-	-	2	2	7
902	Investments	-	-	146	720	97	-	-	-	963
10	Long Term Loan to Third Party	-	-	-	8	-	-	3	-	11
	Current Assets									
96	Sundry Debtors	-	-	42	2	-	7	40	11	102
272	Capital Advances to Loans Fund	-	-	53	6	1	97	316	49	522
1,179	Revenue Advances to Loans Fund	26	24	335	182	160	124	52	116	1,019
-	Inventories	-	-	-	-	-	-	-	-	-
	Current Liabilities									
(96)	Sundry Creditors	-	-	(41)	-	-	(1)	(34)	(8)	(84)
8,234	Net Assets	37	24	3,175	1,358	258	939	993	2,423	9,207
	Financed by									
(1,175)	Revenue Reserve	(26)	(24)	(334)	(179)	(158)	(132)	(61)	(119)	(1,033)
(1,378)	Capital Reserve	-	-	(337)	(742)	(100)	(97)	(366)	(49)	(1,691)
(5,681)	Revaluation Reserve	(11)	-	(2,504)	(437)	-	(710)	(566)	(2,255)	(6,483)
(8,234)		(37)	(24)	(3,175)	(1,358)	(258)	(939)	(993)	(2,423)	(9,207)

Tracey Logan
 Director of Resources
 30 September 2011

Notes to the Common Good Fund

Capital Reserves

During the year there were a small number of movements on the capital reserves which are shown below. The movements are the result of the realisation of losses on the sale of investments.

Total 2009/10 £'000		2010/11								
		Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
(1,121)	Balance at start of year	-	-	(279)	(455)	(61)	(97)	(116)	(49)	(1,057)
64	Realised (Gains)/Losses on Investments	-	-	-	(1)	-	-	-	-	(1)
-	Prior year (Gains)/Losses on Investments adjustment	-	-	1	7	1	-	-	-	9
(321)	Unrealised Gains on Investments	-	-	(59)	(293)	(40)	-	-	-	(392)
-	Transfer from Revenue Reserve	-	-	-	-	-	-	(250)	-	(250)
(1,378)	Balance at year end	-	-	(337)	(742)	(100)	(97)	(366)	(49)	(1,691)

Group Accounts

Introduction

The group accounts are required to be prepared under International Financial Reporting Standards (IFRS).

The Council use a range of service delivery vehicles to facilitate the discharge of their functions which, whilst technically independent, are effectively under the Council's control. Group accounts therefore report on the material extent and implications of the Council's involvement with:

- Subsidiaries
- Associates
- Joint ventures

and the exposure to risk that accompanies that involvement.

Group interests

These fall into three categories:

Subsidiaries

These are entities in which the Council either:

- Controls the majority of equity capital or equivalent voting rights or
- Appoints the majority of the governing body or
- Exercises (or has the right to exercise) influence (i.e. give direction which must be complied with) over the entity's operating and financial policies.

The Council has assessed its relationships with other entities and concluded that only Trust Funds and Common Good Funds, in respect of which the Council is sole trustee, fall to be treated as subsidiaries. Summary financial results for these appear on pages 78 to 85 respectively.

Associates

These are entities in which the Council can exercise a significant influence without support from other participants.

The Council has re-assessed its relationships with other entities and concluded that the following require to be treated as associates in 2010/11:

- Borders Sport and Leisure Trust
- Jedburgh Leisure Facilities Trust
- Lothian and Borders Police Board
- Lothian and Borders Fire & Rescue Board

The inclusion of the group entities has a significant effect on the Council's single entity position on provision of services. Because of, principally, the Council's share of operating results of associates, the surplus of £23.096m on the Council's single entity Comprehensive Income and Expenditure Statement becomes a group surplus of £39.406m. Inclusion of pension liabilities for group entities has had the overall effect of turning a net asset of £108.0m in to a net liability of £119.4m. Group liability has reduced substantially from £204.4m in 2009/10 to £119.4m in 2010/11, principally as a result in the reduction of long term liabilities of SBC (£71.6m) and group associates (£22.4m).

The Police and Fire Boards 2009/10 accounts have been restated to adjust the injury benefits liability in 2009/10, this does not affect the 2010/11 figures. The SBC group position has not been amended to reflect this change.

Group Accounts

Joint ventures

These are entities in which the Council has an interest on a long-term basis and are jointly controlled by it and one or more other entities under a contractual or other binding arrangement. The Council has re-assessed its relationships with other entities and concluded that it was not involved in joint ventures during 2010/11.

The CODE requires the following accounts to be prepared together with appropriate notes:

- **Movement in Reserves Statement:** This statement summaries all movements in reserves.
- **Group Comprehensive Income and Expenditure Statement:** This account summarises the Group's Income and Expenditure for the year
- **Group Balance Sheet:** This statement sets out the overall financial position of the Group at 31 March 2011
- **Group Cash Flow Statement:** The Group Cash Flow Statement includes the cash flows of the Council and the Common Good Funds and Trusts. Cash receipts and payments that flow to and from the Council and its subsidiaries only (full group members) must be included. Cash flows to and from the Council to its associates are already included within the cash flow statement of the Council

The Group Accounts and Notes are set out on pages 78 to 86.

Group Movement in Reserves Statement

General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Authority's share of reserves of subsidiaries and associates	Total Reserve	Notes
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 01/04/2009	(10,949)	(7,248)	(39)	(1,660)	(19,896)	(91,957)	160,009	48,156

Movement in reserves during 2009/10

(Surplus)/deficit on provision of services

(10,201)	8,181	-	-	(2,020)	(8,181)	12,415	2,214	
-	-	-	-	-	74,181	80,677	154,858	
(10,201)	8,181	-	-	(2,020)	66,000	93,092	157,072	

Other Comprehensive Income & Expenditure

Total Comprehensive Income & Expenditure

Adjustments between accounting basis & funding basis under regulations

Charges for depreciation & amortisation of non-current assets	(19,489)	-	-	(19,489)	19,489	-	-	
Impairment/revaluation losses (charged to comp I & E)	(2,316)	-	-	(2,316)	2,316	-	-	
Capital grants and contributions applied	17,354	-	-	17,354	(17,354)	-	-	
Employee - Statutory Adjustments	332	-	-	332	(332)	-	-	
Profit/loss on sale of non current assets	(32)	(2,875)	-	(2,907)	2,907	(10)	(10)	
Amount by which finance costs charged to the I & E are different in accordance with statutory requirements	558	-	-	558	(558)	-	-	
Net retirement benefits per IAS 19	(12,740)	-	-	(12,740)	12,740	-	-	
Loans Fund principal repayments and Statutory premia	8,228	-	-	8,228	(8,228)	294	294	
Statutory Provision relating to PPP	2,991	-	-	2,991	(2,991)	-	-	
Capital Expenditure charged to General Fund balance	189	-	-	189	(189)	-	-	
Employers contribution payable to Pension Fund	13,828	-	-	13,828	(13,828)	-	-	
Net Transfers to or from other reserves	2,119	(1,727)	(10)	92	474	(1,104)	(1,104)	
Increase/Decrease in 2009/10	821	3,579	(10)	92	4,482	59,498	92,272	156,252
Balance at 31/03/2010	(10,128)	(3,669)	(49)	(1,568)	(15,414)	(32,459)	252,281	204,408

Group Movement in Reserves Statement

General Fund Balance	Capital Fund	Property Maintenance Fund	Insurance Fund	Total Usable Reserves	Unusable Reserves	Authority's share of reserves of subsidiaries and associates	Total Reserves	Notes
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31/03/2010	(10,128)	(3,669)	(49)	(1,568)	(15,414)	(32,459)	252,281	204,408

Movement in reserves during 2010/11

(Surplus)/deficit on provision of services	(23,096)	-	-	-	(23,096)	-	(16,311)	(39,407)
Other Comprehensive Income & Expenditure	-	-	-	-	-	(38,290)	(13,833)	(52,123)
Total Comprehensive Income & Expenditure	(23,096)	-	-	-	(23,096)	(38,290)	(30,144)	(91,530)

Adjustments between accounting basis & funding basis under regulations

Charges for depreciation & amortisation of non-current assets	(20,236)	-	-	-	(20,236)	20,236	-	-
Impairment/revaluation losses (charged to comp I & E)	(14,856)	-	-	-	(14,856)	14,856	-	-
Capital grants and contributions applied	11,202	-	-	-	11,202	(11,202)	-	-
Employee - Statutory Adjustments	(729)	-	-	-	(729)	729	-	-
Profit/loss on sale of non current assets	(14)	(5,108)	-	-	(5,122)	5,122	(3)	(3)
Amount by which finance costs charged to the I & E are different in accordance with statutory requirements	536	-	-	-	536	(536)	-	-
Net retirement benefits per IAS 19	16,717	-	-	-	16,717	(16,717)	-	-
Loans Fund principal repayments and Statutory premia	8,493	-	-	-	8,493	(8,493)	252	252
Statutory Provision relating to PPP	3,185	-	-	-	3,185	(3,185)	-	-
Capital Expenditure charged to General Fund balance	21	-	-	-	21	(21)	-	-
Employers contribution payable to Pension Fund	15,391	-	-	-	15,391	(15,391)	-	-
Net Transfers to or from other reserves	2,039	2,707	(126)	61	4,681	(3,389)	4,941	6,233
Increase/Decrease in 2010/11	(1,347)	(2,401)	(126)	61	(3,813)	(56,281)	(24,954)	(85,048)
Balance at 31/3/2011	(11,475)	(6,070)	(175)	(1,507)	(19,227)	(88,740)	227,327	119,360

Group Comprehensive Income and Expenditure Statement

Restated 2009/10				2010/11		
Gross Expenditure	Income	Net Expenditure		Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000	Net Expenditure	£'000	£'000	£'000
107,677	(4,774)	102,903	Education	108,397	(4,717)	103,680
29,767	(27,007)	2,760	General Fund Housing Services	20,163	(16,711)	3,452
15,302	(1,482)	13,820	Cultural and Related Services	15,594	(1,395)	14,199
21,950	(3,211)	18,739	Environmental Services	28,233	(2,407)	25,826
21,261	(5,786)	15,475	Roads and Transport Services	23,751	(4,766)	18,985
8,526	(2,983)	5,543	Planning and Development Services	6,209	(2,747)	3,462
81,209	(15,566)	65,643	Social Work	90,105	(16,219)	73,886
10,600	(1,865)	8,735	Central Services	23,088	(12,301)	10,787
1,586	0	1,586	Non-Distributed Costs	(27,977)	0	(27,977)
307	0	307	Exceptional Items	1,815	0	1,815
547	(250)	297	Common Good	383	(365)	18
52	0	52	Trust Funds	59	(6)	53
12,037	0	12,037	Lothian & Borders Police Board	10,248	0	10,248
8,646	0	8,646	Lothian & Borders Fire Board	7,300	0	7,300
(885)	0	(885)	Share of Operating Results of Associates	(30,299)	0	(30,299)
318,582	(62,924)	255,658	Net Cost of Services	277,070	(61,634)	215,435
		259	Roads Trading Operation (Surplus)/Deficit (External)			(177)
			Other Operating Expenditure			
		22	(Gain)/Loss on Disposal of Assets			6
			Financing & Investment Income & Expenditure			
		11,982	Interest Payable & Similar Charges			12,084
		(637)	Interest Receivable			(429)
		18,910	Interest Costs on Pensions			25,842
		(14,281)	Return on Pension Assets			(22,790)
		302	Share of Associates Interest Payable			267
		(8)	Share of Associates Interest & Investment Income			(15)
		12,717	Share of Associates Pension Interest Cost & Expected Return on Pension Assets			13,726
			Taxation & Non specific Grant Income			
		(170,045)	Revenue Support Grant			(177,031)
		(46,076)	Non-Domestic Rates Pool for Scotland			(44,989)
		(49,236)	Council Tax			(50,134)
		(17,354)	Recognised Capital Income			(11,202)
		2,214	(Surplus)/Deficit on provision of services			(39,406)

Group Comprehensive Income and Expenditure Statement

Restated 2009/10			2010/11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		2,214	(Surplus)/Deficit on Provision of Services			(39,406)
		(11,966)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment			2,249
		(2,366)	(Surplus)/Deficit on revaluation of available for sale financial assets			(1,277)
		168,698	Actuarial (gains)/losses on pension assets/liabilities			(46,802)
		154,366	Other Comprehensive Income and Expenditure			(45,831)
		156,580	Total Comprehensive Income and Expenditure			(85,237)

Group Balance Sheet

Restated 2008/09 £'000	Restated 2009/10 £'000		2010/11 £'000
		Property Plant and Equipment	
267,424	325,123	Other Land and Buildings	310,919
18,541	18,473	Vehicle, Plant, Furniture and Equipment	16,985
67,692	72,240	Infrastructure	74,306
9,001	8,781	Surplus Assets	5,006
43,585	45,060	Assets Under Construction	50,382
907	1,012	Intangible Assets	614
350	156	Assets Held for Sale	-
670	608	Long Term Investments	990
2,888	406	Long Term Debtors	415
411,058	471,858	Long Term Assets	459,618
19,865	5,983	Short Term Investments	5,524
825	722	Inventories	807
28,791	30,449	Short Term Debtors	32,520
(6,330)	(6,404)	less Bad Debt Provision	(6,892)
12,597	3,747	Cash and Cash Equivalents	10,757
55,748	34,497	Current Assets	42,717
(3,361)	(8,276)	Short Term Borrowing	(6,281)
(62,113)	(52,063)	Short Term Creditors	(58,368)
(3,435)	(1,498)	Provisions	(2,413)
(68,909)	(61,837)	Current Liabilities	(67,062)
(165,104)	(165,010)	Long Term Borrowing	(164,852)
		Other Long Term Liabilities	
(36,867)	(63,601)	Deferred Liabilities	(61,894)
(1,302)	(680)	Finance Leases/Bonds	(523)
(283,494)	(467,812)	Pension Liability	(421,281)
212,847	313,572	Pension Asset	339,303
(167,727)	(262,074)	Investment in Associates	(239,923)
(4,406)	(3,325)	Capital Grants Receipts in Advances	(5,462)
(446,053)	(648,930)	Long Term Liabilities	(554,632)
(48,156)	(204,408)	Net Liabilities	(119,360)

Group Balance Sheet

Restated 2008/09 £'000	Restated 2009/10 £'000	Financed by	2010/11 £'000
		Useable Reserves	
(7,248)	(3,669)	Capital Fund	(6,070)
(10,949)	(10,128)	General Fund Balance (Ex HRA)	(11,475)
(39)	(49)	Property Maintenance Fund	(175)
(1,660)	(1,568)	Insurance Fund	(1,507)
(5,935)	(5,996)	Share of Group and Associate Useable	(6,600)
		Unuseable Reserves	
(137,813)	(149,568)	Capital Adjustment Account	(138,129)
9,513	8,955	Financial Instruments Adjustment Account	6,507
(42,673)	(54,121)	Revaluation Reserve	(48,924)
70,647	154,240	Pension Reserve	81,978
8,369	8,035	STACA Statutory Mitigation Account	8,766
-	-	Icelandic Banks Statutory Adjustment Account	1,062
165,944	258,277	Share of Group and Associate Unuseable	233,927
48,156	204,408		119,360

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 30 September 2011.

Tracey Logan
 Director of Resources
 30 September 2011

Group Cash Flow Statement

2009/10 £'000		2010/11 £'000		Notes
	Operating Activities			
2,214	Net Surplus or (deficit) on the provision of services	(39,406)		
(21,036)	Adjustments to surplus or deficit on the provision of services for non cash items	20,492		
(226)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(14,058)		
(19,048)	Net Cash Flows From Operating Activities		(32,972)	
	Investing Activities			
42,147	Purchase of PP&E, investment property and intangible assets	28,044		
(548)	Proceeds from PP&E, investment property and intangible assets	(5,123)		
(14,316)	Other Receipts from Investing Activities	(1,414)		
27,283	Net Cash Flows from Investing Activities		21,507	
	Financing Activities			
(5,026)	Cash receipts from short and long term borrowing	(6,732)		
5,257	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,669		
384	Repayments of short and long term borrowing	9,518		
615	Net Cash Flows from Financing Activities		4,455	
8,850	Net (Increase) or Decrease in Cash and Cash Equivalents		(7,010)	
12,597	Cash and Cash Equivalents at the beginning of the reporting period		3,747	
3,747	Cash and Cash Equivalents at the end of the reporting period		10,757	
8,850	Movement		(7,010)	

Notes to the Group Accounts

Note 1 Group Comprehensive Income and Expenditure Statement

Reporting Authority Adjustments to align with IFRS

A number of adjustments are required to enable the details contained within the Council's Comprehensive Income and Expenditure Statement to align with the IFRS requirements for Group Accounting arrangements. These can be summarised as follows:

- The inclusion of the assets and liabilities (and associated income and expenditure) of the Common Good Funds and Trust Funds.
- All intra-group transactions have been removed from the Group Accounts as part of the consolidation process.

Effect of Consolidation

The overall effect of consolidation of the Group's income and expenditure has no impact on the Council's single entity deficit for the year as the share of subsidiaries' and associates' surpluses/deficits are appropriated to their relevant reserves.

Other

Other than the effect of the items detailed above, the information presented in the notes to the Council's Core Financial Statements, set out in pages 32 to 68 are also valid for the Group Comprehensive Income and Expenditure Statement and are therefore not replicated here.

Note 2 Group Cash Flow

Reconciliation between the Group Income and Expenditure Statement and the revenue activities in the Group Cash Flow Statement.

2009/10 £'000		2010/11 £'000
	Reconciliation to General Fund Surplus	
2,214	Net Surplus or (deficit) on the provision of services	(39,406)
	Adjustments to surplus or deficit on the provision of services for non cash movements	
(21,633)	Depreciation & impairment of fixed assets	(39,228)
3,229	Amortisation of capital grants	11,202
1,088	FRS17 pension adjustments	32,108
(11,248)	Other non-cash items	20,743
(101)	Increase/(decrease) in inventories	84
(952)	Increase/(decrease) in debtors	4,351
6,520	(Increase)/decrease in creditors	(7,852)
2,061	(Increase)/decrease in provisions	(915)
(21,036)		20,492
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
134	Interest received	126
142	Interest element of finance lease rental receipts	158
(502)	Capital grants received	(12,718)
-	Other capital cash receipts	(1,624)
(226)		(14,058)
(19,048)	Net Cash Outflow / (Inflow) from Operating Activities	(32,972)

Notes to the Group Accounts

Note 3 Associated Bodies

Within the Group Accounts the Council has included the following bodies as associates:

Borders Sport and Leisure Trust

This organisation manages the delivery of a range of sport and leisure facilities at a number of sites throughout the Borders, except in Jedburgh. The Council has two elected Councillors on the Trust's Board of fourteen members and therefore a 14.3% share of the net operating result and net assets has been consolidated.

In 2010/11 the Trust's net operating result was a surplus of £706,033. A 14.3% share results in £100,963 being consolidated.

The Trust's accounts can be obtained from the Trust, Unit 6, Tweed Mill, Dunsdale Road, Selkirk, TD7 5DZ.

Jedburgh Leisure Facilities Trust

This organisation manages the delivery of a range of sports and leisure facilities in Jedburgh. The Council has one Councillor on the Trust's Board of six members, with a 16.7% share of the net operating result and the net assets being consolidated.

In 2010/11 the Trust's net operating result was a surplus of £3,371 of which £563 was consolidated.

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

Lothian and Borders Police Board

The Board is responsible for the provision of policing throughout Edinburgh, the Lothians and the Borders. The Council has two members on the Police Board which has a total membership of 18. The proportion taken into the Council's Group Accounts is based on the Council's share of the total requisitions paid by the constituent Councils, which in 2010/11 was 12.21%. The Board's net operating result in 2010/11 was a surplus of £106.3m and a share of 12.21% results in £12.978m being consolidated. At 31 March 2011 the Board have an overall net liability of £1,542.8m and a share of 12.2% results in £188.3m being consolidated.

Lothian and Borders Fire & Rescue Board

The Board is responsible for the provision of fire and rescue services throughout Edinburgh, the Lothians and the Borders. The Council has two members on the Fire and Rescue Board which has a total membership of 18. The proportion taken into the Council's Group Accounts is based on the Council's share of the total requisitions paid by the constituent Councils, which in 2010/11 was 17.26%. The Board's net operating result in 2010/11 was a deficit of £18.9m and a share of 17.26% results in £3.2m being consolidated. At 31 March 2011 the Board have an overall net liability of £301.5m and a share of 17.26% results in £51.9m being consolidated.

The accounts for the Police Board and Fire & Rescue Board can be obtained from the Treasurer, Finance Department, City of Edinburgh Council, Waverley Court, 2 East Market Street, Edinburgh, EH8 8BG.

Note 4 Subsidiaries

The Group Accounts include the Common Good Funds and Trust Funds where the Council is the sole trustee. This effectively consolidates 100% of the relevant Common Good and Trust Fund accounts, eliminating where appropriate intra group transactions.

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 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. Currently the Council receives significantly more from the pool than it contributes.
- **Specific Grants:** the final part of AEF. As the name suggests these grants are paid to support specific services and can enable the Scottish Government to influence service provision more directly than with a block grant.

Amortisation: similar to depreciation but applied to intangible assets.

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 and are monitored and reported upon throughout the year.

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

Capital Expenditure: spending on assets of lasting value, whose useful life exceeds the current year. Examples are schools, major roadworks, social work and leisure facilities, vehicles and equipment. Capital expenditure is financed from a number of sources. The principal one is long-term borrowing, mainly from the Public Works Loan Board, together with capital receipts, capital grants and contributions and CFCRs (Contributions from Current Revenue).

Capital Fund: 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. Unapplied developer contributions have now been shown within Long Term Creditors and 2009 Balance Sheet has been restated.

Capital Grants: grants from bodies such as the European Union and Scottish Government can fund capital projects. There is currently a reduction in the number of specific capital grants with a movement toward more general or 'block' capital grants, which gives the Council wider discretion in their use.

Capital Receipt: a capital receipt arises when the Council sells a surplus asset, e.g. a piece of land or a building.

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

Common Good Funds: the Council administers the Common Good Funds for eight towns within its area, namely Duns, Galashiels, Hawick, Jedburgh, Kelso, Lauder, Peebles and Selkirk. The Common Good Funds in the Scottish Borders have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

Contingent Liability: where an obligation is possible but does not satisfy the requirements for a provision. They are usually expressed as a note to the Core Financial Statements.

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.

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

Glossary of Terms

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

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

Due to or from Loans Fund: 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 these various funds. The Loans Fund pays interest for the use of these internal balances.

Fair Value: the amount for 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 main fund of the Council that covers most areas of activity, the principal exclusions being the Pension Fund, the Loans Fund and the Common Good Funds.

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

IAS 19: the Financial Reporting Standard (FRS) approved by the Accounting Standards Board, which lays down the disclosure and reporting requirements for Retirement Benefits, in the Council's case principally pensions.

Icelandic Banks Statutory Adjustment Account: This account absorbs the anticipated loss of interest arising from deposits in the failed Icelandic Banks.

IFRS: International Financial Reporting Standards. The Council's accounts are governed by IFRS from 2009/10 with respect to PPP/PFI schemes and fully from 2010/11.

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 and roads and services into industrial estates.

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

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.

Long-Term Borrowing: 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 50 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 a 'funded scheme' whereby all monies not immediately required to pay pensions and benefits are invested. In terms of benefits paid it is classed as a 'defined benefit' scheme and members' benefits are set out in statute.

Provision: a provision is made in the accounts when three tests are satisfied, namely there is a present obligation arising from a past event, it is expected that there will be a transfer of economic benefits needed to settle it and that a reliable estimate can be made.

Glossary of Terms

Rents, Fees and Charges: income raised locally for a range of Council services; examples include home care charges, commercial property rents, hall lets and library charges.

Requisitions: the Council pays a contribution, known as a requisition, to the Lothian and Borders Joint Boards in respect of Police and Fire and Rescue services provided by the Boards in the Scottish Borders.

Reserves: sometimes referred to as 'Balances' they are the accumulated surpluses generated by the various funds. Within the General Fund a proportion of the total can be earmarked for specific purposes.

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 and grants and distributions from the national Non-Domestic Rates Pool from the Scottish Government.

Trading Operations: services that are 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 over 200 trust funds, around 40 of which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

Virement: because circumstances change, budgets need to remain flexible. Virement is the 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.

Independent Auditor's Report

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

I certify that I have audited the financial statements of Scottish Borders Council and its group for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, Cash-Flow Statements, and the council-only Council Tax Income Account, the Non-Domestic Rate Income Account, the Trust Funds Account, the Common Good Funds Account and the related notes. 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 2010/11 (the 2010/11 Code).

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 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the s.95 Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 4, the s.95 Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Scottish Borders Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the s.95 Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Scottish Borders Council and its group as at 31 March 2011 and of the income and expenditure of Scottish Borders 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 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

**Gillian Woolman FCA, Assistant Director
Audit Scotland – Audit Services
Osborne House, 1/5 Osborne Terrace
Edinburgh, EH12 5HG**

30 September 2011