

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 Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. The authority has developed a number of procedures in furtherance of this requirement and is subject to audit as to their effectiveness.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts. In terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), these statements are required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this Statement of Accounts, the Chief Financial Officer has:-

- kept proper accounting records which were up to date
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

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 Chief Financial Officer for the Council, I acknowledge my responsibility for 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 the Corporate Management Team of revenue and capital budgetary control reports which identify actual income and expenditure to date and compare projected outturn with approved budgets; the appropriate Council committees also consider these reports
 - 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) A Corporate Anti-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 unit, which operates in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government. The Chief Internal Auditor (CIA) reported directly to the Director of Corporate Resources until 13 February 2009. The CIA and the Audit and Risk Manager (A&RM) following appointment on 2 March 2009 then reported directly to the Chief Financial Officer and latterly reports directly to the Director of Resources. The CIA / A&RM reports directly to the Audit Committee and meets with them in private session twice per year and also has direct unimpeded access to the Chief Executive throughout the year. The work of the Internal Audit unit is informed by an analysis of the risk to which the Council is exposed, and annual Internal Audit plans are based on this analysis. The Internal Audit plans are endorsed and approved by the Council's Audit Committee. The Committee meets four times each year at which the CIA / A&RM provides a report on Internal Audit activity in the Council. The Internal Audit Annual Report 2008/09 presented to the May 2009 meeting of the Audit Committee includes the Audit & Risk Manager's independent opinion on the adequacy and effectiveness of the system of internal financial control as set out in the CIPFA guidance.

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 Internal Audit as described above;
 - (b) The External Auditor's reports;
 - (c) 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 Corporate 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
 - (d) 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.
6. 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.
- 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;
 - (b) Regular review and compliance testing of Procedural Standing Orders, Financial Regulations and the Scheme of Delegation;
 - (c) A review of and development of written procedures for significant financial processes;
 - (d) Financial awareness, training and development of best practice, from induction of new employees to financial management core competency for managers;
 - (e) Project management to deliver the Council's ambitious capital financial plans; and
 - (f) Full implementation of the Council's approved Corporate Procurement Strategy.
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 & Rescue Board and Lothian and Borders Police Board;
 - (b) The External Auditor's report on the accounts of the Borders Sports and Leisure Trust; and
 - (c) The Independent Examiner's Report on the accounts of the Jedburgh Leisure Trust.

Alexander G Brown FCCA IRRV
Chief Financial Officer
29 June 2009

Foreword by the Chief Financial Officer

Introduction

Following significant changes to the format of the accounts in both 2006/07 and 2007/08, there are no such significant changes in 2008/09. The Council's accounts are therefore compliant with UK GAAP (Generally Accepted Accounting Principles). Future years will see significant changes as local authority accounts begin to implement International Financial Reporting Standards (IFRS).

In terms of presentation, the 'Core Financial Statements' appear first, followed by the related notes. The supplementary statements, with notes on each where appropriate, follow.

The Revenue Budget for 2008/09

The original budget for 2008/09 was approved by the Council in February 2008 and planned net expenditure totalled £248.9m. Revenue Support Grant and our share of the Non-Domestic Rates Pool from the Scottish Government totalled £199.2m (80% of total funding) and included £1.5m in recognition of the 'Council Tax freeze'. After allowing for a contribution from the sale of surplus assets of £0.775m, the Council planned to raise £48.9m through the Council Tax. Each £1 was estimated to raise £45,151, and again a 'Band D' Council Tax of £1,084 was levied. After no increase, the Council Tax for Scottish Borders continued to be among the lowest in mainland Scotland in 2008/09. 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. Due to this the final budget for the year was £252.1m.

Revenue Outturn 2008/09

Net operating expenditure of £258.3m, on a UK GAAP basis, led to a deficit on the Income and Expenditure Account of £8.891m. This includes a provision of £2.112m in respect of the Council's voluntary severance / early retirement scheme which is shown as an exceptional item in the Income and Expenditure Account. Statutory adjustments of £5.561m are reversed out in the Statement of Movement on General Fund Balance. Expenditure amounting to £1.6m was funded by earmarked balances. When the relevant adjustments are made, actual outturn was £251.4m against a final budget of £252.1m.

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 is

2008 £'000		2009 £'000
(1,606)	Earmarked Reserves	(1,273)
(6,399)	Devolved School Management	(4,037)
(8,005)	Specific Departmental Reserves	(5,310)
(6,274)	Non Earmarked Reserve	(5,639)
(14,279)	Total General Fund Reserve	(10,949)

The net decrease in the General Fund Reserve is £3.330m.

Foreword by the Chief Financial Officer

The Council's Financial Strategy identifies the optimum level of 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 2% - 4% of net revenue expenditure (between £5m and £10m at 2008/09 levels). The Reserve not earmarked for specific purposes at £5.639m is within that range. £5.310m of the total Reserve is earmarked for specific purposes and will be spent either in 2009/10 or future financial years.

Significant Trading Operation

As the Council's only significant trading operation, the roads trading operation (SBcContracts) has a statutory obligation to at least break even over rolling three-year periods. During 2008/09 a net surplus of £0.281m was achieved and over the three-year period the surplus totalled £0.801m.

Capital Expenditure and Debt Outstanding

In 2008/09 the Council incurred capital expenditure totalling £33.2m. An analysis of capital expenditure and its financing can be found on page 25. 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 £177.7m at 31 March 2009 and there was a further improvement in the average rate of interest paid on outstanding debt to 4.97%, a reduction of 0.12% from 2007/08. During the year, £5m of PWLB loans were repaid prematurely.

Short Term Deposits

Early 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 across two of these institutions, with varying maturity dates and interest rates. This is covered in detail in the financial instrument notes on pages 41 to 48.

Group Accounts

The Group Accounts on pages 61 to 71 detail the Council's interests in any subsidiaries, associates and joint ventures. There are significant pension liabilities relating to both the Police Board and the Fire & Rescue Board which in the very long term will fall on the constituent Councils through the requisition mechanism, although it is anticipated that from 1 April 2010 the Scottish Government will take on liability for Police and Fire & Rescue pensions.

Long Term 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, with the schools at Duns and Eyemouth coming into use in 2008/09. Over the period 2008/09 to 2039/40 the Council has an obligation to pay a unitary charge totalling £302m. It is estimated that the agreement will attract around £107m in 'Level Playing Field Support' from the Scottish Government.

Pensions

In terms of the Council's Pension Fund and the requirements of the Accounting Code of Practice in relation to FRS 17 (Accounting for Retirement Benefits), the 2008/09 accounts contain full accounting entries in the core financial statements, together with detailed associated notes. The main principle behind FRS 17 is that the Council must account for pensions when it is committed to give them and not merely when they are paid. These notes are set out on pages 35 to 37.

Thanks

My thanks are due to all staff, especially in Finance, once again for their hard work and commitment during the year.

Alexander G Brown FCCA IRRV
Chief Financial Officer
29 June 2009

Accounting Policies

Code of Practice

The general practices adopted in compiling the accounts are those recommended in the Code of Practice on Local Authority Accounting for Great Britain, (ACOP), (2008 Edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) LA SORP Board. This statement seeks to identify the accounting principles that underlie the accounts and to indicate any significant variations to past practice.

General Principles

The accounting statements are prepared on an accruals basis following the historic cost convention, modified by the revaluation of certain categories of assets. Revenue and capital accounts are maintained on a receipts and payments basis throughout the year and are converted to an income and expenditure basis at the year-end by including outstanding transactions relating to that accounting year.

Reserves

- A **Repairs and Renewals Fund** is operated for corporate building maintenance as provided for by Schedule 3 (22) to the Local Government (Scotland) Act 1975.
- An **Insurance Fund** is operated in terms of Schedule 3 (22) to the Local Government (Scotland) Act 1975. Appropriate premiums are charged to the Revenue Accounts.
- A **Capital Fund** is operated as provided for by Schedule 3 (22) to the Local Government (Scotland) Act 1975. Developer contributions and capital receipts received are credited to the fund.
- A **Pensions Reserve** ensures that accounting for retirement benefits in line with Financial Reporting Standard 17 has a neutral effect on Council Tax.
- The **General Fund Reserve** represents the accumulated net surpluses on the General Fund. Part of this reserve is, from time to time, earmarked for specific purposes.

Government Grants

Grants and subsidies have been credited to the appropriate revenue accounts and accruals have been made in these accounts for balances known to be receivable for the period to 31 March 2009.

Capital grants and Contributions have been credited to a Grants and Contributions Deferred Account and subsequently credited to the accounts in line with the relevant depreciation.

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 Income and Expenditure Account, 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 Income and Expenditure Account, 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.

Intangible Assets

Intangible assets consist only of purchased software, which is capitalised at cost and will be written off to revenue over its estimated economic life.

Accounting Policies

Accounting for Fixed Assets

Fixed assets are valued on the bases recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

The following bases have been adopted for the valuation and depreciation of fixed assets within the Balance Sheet. Depreciation is charged annually in equal instalments over an asset's life.

- Land and Buildings
 - Land is not depreciated and is subject to a five year rolling revaluation.
 - Buildings including industrial properties are written off over their estimated life and are subject to a five year rolling revaluation programme.
- Plant and Vehicles/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.
- Non Operational Assets
 - Assets under construction are valued at cost and no depreciation is charged on them until they become operational.
 - Assets which are identified as surplus to operational requirements are transferred to non-operational assets. At this point they are revalued to their expected net disposal proceeds. No further depreciation charges are made to these assets.

Within the Income and Expenditure Account each Service has been charged with depreciation for its use of assets in the provision and delivery of services.

Receipts from the sales of fixed assets are either credited to the Capital Fund or treated as unapplied capital receipts.

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.

Finance Leases

The following disclosures relate to finance leases.

The amounts of obligations (net of finance charges allocated to future periods) are analysed between:-

- Amounts payable in the next year (2009/10)
- Amounts payable in the second to fifth years inclusive, from the balance sheet date
- Aggregate amounts payable thereafter

The aggregate finance charges allocated for the period in respect of finance leases.

There are no finance leases entered into with commencement dates after the year end.

Accounting Policies

Private Finance Initiative

PFI Contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are charged to revenue to reflect the value of services received in each financial year.

Trust Funds, Endowments and Common Good Funds

These are managed by the Council under the terms and conditions of the original Trusts and details are given on pages 57 to 60.

Operating Leases

Current annual operating lease rentals have been charged to cost of services within the Income and Expenditure Account.

Valuation of Stock

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

Central Support Services and Office Accommodation Costs

These have been recharged to the revenue and capital accounts of the Council on the following bases:-

- Employees – Time spent
- Office Accommodation – Floor area occupied
- Other Services – Recorded usage.

Pension Funds

The Council administers a Pension Fund in terms of the Local Government Superannuation (Scotland) Act 1972 for its own employees and for the employees of certain other "Admitted Bodies". Details of the Fund are given on pages 51 to 56. The market values of the Fund's investments are based on closing bid prices on 31 March 2009. Teaching staff participate in the Teachers Pension Scheme which is managed by the Scottish Public Pensions Agency, an executive agency of the Scottish Government.

In terms of the Accounting Code of Practice, the Accounts contain full accounting entries in respect of the FRS 17 treatment of pension costs, together with associated notes. The Pensions Reserve ensures that there is no overall effect on the Council Tax.

Improvement Grants made to Third Parties

Any such expenditure is written off to the Income and Expenditure Account as it is incurred.

Accounting for Income

Credit has been taken in the various revenue accounts for income received during the year. At the close of the financial year, provision has been made for items of income due but not received. These debts have been specifically provided for when the exact amount is known. In other cases, estimates of the sums due have been accrued. An assessment of invoices rendered and still outstanding has been carried out and provision has been made where recovery is doubtful. Arrears which have been identified as irrecoverable are written off on a regular basis throughout the year and specific provision made in respect of doubtful debts. Where grants have been received and the relevant expenditure has not been incurred before 31 March 2009, the grants have been included in the Balance Sheet as "Grants Deferred", with the agreement of the grant providers, to be matched with the relevant expenditure in 2009/10.

Accounting Policies

Provisions and Contingent Liabilities

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.

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.

Accounting for Financial Instruments

The accounting treatment and disclosure of financial instruments is compliant with the SORP which includes the principles introduced by FRS25, FRS26 and FRS29. Statutory Guidance requires the reversal of some of the accounting entries through the Statement of Movement on the General Fund Balance, thus neutralising any effect on Council Tax.

The main principles are as follows:

- Premiums on premature debt redemption outstanding at 31 March 2007 (£5.618m) were written off through the General Fund Balance on 1 April 2007 in accordance with the SORP. However Statutory Guidance has been issued by the Scottish Government to ameliorate this effect by crediting the Statement of Movement on the General Fund Balance and debiting the Capital Adjustment Account. The annual premium charge will be written down from the Capital Adjustment Account;
- 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;
- Any soft loans issued by the Council (those carrying a below market rate of interest) were re-measured at fair value on 1 April 2007 to show the effect on the loan had a market rate of interest been applied. For soft loans prior to 1 April 2008 the Scottish Government has issued Statutory Guidance to ameliorate this effect;
- Impairment and uncollectability of financial assets – financial assets have been re-measured to allow for any impairment or likely non-collection. For this Council there has been no material impact on any financial asset other than deposits in Icelandic banks; and
- 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.

Income and Expenditure Account

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

2007/08		2008/09			Notes
Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000	
4,832	Chief Executive	4,889	(149)	4,740	2
3,581	Resources	5,522	(2,703)	2,819	
98,717	Education & Lifelong Learning	112,381	(5,908)	106,473	
4,756	Planning & Economic Development	7,613	(3,368)	4,245	
52,457	Social Work	80,527	(17,754)	62,773	
32,332	Technical Services	46,308	(9,356)	36,952	
667	Corporate Projects	2,126	-	2,126	
502	Other	21,404	(20,691)	713	
(100)	Non-distributed costs	3,677	-	3,677	
2,143	Exceptional items	2,112	-	2,112	
199,887	Services provided by the Council	286,559	(59,929)	226,630	
11,684	Police	11,670	-	11,670	2
7,118	Fire & Rescue	9,039	-	9,039	
218,689	Net Cost of Services	307,268	(59,929)	247,339	2
18	(Gain)/loss on disposal of assets			(267)	
(302)	Roads Trading Operation surplus			(74)	6
8,981	Interest payable and similar charges			11,652	
(1,735)	Interest receivable			(1,824)	
18,359	Interest costs on pensions			20,440	29
(19,702)	Return on pension assets			(18,972)	29
224,308	Net Operating Expenditure			258,294	
	Income				
(134,663)	Revenue Support Grant			(158,346)	
(40,054)	Non-Domestic Rates Pool for Scotland			(42,287)	
(48,954)	Council Tax			(48,770)	
(223,671)	Total Income			(249,403)	
637	(Surplus) or deficit for the year			8,891	

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:-

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

This reconciliation statement summarises the differences between the surplus or deficit on the Income and Expenditure Account and the General Fund Balance.

2007/08 £'000		2008/09 £'000
(14,475)	Opening balance on General Fund	(14,279)
637	(Surplus) or deficit on Income and Expenditure Account for the year	8,891
(441)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (analysed on page 12)	(5,561)
(14,279)	Closing balance on General Fund	(10,949)

2007/08 £'000		2008/09 £'000
	Analysis of the General Fund Balance	
(1,606)	Devolved School Management	(1,273)
(6,399)	Specific Departmental Reserves	(4,037)
(8,005)	Earmarked element	(5,310)
(6,274)	Non-earmarked element	(5,639)
(14,279)	Total	(10,949)

Statement of Movement on the General Fund Balance

The following statement provides an explanation of the items forming the reconciliation between the Income and Expenditure Account and the General Fund Balance shown on page 11.

2007/08 £'000		2008/09 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance :-	
(17,298)	Depreciation and impairment of assets	(18,100)
1,912	Government Grants Deferred amortisation matching depreciation and impairments	2,438
(18)	Net (loss) / gain on disposal of fixed assets	267
5	Amounts by which finance costs calculated in accordance with the SORP are different from the finance costs calculated in accordance with statutory requirements	(2,828)
(9,176)	Net charges made for retirement benefits in accordance with FRS17	(12,874)
(24,575)		(31,097)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on General Fund Balance :-	
9,231	Statutory provision for repayment of debt	10,178
1,649	Capital expenditure charged to General Fund Balance	255
11,208	Employer's contribution payable to the pension fund	13,371
22,088		23,804
	Adjustment for transfers to or from General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance :-	
2,046	Net transfers to or (from) other reserves	1,732
2,046		1,732
(441)	Net adjustment to be debited/(credited) to the General Fund	(5,561)

Statement of Total Recognised Gains and Losses

This statement brings together all of the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and actuarial gains relating to the Pension Fund.

2007/08 £'000		2008/09 £'000
637	(Surplus) or deficit on the Income and Expenditure Account	8,891
(7,229)	(Surplus) or deficit arising on revaluation of assets	(34,543)
(6,790)	Actuarial (gains) or losses on Pension Fund assets and liabilities	26,812
(6,614)	Any other (gains) and losses	(450)
(19,996)	Total recognised (gains) / losses for the year	710

Balance Sheet

This section of the Balance Sheet summarises all of the assets that the Council owns and the liabilities that it owes to others. The Balance Sheet for 2008 has been restated per note 1.

2008 £'000 Restated	Net Assets	2009		Notes
		£'000	£'000	
1,179	Intangible assets		907	20
	Tangible fixed assets			
	Operational assets			
188,405	Land and buildings	222,552		17
16,804	Vehicles, plant, furniture and equipment	16,759		17
65,510	Infrastructure assets	67,692		17
	Non-operational assets			
33,202	Assets under construction	43,584		17
1,445	Surplus assets, held for disposal	4,126		17
305,366			354,713	
3,110	Long term debtors		2,879	
309,655	Total Long Term Assets		358,499	
	Current assets			
780	Stores, materials and work-in-progress	825		
34,575	Sundry debtors	30,340		
(7,063)	less Bad debt provision	(7,848)		
27,512		22,492		
44,000	Short term deposits	28,865		
2,782	Cash and bank	3,597		
75,074		55,779		
	Current liabilities			
(2,997)	Provisions within 12 months	(3,435)		24
(45,101)	Sundry creditors	(45,285)		
(222)	Borrowings repayable within 12 months	(166)		22
(2,851)	Due to Trust and Common Good Funds	(2,990)		
(1,340)	Due to Pension Fund	(1,208)		
(52,511)		(53,084)		
22,563	Net Current Assets		2,695	
332,218	Total assets less current liabilities		361,194	
(173,480)	Long term borrowing		(168,299)	22
(1,472)	Provisions		(124)	24
(333)	Long term leasing liability		(13)	18
(1,871)	Deferred liabilities		-	
(53,794)	Government Grants & Contributions Deferred		(65,885)	
(315,537)	Pension Liability	(283,494)		
271,205	Pension Asset	212,847		
			(70,647)	29
56,936	Net Assets		56,226	

Balance Sheet

This section of the Balance Sheet shows how the net assets of the Council are financed.

2008 £'000 Restated	Financed by	2009		Notes
		£'000	£'000	
(14,279)	General Fund Balance	(10,949)		23
(41)	Corporate Repairs & Renewals Fund	(39)		
(4,083)	Insurance Fund	(1,660)		
(8,061)	Capital Fund	(11,654)		
(26,464)			(24,302)	29
44,332	Pensions Reserve		70,647	
17,868			46,345	
(6,575)	Revaluation Reserve	(40,382)		
(74,914)	Capital Adjustment Account	(71,702)		
6,685	Financial Instruments Adjustment Account	9,513		
(74,804)			(102,571)	
(56,936)			(56,226)	

The unaudited accounts were issued on 29 June 2009 and the audited accounts were authorised for issue on 21 September 2009.

Alexander G Brown FCCA IRRV
Chief Financial Officer
21 September 2009

Cash Flow Statement

This statement shows where the Council's money came from during the year and how it was spent.

2007/08 £'000 Restated		2008/09		Notes
		£'000	£'000	
	Revenue Activities			
	Cash Outflows			
145,620	Cash paid to and on behalf of employees	153,786		
128,426	Other operating cash payments	140,760		
18,604	Housing Benefit paid out	21,044		
22,975	Contribution to Non-Domestic Rates Pool	21,535		
315,625			337,125	
	Cash Inflows			
(61,522)	Council Tax receipts	(62,953)		
(3)	Community Charge receipts	(2)		
(40,054)	Distribution from Non-Domestic Rates Pool	(42,287)		
(22,937)	Receipts from ratepayers	(21,648)		
(134,654)	Revenue Support Grant	(159,169)		36
(23,490)	DWP Benefits Subsidies	(25,679)		
(23,547)	Other government grants	(7,377)		36
(15,014)	Goods & services	(15,817)		
(18,601)	Other cash receipts	(17,355)		
(339,822)			(352,287)	
(24,197)	Net Cash Outflow / (Inflow) from Revenue Activities		(15,162)	33
	Servicing of Finance			
	Cash Outflows			
9,075	Interest paid	9,087		
49	Interest element of finance lease rental payments	31		
9,124		9,118		
	Cash Inflows			
(2,525)	Interest received	(2,649)		
(171)	Interest element of finance lease rental receipts	(165)		
6,428			6,304	
	Capital Activities			
	Cash Outflows			
32,325	Purchase of fixed assets	36,446		
	Cash Inflows			
(1,282)	Sale of fixed assets	(614)		
(17,424)	Capital grants received	(20,379)		
(5,315)	Other capital cash receipts	(450)		
8,304			15,003	
(9,465)	Net Cash (Inflow) / Outflow before Financing (carried forward to next page)		6,145	

Cash Flow Statement

2007/08 £'000 Restated		2008/09		
		£'000	£'000	Notes
(9,465)	Net Cash (Inflow) / Outflow before Financing		6,145	
	Management of Liquid Resources			
11,000	Net increase/(reduction) in short term deposits		(12,500)	
	Financing			
	Cash Outflows			
47,991	Repayments of amounts borrowed	11,976		
2,500	Premiums on premature repayment of loans	78		
292	Capital element of finance lease rental payments	302		
50,783		12,356		
	Cash Inflows			
(50,000)	New loans raised	(6,706)		
(2,509)	Loans discount received	-		
(104)	Capital element of finance lease rental receipts	(110)		
(1,830)			5,540	
(295)	Net Cash Outflow / (Inflow) after Financing		(815)	34

Notes to the Core Financial Statements

Note 1 Restatement of 2007/08 Balance Sheet

The 2008 SORP requires the Pension Asset to be included at bid value rather than mid market value and the 2007/08 comparative figure has been restated from £273.944m to £271.205m.

Note 2 Service Analysis

The Income and Expenditure shows the net expenditure on the basis of the Council's departmental structure. Because this does not have the same service analysis as the Best Value Accounting Code of Practice (BVACOP), this note shows the service split on the BVACOP basis.

In 2008/09 a number of former ring-fenced grants were rolled up within the Revenue Support Grant with the effect of increasing the net expenditure of the relevant services, but with a corresponding increase in Revenue Support Grant.

Net Expenditure 2007/08 £'000	Education	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
26,997	Budgets Devolved to Primary Schools	29,130	(111)	29,019
31,704	Budgets Devolved to Secondary Schools	32,782	(231)	32,551
4,021	Schools Strategic Management	7,369	(725)	6,644
4,772	Pre-Primary Education	6,303	(109)	6,194
421	Facilitating School Improvement	280	-	280
11,877	Supporting Special Education Needs	12,279	(207)	12,072
5,425	School & Pupil Support	9,018	(2,570)	6,448
2,934	Strategic Management of Non-School Services	4,311	(774)	3,537
1,558	Community Learning	1,839	(131)	1,708
89,709	Total	103,311	(4,858)	98,453

Net Expenditure 2007/08 £'000	General Fund Housing Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
543	Housing Strategy	1,337	(154)	1,183
80	Housing Advice	76	-	76
103	Private Sector Housing Renewal	1,670	(1,566)	104
179	Homelessness	2,140	(1,312)	828
438	Rent Allowances	21,080	(20,373)	707
36	Housing Benefit Administration	983	(1,016)	(33)
1	Other Council Property	1	-	1
180	Supporting people	5,871	(524)	5,347
1,560	Total	33,158	(24,945)	8,213

Notes to the Core Financial Statements

Net Expenditure 2007/08 £'000	Cultural and Related Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
3,640	Culture & Heritage	3,598	(812)	2,786
2,076	Library Service	2,227	(72)	2,155
7,687	Recreation & Sport	9,368	(1,017)	8,351
231	Tourism	255	(23)	232
13,634	Total	15,448	(1,924)	13,524

Net Expenditure 2007/08 £'000	Environmental Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
1,295	Cemetery, Cremation & Mortuary Services	1,823	(494)	1,329
7	Coast Protection	44	(1)	43
1,701	Environmental Health	2,162	(354)	1,808
298	Flood Defence & Land Drainage	276	(8)	268
687	Trading Standards	714	(30)	684
2,273	Other Cleaning	2,622	(71)	2,551
4,637	Waste Collection	8,212	(889)	7,323
3,270	Waste Disposal	4,915	(1,096)	3,819
14,168	Total	20,768	(2,943)	17,825

Net Expenditure 2007/08 £'000	Roads and Transport Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
10,940	Roads	11,980	(2,357)	9,623
1,730	Network & Traffic Management	1,984	(268)	1,716
72	Parking Services	652	(240)	412
1,978	Public Transport	6,232	(2,992)	3,240
14,720	Total	20,848	(5,857)	14,991

Net Expenditure 2007/08 £'000	Planning and Development Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
(260)	Building Control	1,205	(810)	395
490	Development Control	1,772	(758)	1,014
949	Planning Policy	1,418	(381)	1,037
2,432	Economic Development	1,946	(1,365)	581
3,611	Total	6,341	(3,314)	3,027

Notes to the Core Financial Statements

Net Expenditure 2007/08 £'000	Social Work	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
10,756	Children & Families	12,784	(521)	12,263
23,610	Older People	34,501	(8,327)	26,174
3,963	People with Physical or Sensory Difficulties	5,750	(1,298)	4,452
10,213	People with Learning Difficulties	13,584	(2,610)	10,974
1,924	People with Mental Health needs	2,445	(340)	2,105
165	People with Addiction / Substance Misuse	173	(3)	170
-	Services to Asylum Seekers	-	-	-
230	Criminal Justice Social Work Services	1,546	(1,370)	176
841	Service Strategy	618	(33)	585
51,702	Total	71,401	(14,502)	56,899

Net Expenditure 2007/08 £'000	Central Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
	Corporate & Democratic Core			
1,115	Democratic Representation & Management	1,050	(6)	1,044
4,133	Corporate Management	4,051	(109)	3,942
5,248		5,101	(115)	4,986
	Central Services to the Public			
2,222	Local Tax Collection	2,859	(935)	1,924
166	Registration of Births, Deaths & Marriages	358	(155)	203
394	Elections	201	(11)	190
134	Emergency Planning	130	(9)	121
571	General Grants, Bequests & Donations	698	-	698
157	District Courts	6	(10)	(4)
(152)	Licencing	142	(351)	(209)
3,492		4,394	(1,471)	2,923
2,043	Total Non-Distributed Costs	5,789	-	5,789

Net Expenditure 2007/08 £'000	Police and Fire & Rescue Services	Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
11,684	Police	11,670	-	11,670
7,118	Fire & Rescue	9,039	-	9,039
18,802	Total	20,709	-	20,709

218,689	Total Net Cost of Services	307,268	(59,929)	247,339
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Notes to the Core Financial Statements

Note 3 Acquired and Discontinued Operations

There were no acquired or discontinued operations in the 2008/09 financial year.

Note 4 Exceptional Items, Extraordinary Items and Prior Year Adjustments

During the year the Council made further provision for voluntary severance / early retirement of £2.112m. This is shown as an exceptional item in the Income and Expenditure Account.

Note 5 Outstanding Undischarged Obligations

During 2006/07 the Council entered into a Public Private Partnership (PPP) for the provision of new secondary schools in Earlston, Duns and Eyemouth. The schools at Duns and Eyemouth opened during 2008/09 and £0.569m was paid in unitary charge. Over the period 2008/09 to 2039/40 the Council has an obligation to pay a unitary charge totalling £302m. It is estimated that the agreement will attract around £107m in 'Level Playing Field Support' through the grant settlement from the Scottish Government.

Note 6 Significant Trading Operation

SBcContracts is the only 'significant trading operation' at Scottish Borders Council in terms of the Local Government in Scotland Act 2003. The financial performance is summarised below,

2007/08 £'000		2008/09 £'000	3 Year Cumulative £'000
(29,732)	Turnover for the Year	(27,389)	(81,240)
(344)	(Surplus) / Deficit	(281)	(801)

SBcContracts 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 Service;
- external contracts for other local authorities and the Scottish Government;
- sub-contractor on a number of public contracts including three new high school construction projects at Eyemouth, Duns and Earlston; and
- a wide range of external contracts for the private sector.

SBcContracts employs 200 manual workers and around 28 management and support staff and utilises a wide range of vehicles and items of plant to carry out its work. Reductions in the workforce were made in the light of a reduction in external work arising from the downturn in the housing market and less work from BEAR in relation to trunk roads. The operation contributes significantly to Council resources both directly and indirectly through:

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

In 2008/09 SBcContracts recorded a surplus of £0.281m against an approved budgeted surplus of £0.014m.

In 2008/09 turnover decreased by £2.34m (7.9%) to £27.39m due to difficult external market conditions. Of this total £14.42m (52.6%) was generated by non Scottish Borders Council work. It also contributed strongly to the local economy by providing sub-contracted work and plant/vehicle hires to the value of £5.96m. Within the overall £0.281m surplus generated in 2008/09, a surplus of £0.074m was generated from external work and a surplus of £0.207m generated on internal work.

Notes to the Core Financial Statements

Note 6 Significant Trading Operation (continued)

Significant trading operations are statutorily required to at least achieve break-even over rolling three-year periods. For the 3 year period ending in financial year 2008/09, SBc Contracts recorded a surplus in each of the three years and generated a cumulative total surplus of £0.801 million.

Note 7 Section 5 (I) Local Government Act 1986

2007/08 £'000	Expenditure on publicity was	2008/09 £'000
364	Staff Advertising	375
163	Other Advertising	175
117	General	83
644	Total	633

Note 8 Agency Work

2007/08 £'000		2008/09 £'000
290	Scottish Water Collection of domestic water and waste water charges	300
74	Scottish Government Reimbursable trunk road expenditure	39
19	Management fee	10
383	Total	349

Note 9 Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Other than agency work outlined at Note 8, no significant goods or services are provided to other public bodies.

Note 10 Members' Allowances

Following the introduction of new regulations effective from 3 May 2007 which provided for a significant increase in remuneration, members' allowances totalled £752,997 in 2008/09. The total sum reported in 2007/08 amounted to £818,538. That included the sum of £120,000 in respect of severance payments to outgoing members under the Local Government (Scotland) Act 2004 (Severance Payments) Regulations 2006. This was funded by the Scottish Government and was not a direct cost to the Council.

Notes to the Core Financial Statements

Note 11 Officers' Remuneration

2007/08 No.		2008/09 No.
	No. of officers whose remuneration in the year was	
18	£50,000 - £59,999 *	27
24	£60,000 - £69,999 *	24
2	£70,000 - £79,999 *	3
1	£80,000 - £89,999	1
4	£90,000 - £99,999	3
-	£100,000 - £109,999 *	1
1	£110,000 - £119,999	1
-	£120,000 - £129,999 *	1
-	£130,000 - £139,999	-
-	£140,000 - £149,999	-
-	£150,000 - £159,999	-
-	£160,000 - £169,999	-
-	£170,000 - £179,999 *	1
50		62

An * indicates bandings that contain a total of 8 officers whose remuneration for the year contained an element of voluntary severance on termination of their employment as part of the Council's Business Transformation programme.

Note 12 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. The Revenue Support Grant receivable from the Scottish Government is shown in the Income and Expenditure Account and details of transactions with government departments are shown in Note 36 to the core financial statements.

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. Note 10 shows the total allowances paid to members in 2008/09. 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 2008/09 the Pension Fund had an average balance of £3.217m of cash deposited with the Council, on which interest of £0.114m was paid. In addition the Council charged the Pension Fund £0.227m in respect of expenses incurred in administering the fund.

The Council provided material financial assistance to other bodies in 2008/09 as follows:-

- Borders Sport and Leisure Trust £1.520m
- Jedburgh Leisure Facilities Trust £0.126m
- VisitScotland £0.223m

Notes to the Core Financial Statements

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

- Police £11.670m
- Fire & Rescue £ 9.040m

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

Resource Transfer – a total of £4.248m was transferred from NHS Borders and utilised as follows:-

- Children's Services £0.097m
- Older People £1.221m
- Adults with Learning Difficulties £1.953m
- People with Physical Difficulties £0.763m
- Mental Health £0.214m

Borders Ability Equipment Store

- The store is run jointly with NHS Borders, with a pooled equipment purchase budget. Gross expenditure totalled £0.651m with a contribution from the NHS Borders of £0.271m.

Galashiels Resource Centre

- This is a Day Centre run jointly with the NHS Borders for adults with mental health needs. Gross expenditure totalled £0.171m.

During 2008/09 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 the year. The Council has been involved in procuring land and managing its share of developer contributions. In respect of 2008/09 grant funding of £12.734m was received from Transport Scotland.

Note 13 Audit Remuneration

In 2008/09 the agreed audit fee for the year was £291,900, including the notified fixed element charge of £107,900, in respect of services provided by Audit Scotland (2007/08 £308,100 and £101,800 respectively).

Note 14 Significance of the Statement of Movement on the General Fund Balance

An analysis of the amounts additional to the surplus or deficit on the Income and Expenditure Account that are required by statute and non-statutory proper practices to be debited or credited to the General Fund are shown in the table on page 12.

Notes to the Core Financial Statements

Note 15 Capital Expenditure, Fixed Asset Disposals and Sources of Capital Financing

	Capital Expenditure in the year £'000	Disposals in the year £'000
Land and Buildings	8,719	(578)
Vehicles, Plant and Equipment	5,132	(37)
Infrastructure	6,535	-
Assets under construction	12,703	-
Total Tangible Fixed Assets	33,089	(615)
Purchased Software	158	-
Total	33,247	(615)

	Sources of Finance £'000
Loans Fund Advances	(14,604)
Capital financed from Current Revenue (CFCR)	(255)
Capital financed from Capital Fund	(4,386)
Finance Leases	-
Capital Grants	(13,537)
Contributions from Other Parties	(465)
Total	(33,247)

Note 16 Capital Commitments

Capital expenditure to 31 March has resulted in commitments estimated to the value of £34.658m being entered into in respect of future years (£10.036m as at 31 March 2008).

	Capital Commitments £'000
Engineering Infrastructure	23,742
Property	10,509
Business Infrastructure	407
Fleet	-
Other	-
Total	34,658

Within the figure for Engineering Infrastructure, £21.548m relates to the land purchase arrangements for the Borders Railway which is fully funded by specific grant from Transport Scotland.

Notes to the Core Financial Statements

Note 17 Tangible Fixed Assets

	Operational Assets			Non-Operational Assets		Total Tangible Assets £'000
	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Assets under Construction £'000	Assets awaiting Disposal £'000	
Gross book value (GBV) at 31 March 2008	207,128	36,139	104,040	33,202	1,532	382,041
Expenditure in the year	8,669	5,132	6,535	12,703	50	33,089
Transfers between categories	(6,046)	(22)	-	(2,571)	8,639	-
Revaluations	24,436	-	-	250	(2,079)	22,607
Impairments	(3,665)	(10)	-	-	(296)	(3,971)
Disposals	(270)	(940)	-	-	(392)	(1,602)
Other adjustments	-	(7)	-	-	-	(7)
Gross book value (GBV) at 31 March 2009	230,252	40,292	110,575	43,584	7,454	432,157
Cumulative depreciation at 31 March 2008	(18,723)	(19,335)	(38,530)	-	(87)	(76,675)
Depreciation for the year	(6,264)	(5,129)	(4,353)	-	-	(15,746)
Transfers between categories	174	11	-	-	(185)	-
Revaluations	12,144	-	-	-	(207)	11,937
Impairments	1,835	10	-	-	202	2,047
Disposals	85	903	-	-	-	988
Other adjustments	-	7	-	-	-	7
Cumulative depreciation at 31 March 2009	(10,749)	(23,533)	(42,883)	-	(277)	(77,442)
Net book value at 31 March 2009	219,503	16,759	67,692	43,584	7,177	354,715
Net book value at 31 March 2008	188,405	16,804	65,510	33,202	1,445	305,366

Community assets are valued at nil as per the current capital accounting rules and include assets such as parks, playing fields, cemeteries, etc.

Notes to the Core Financial Statements

Note 17 Tangible Fixed Assets (continued)

Information on Assets Held

The main assets held by the Council as at 31 March 2009 are as follows:-

Land and Buildings		Vehicles, Plant, Furniture and Fittings	
Council Offices	58	Vehicles	598
Residential / Day Centres	24	Plant and other equipment	1,680
Depots, stores and workshops	41		
Halls	33	Infrastructure	
Landfill sites	15	Roads (kilometre length)	2,947
Libraries	11	Bridges	1,237
Museums	8	Car parks	88
Pavilions	4		
Public conveniences	59	Industrial Properties	
Nursery units	40	Industrial units	257
Primary schools	65		
Secondary schools	9	Community Assets	
Sports centre / Swimming pools	17	Cemeteries	154
Community Centres and Youth Clubs	32	Parks and play areas	125
Shops	32	War memorials	51
Agricultural / Development land	12	Clocks	10
Outdoor study centres	5	Monuments and statues	20
Golf courses / Clubhouses	2		
Other land, sites and buildings	130		

Reconciliation of Gross Book Value to Certified Revaluations

	Operational Assets			Non-Operational Assets		Total Tangible Assets £'000
	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Assets under Construction £'000	Assets awaiting Disposal £'000	
Value at Historic Cost	25,450	40,292	110,575	43,334	3,591	223,242
New Certified Valuation						
1st April 2008	151,801	-	-	250	3,801	155,852
1st April 2007	31,869	-	-	-	62	31,931
1st April 2006	7,469	-	-	-	-	7,469
1st April 2005	3,099	-	-	-	-	3,099
1st April 2004	10,564	-	-	-	-	10,564
Gross book value (GBV) at 31 March 2009	230,252	40,292	110,575	43,584	7,454	432,157

Notes to the Core Financial Statements

Note 17 Tangible Fixed Assets (continued)

Valuation and Depreciation Disclosures

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 2008/09 the fixed assets of the Education department were re-valued. This included school buildings, leisure centres and pools, libraries, museums and community halls.
- Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Properties were valued by the authority'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 have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Valuer.
- Vehicles, Plant, etc. have been depreciated, using the straight-line method, over the remaining life of the asset as assessed by the Transport Manager.
- Furniture & Fittings are depreciated over 5 years.
- IT equipment is depreciated over 3 years.
- Roads infrastructure has been depreciated, using the straight-line method, over 25 years and IT infrastructure over 5 years.
- Depreciation has been directly charged to services.

Assets Awaiting Disposal

At the point of being declared surplus, fixed assets awaiting disposal are re-valued to the estimated sale proceeds.

Revaluation Cycle

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

- 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)
- 1 April 2005 – Former housing properties and Environmental Services
- 1 April 2004 – Industrial units and other Planning & Economic Development properties
Common Good & Trust properties

Planning & Economic Development properties and those owned by Common Good and Trusts will be revalued as at 1 April 2009, with the resulting adjustments incorporated into the 2009/10 accounts of the Council.

Notes to the Core Financial Statements

Note 18 Leasing Disclosures (Lessee)

In its capacity as lessee, the Council made the following payments to lessors in 2008/09:

2007/08 £'000		2008/09 £'000
-	Operating Leases	
-	Land and buildings	-
1,185	Plant and equipment	911
1,185	Sub total	911
-	Finance Leases	
-	Land and buildings	-
341	Plant and equipment	333
341	Sub total	333
1,526	Total	1,244

The following assets were held under finance leases:

2007/08 £'000		2008/09 £'000
-	Gross Asset Value	
-	Land and buildings	-
1,485	Plant and equipment	1,485
1,485		1,485
-	Accumulated Depreciation	
-	Land and buildings	-
(687)	Plant and equipment	(984)
(687)		(984)
-	Net Asset Value	
-	Land and buildings	-
798	Plant and equipment	501
798		501

Depreciation of £0.297m was charged to 2008/09. Finance lease obligations, net of finance charges, are as follows:

	2009/10 £'000	2010/11 to 2013/14 £'000	2014/15 onwards £'000	Total £'000
Plant and equipment	320	13	-	333

Aggregate finance charges in respect of finance leases totalled £0.031m (£0.049m in 2007/08).

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.

In respect of operating leases the Council is committed to make payments of £0.625m in 2009/10, relating to obligations expiring as follows:-

	2009/10 £'000	2010/11 to 2013/14 £'000	2014/15 onwards £'000	Total £'000
Plant and equipment	34	453	138	625

Notes to the Core Financial Statements

Note 19 Leasing Disclosures (Lessor)

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

2007/08 £'000		2008/09 £'000
(275)	Finance leases	(275)
(1,222)	Operating leases	(1,292)
(1,497)	Total	(1,567)

The Council has a net investment of £2.459m in finance leases at 31 March 2009.

The gross amount of assets held for use in operating leases was £9.727m with related accumulated depreciation charges of £0.897m.

No assets were acquired in 2008/09 for the purpose of letting under finance leases.

Notes to the Core Financial Statements

Note 20 Intangible Assets (Purchased Software)

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 5 years.

	Intangible Assets £'000
Gross book value (GBV) at 31 March 2008	1,851
Expenditure in the year	158
Disposals	-
Gross book value (GBV) at 31 March 2009	2,009
Cumulative amortisation at 31 March 2008	(672)
Amortisation for the year	(430)
Disposals	-
Cumulative amortisation at 31 March 2009	(1,102)
Net book value at 31 March 2009	907
Net book value at 31 March 2008	1,179

There were no disposals, revaluations, transfers or impairments of intangible assets in 2008/09.

Note 21 Net Assets

The total net assets on the Balance Sheet relate to the General Fund.

Note 22 Outstanding Loans

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.

31 March 2008			31 March 2009	
£'000	%		£'000	%
(44,786)	26	Bonds and Mortgages	(44,840)	27
(127,914)	74	Public Works Loan Board	(122,842)	73
(780)	-	European Investment Bank	(617)	-
(173,480)	100	External Borrowing	(168,299)	100
(173,480)	100	Long Term Borrowing	(168,299)	100
(222)	-	Short Term Borrowing repayable within 12 months	(166)	-
(173,702)	100	Total Borrowing	(168,465)	100

Notes to the Core Financial Statements

Note 22 Outstanding Loans (continued)

Analysis of Loans by Maturity.

2008 £'000		2009 £'000
(222)	Less than 1 year	(166)
(170)	Between 1 and 2 years	(107)
(654)	Between 2 and 7 years	(380)
(5,585)	Between 7 and 15 years	(5,725)
(167,071)	More than 15 years	(162,087)
(173,702)	Total	(168,465)

Note 23 Insurance Fund

The first £70,000 of each employer's and each public liability claim is met by the Council on a self-insured basis, as is the first £50,000 of each fire claim. Liability to meet self-insured costs is limited to £350,000 for fire claims and £500,000 for combined liability claims in any one insurance year.

- At 31 March 2009 the balance on the fund was £1.660m
- The value of known claims at that date was estimated at £0.981m

2007/08			2008/09	
£'000	£'000		£'000	£'000
	(1,428)	Balance as at 1 April 2008		(4,083)
(1,442)		Income from premiums charged to services	(1,328)	
(157)		Interest on balances	(110)	
(2,490)		Other income	-	
	(4,089)			(1,438)
1,028		Premium costs	1,047	
304		Claims costs	222	
102		Administration charges	102	
-		Transfer to Capital Fund	2,490	
	1,434			3,861
	(4,083)	Balance as at 31 March 2009		(1,660)

Notes to the Core Financial Statements

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.

	Contractual Claims £'000	Equal Pay £'000	Voluntary Severance / Early Retirement £'000	Total £'000
Balance at 1 April 2008	(169)	(2,157)	(2,143)	(4,469)
Additional charges to provisions	(11)	(542)	(2,112)	(2,665)
Payments made or released	118	1,615	1,842	3,575
Balance at 31 March 2009	(62)	(1,084)	(2,413)	(3,559)
Within 12 Months	(62)	(960)	(2,413)	(3,435)
Over 12 months	-	(124)	-	(124)
Total	(62)	(1,084)	(2,413)	(3,559)

Note 25 Details of Movements on Reserves

	Balance as at 31 March 2008 £'000	Transfers between reserves and funds £'000	Gains or Losses for the Year £'000	Balance as at 31 March 2009 £'000
General Fund	(14,279)	(5,561)	8,891	(10,949)
Corporate Repairs and Renewals Fund	(41)	2	-	(39)
Insurance Fund	(4,083)	2,423	-	(1,660)
Capital Fund	(8,061)	(3,142)	(451)	(11,654)
Pensions Reserve	44,332	(497)	26,812	70,647
Revaluation Reserve	(6,575)	735	(34,542)	(40,382)
Capital Adjustment Account	(74,914)	3,212	-	(71,702)
Financial Instruments Adjustment Account	6,685	2,828	-	9,513
	(56,936)	-	710	(56,226)

Notes to the Core Financial Statements

Note 26 Contingent Liabilities

The Council has guaranteed the repayment of a loan of £1m advanced to Eyemouth Harbour Trustees by the Public Works Loan Board on 11 June 1998 repayable by equal half-yearly instalments ending on 11 December 2048. At 31 March 2009 the balance outstanding on that loan was £965,674 (including accrued interest to that date). The Trustees have granted a Standard Security, which is postponed to one held by the PWLB, over the heritable property comprising the harbour undertaking in favour of the Council.

Scottish Borders Housing Association has submitted a claim against the Council seeking compensation as a consequence of the Council's alleged failure to provide accurate or complete information in relation to certain matters in connection with the sale of housing stock to the Association. This claim will proceed to arbitration or other dispute resolution procedure as agreed by the parties. The Council has appointed advisers to review and defend the claim. The information usually required by FRS 12 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the claim.

Whilst provision has been made in these accounts for costs arising from known equal pay claims, it remains possible that further claims may be lodged by other employees in the future. Given the considerable uncertainties around whether such further claims will be made, and the likelihood of their success, it is not practicable to estimate their financial effect.

First Edinburgh Limited has submitted a claim against the Council at the Court of Session seeking payment in respect of scholars' passes issued under passenger transport contracts. The Council is defending the claim and parties are still in the process of adjusting the Record. The information usually required by FRS 12 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

Note 27 Balances held by Schools under Delegated Schemes

The Council operates a Devolved School Management (DSM) scheme that devolves the management of certain expenditure directly to schools. This allows money unspent at the end of the financial year to be carried forward into the following financial year for the benefit of the schools concerned. The closing balance represents part of the earmarked portion of the General Fund Reserve and at 31 March 2009 was £1.273m (£1.606m at 31 March 2008).

Note 28 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; and
- earmarked reserves to meet known or predicted liabilities.

2008 £'000	Analysis as at 31 March	2009 £'000
	Earmarked Reserves	
(1,606)	Devolved School Management	(1,273)
	Specific Departmental Reserves	
(345)	Chief Executive	(217)
(593)	Resources	(257)
(592)	Education and Lifelong Learning	(567)
(473)	Planning and Economic Development	(105)
(2,262)	Social Work	(2,415)
(125)	Technical Services	(208)
(2,009)	Other	(268)
(8,005)		(5,310)
(6,274)	Non-earmarked Reserve	(5,639)
(14,279)	Total General Fund Reserve	(10,949)

Notes to the Core Financial Statements

Note 29 Defined Benefit Pension Schemes

In accordance with Financial Reporting Standard 17 (FRS 17) – Retirement Benefits, the Council is required to disclose certain information relating to pensions income and expenditure and assets and liabilities. The 2008/09 accounts contain entries in the core financial statements and these notes are intended to complement those entries.

The Council participates in two formal pension schemes. The Teachers' Pension Scheme is a defined benefit scheme administered by the Scottish Government. As the liability for the payment of pensions lies with the Scottish Government, the disclosures required in the accounts are not as extensive as for the Council's scheme. In addition the Council has liability for discretionary pension payments outwith the main 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.

2007/08 £'000	Reconciliation of the present value of scheme liabilities	2008/09 £'000
337,415	Opening Defined Benefit Obligation	315,537
10,619	Current Service Cost	8,376
18,359	Interest Cost	20,440
3,543	Contributions by Scheme Participants	3,742
(45,439)	Actuarial losses (gains)	(55,296)
(7,777)	Benefits Paid	(11,221)
(101)	Curtailments	1,462
1	Past Service Cost	1,569
(1,083)	Unfunded Pension Payments	(1,115)
315,537	Closing Defined Benefit Obligation	283,494

2007/08 £'000	Reconciliation of fair value of scheme assets	2008/09 £'000
284,131	Opening Fair Value of Scheme Assets	271,205
19,834	Expected Return on Scheme Assets	18,972
(38,649)	Actuarial Gains (Losses)	(82,107)
11,207	Employer Contributions including unfunded pensions	13,371
3,543	Contributions by Scheme Participants	3,742
(8,861)	Estimated Benefits Paid	(12,336)
271,205	Closing Fair Value of Scheme Assets	212,847

Notes to the Core Financial Statements

Note 29 Defined Benefit Pension Schemes (continued)

2007/08 £'000	Total Expense Recognised in the Income & Expenditure Account	2008/09 £'000
10,619	Current Service Cost	8,376
18,359	Interest Cost	20,440
(19,833)	Expected Return on Scheme Assets	(18,972)
(101)	Losses (Gains) on Curtailments and Settlements	1,462
1	Past Service Cost	1,569
9,045	Total	12,875

2007/08 £'000	Total Amounts Recognised in the Statement of Total Recognised Gains and Losses	2008/09 £'000
(38,649)	Actual Return less Expected Return on Pension Scheme Assets	(76,930)
-	Experience Gains and Losses	553
45,439	Changes in Assumptions underlying the present value of the Scheme Liabilities	49,565
6,790	Actuarial Gain / (Loss) in Pension Scheme	(26,812)
-	Increase / (Decrease) in Irrecoverable Surplus from membership fall and other factors	-
6,790	Actuarial Gain / (Loss) recognised in STRGL (page 13)	(26,812)

Category Analysis of the Fair Value of the Scheme Assets as at 31 March 2009	%	£m
Equities	71.3	151.7
Gilts	7.9	16.8
Other Bonds	9.7	20.6
Property	6.0	12.8
Cash	5.1	10.9
Total	100.0	212.8

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the financial year. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields. The actual return on the scheme assets for the year was -21.6%.

There were no material prepaid or accrued pension contributions at the Balance Sheet date.

Principal Actuarial Assumptions Used by the Actuary	% p.a.	% Real
Price Increases	3.0	-
Salary Increases	4.5	1.5
Pension Increases	3.0	-
Discount Rate	6.7	3.6

Notes to the Core Financial Statements

Note 29 Defined Benefit Pension Schemes (continued)

Expected Rates of Return on Asset Classes at end of financial year	% p.a.
Equities	7.3
Gilts	4.0
Bonds	6.5
Property	6.8
Cash	3.0

Life Expectancy from age 65 years	Males	Females
Retiring today	18.62	21.54
Retiring in 20 years	19.54	22.46

Summary for the current and previous four years	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000	2004/05 £'000
Defined Benefit Obligation	(283,492)	(315,537)	(337,415)	(335,531)	(298,685)
Scheme Assets	212,847	271,205	284,131	267,258	204,791
Surplus / (Deficit)	(70,645)	(44,332)	(53,284)	(68,273)	(93,894)
Experience adjustments on Scheme Liabilities	5,730	-	-	20,737	-
Experience adjustments on Scheme Assets	(82,107)	(38,649)	(3,765)	45,424	7,486

Projected Pension Expenses for the year to 31 March 2010	£'000
Service Cost	6,510
Interest Cost	19,024
Return on Assets	(14,304)
Total	11,230
Employer Contributions	11,571

Note 30 Teachers' Pension Scheme

In 2008/09 the Council paid £6.003m (13.5% of pensionable pay) to the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government, in respect of Teachers' pension costs. In addition, the Council is responsible for the additional costs of pension payments relating to early payment of pensions and added years it has awarded, together with the related increases. In 2008/09 these amounted to £0.429m representing 0.94% of pensionable pay. The Teachers' Pension Scheme is an unfunded defined benefit scheme.

Note 31 Authorisation for the Issue of the Accounts

The Statement of Accounts was authorised for issue on 29 June 2009 by the Chief Financial Officer.

Note 32 Material Post Balance Sheet Events

There were no material post balance sheet events.

Notes to the Core Financial Statements

Note 33 Reconciliation between the Income and Expenditure Account and the revenue activities in the Cash Flow Statement

2007/08 £'000	Reconciliation to Income & Expenditure Account	2008/09	
		£'000	£'000
637	(Surplus) / Deficit on Income and Expenditure Account		8,891
	Less - Non-Cash Transactions		
(17,298)	Depreciation and impairment	(18,100)	
1,912	Amortisation of grants	2,438	
2,032	FRS17 Pension adjustments	497	
(134)	Other non-cash items	(2,732)	
(13,488)			(17,897)
	Items on an Accruals Basis		
64	Movement in stocks & stores	45	
(1,731)	Movement in revenue debtors	709	
(1,240)	Movement in revenue creditors	(1,516)	
(2,012)	Movement in other provisions	910	
(4,919)			148
	Items treated as Servicing of Finance		
(9,075)	Interest paid	(9,087)	
(49)	Interest element of finance lease rental payments	(32)	
2,525	Interest received	2,650	
172	Interest element of finance lease rental receipts	165	
(6,427)			(6,304)
(24,197)	Net cash outflow / (inflow) from revenue activities		(15,162)

Note 34 Reconciliation of the movement in Cash to the movement in Net Debt

2007/08 Restated £'000		2008/09 £'000
(136,970)	Net Debt as at 1 April 2008	(127,563)
295	Increase / (decrease) in cash	815
(1,733)	(Increase) / decrease in long term debt	5,665
11,000	Increase / (decrease) in short term deposits	(12,500)
9,562	Movement in net debt during the year	(6,020)
(155)	Non-cash items	(2,753)
(127,563)	Net Debt as at 31 March 2009	(136,336)

Notes to the Core Financial Statements

Note 35 Financing and Management of Liquid Resources

Balance at 31 March 2008 Restated £'000		Cash Flow £'000	Non-Cash Items £'000	Balance at 31 March 2009 £'000
2,782	Cash in hand and at bank	815	-	3,597
	Borrowings			
(222)	Debt repayable within one year	56	-	(166)
(173,488)	Debt repayable after more than one year	5,307	(118)	(168,299)
(635)	Balances outstanding on finance leases	302	-	(333)
(174,345)	Total Borrowings	5,665	(118)	(168,798)
44,000	Short term deposits	(12,500)	(2,635)	28,865
(127,563)	Net Debt	(6,020)	(2,753)	(136,336)

Liquid resources comprise short and long-term borrowing, cash and bank balances and short-term deposits.

Notes to the Core Financial Statements

Note 36 Analysis of Government Grants in the Cash Flow Statement

2007/08 £'000		2008/09 £'000
	Chief Executive	
(146)	Community Safety	(56)
	Resources	
(1,009)	Benefits Administration	(963)
	Planning & Economic Development	
(154)	Countryside	(112)
(64)	Other	-
	Social Work	
(5,751)	Supporting People	-
(130)	People with Physical Difficulties	(127)
(107)	Older People	(125)
(116)	Training	-
(311)	Mental Illness	-
(1,002)	Criminal Justice	(1,953)
(917)	Children and Families	123
(625)	Homelessness	-
(85)	Registration of Private Landlords	-
(1,293)	Private Sector Housing Renewal	(2,436)
(4)	Other Social Work	-
	Education & Lifelong Learning	
(6,032)	Training	(42)
(185)	Nursery	(17)
(547)	Primary	-
(636)	Secondary	(553)
(33)	Administration	(33)
(31)	Libraries	-
(862)	Other Education	(361)
	Technical Services	
(566)	Rural Transport	(356)
(2,633)	Strategic Waste Fund	(366)
(195)	Other	-
	Other	
(113)	Regeneration Outcome Agreement	-
(23,547)		(7,377)

A number of ring-fenced grants in 2007/08 were rolled up into the Revenue Support Grant in 2008/09 and do not appear above in 2008/09.

Notes to the Core Financial Statements

Note 37 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

Key Risks

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.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are established through a legal framework set out in the Local Government (Scotland) Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities, the CIPFA Treasury Management in the Public Services Code of Practice and best practice. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- 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 Guidance.

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.

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 Management 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 Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category as well as overall category limits. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Council's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years. This table excludes deposits in two Icelandic banks which is covered separately in these notes.

Notes to the Core Financial Statements

	Amount as at 31 March 2009 a £'000	Historical experience of default b	Adjustments for market conditions at 31 March 2009 c	Estimated maximum exposure to default (a x c) £'000
Deposits with banks and financial institutions				
AAA' rated counterparties	-	-	-	-
AA' rated counterparties	1,000	0.06%	0.06%	1
A' rated counterparties	20,500	0.65%	0.65%	133
Other counterparties	-	-	-	-
Bonds - 'AAA' rates	-	-	-	-
Total	21,500	-	-	134

Early 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 across two of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date of Deposit	Date Repayment Due	Sum £	Interest Rate %	Carrying Amount £	Impairment £
Landsbanki	15/05/2008	17/11/2008	3,000,000	5.95	3,156,982	914,745
	25/07/2008	23/01/2009	2,000,000	6.05	2,082,877	607,680
Heritable Bank	25/07/2008	23/01/2009	1,000,000	6.05	1,041,438	310,848
	22/08/2008	19/12/2008	4,000,000	5.87	4,142,809	1,225,820

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 Council 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 Council 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 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 Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the pound by end 2012 with the first dividend payment of 16.13p in the pound due in the summer of 2009. The Council has therefore decided to recognise an impairment based on it recovering 80p in the pound. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Council has made the following assumptions re timing of recoveries:

July 2009 – 16.13% December 2009 – 10.00%

July 2010 – 20.22%

July 2011 – 19.22%

July 2012 – 7.22%

July 2013 – 7.21%

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

Notes to the Core Financial Statements

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. Old Landsbanki's affairs are being administered under Icelandic law. The Landsbanki Resolution Committee has announced that its best estimate of the amount to be repaid to preferential creditors is 83%. The Council has therefore decided to recognise an impairment based on it recovering 83p in the pound.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- 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.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

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. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the pound.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

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 14 November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £3.059m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the statutory guidance to defer the impact of the impairment on the General Fund, and a sum of £3.059m has been transferred to the Financial Instruments Adjustment Account.

The following table summarises the estimated net effect on the Income & Expenditure Account over the next few years, based on current information

Estimated Net Impact on the Income & Expenditure Account		£m
2008/09		0.000
2009/10		0.000
2010/11		2.211
2011/12		-0.163
2012/13		-0.072
2013/14		-0.007
		1.969

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains very strict credit criteria for investment counterparties.

Notes to the Core Financial Statements

Debtors

The Balance Sheet contains a total figure for debtors, comprised of a number of items. In terms of the potential for default the Council makes a provision for bad debts against the different elements which is reviewed on a regular basis. The table below summarises the gross debt, the current amount of the provision and the net amount.

Net 2007/08 £'000		Gross Debtors £'000	Bad Debt Provision £'000	Net 2008/09 £'000
-	Community Charge	147	(147)	-
3,327	Council Tax	8,555	(4,924)	3,631
1,310	Non-Domestic Rates	1,730	(1,518)	212
5,763	Sundry Debtors	9,100	(1,259)	7,841
306	Payments in Advance	465	-	465
13,289	Departmental Accruals	7,128	-	7,128
3,517	Other Debtors	3,215	-	3,215
27,512	Total	30,340	(7,848)	22,492

The table below shows the aged analysis of the debt.

2007/08 £'000	Period	2008/09 £000
3,348	Up to 1 month	4,371
230	1 to 2 months	776
184	2 to 3 months	238
151	3 to 4 months	445
87	4 to 5 months	353
2,898	5 months +	2,917
6,898		9,100

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 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:

2007/08 £'000		2008/09 £'000
222	Less than one year	166
170	Between one and two years	107
654	Between two and seven years	380
5,585	Between seven and fifteen years	5,725
167,071	More than fifteen years	162,087
173,702	Total	168,465

All trade and other payables (£45.247m) are due to be paid in less than one year and are not shown in the table above.

The maturity analysis of financial assets is as follows:

2007/08 £'000		2008/09 £'000
44,000	Less than one year	28,865
-	Between one and two years	-
-	Between two and three years	-
-	More than three years	-
44,000	Total	28,865

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 Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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 Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account 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 STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

Notes to the Core Financial Statements

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	-
Impact on Income and Expenditure Account	0
Increase in government grant receivable for financing costs	-
Decrease in fair value of fixed rate investment assets	-
Impact on STRGL	-
Decrease in fair value of fixed rate borrowing liabilities (No impact on I&E Account or STRGL)	32,601

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.

Other Financial Instrument Disclosures

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

	Long-Term		Current	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Financial liabilities at cost	169,000	163,785	222	166
Financial liabilities at amortised cost in the Balance Sheet	173,480	168,299	222	166
Financial liabilities at fair value through the I&E account	-	-	-	-
Total Borrowings	173,480	168,299	222	166
Loans and receivables	3,110	2,879	71,512	51,850
Available for sale financial assets	-	-	-	-
Financial assets at fair value through the I&E account	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	3,110	2,879	71,512	51,850

The amount of short-term deposits reduced from £44m as at 31 March 2008 to £28.865m as at 31 March 2009.

Notes to the Core Financial Statements

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	2008/09				
	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through the I & E A/C	
	£'000	£'000	£'000	£'000	£'000
Interest expense	8,593	-	-	-	8,593
Losses on derecognition	-	-	-	-	-
Impairment Losses	-	2,635	-	-	2,635
Interest payable and similar charges	8,593	2,635	-	-	11,228
Interest Income	-	(1,825)	-	-	(1,825)
Gains on derecognition	-	-	-	-	-
Interest and investment income	-	(1,825)	-	-	(1,825)
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	8,593	810	-	-	9,403

	2007/08				
	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through the I & E A/C	
	£'000	£'000	£'000	£'000	£'000
Interest expense	8,981	-	-	-	8,981
Losses on derecognition	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Interest payable and similar charges	8,981	-	-	-	8,981
Interest Income	-	(1,735)	-	-	(1,735)
Gains on derecognition	-	-	-	-	-
Interest and investment income	-	(1,735)	-	-	(1,735)
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	8,981	(1,735)	-	-	7,246

Notes to the Core Financial Statements

Fair value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31 March 2008		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB debt	(127,914)	(167,481)	(122,842)	(159,060)
Other debt	(45,566)	(42,858)	(45,457)	(44,204)
Total debt	(173,480)	(210,339)	(168,299)	(203,264)
Creditors	(45,101)	(45,101)	(45,285)	(45,285)
Total financial liabilities	(218,581)	(255,440)	(213,584)	(248,549)

	31 March 2008		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Money market loans < 1 year	44,000	44,000	28,865	28,865
Money market loans > 1 year	-	-	-	-
Bonds	-	-	-	-
Total investments	44,000	44,000	28,865	28,865
Debtors	27,512	27,512	22,492	22,492
Total loans and receivables	71,512	71,512	51,357	51,357

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.

Supplementary Financial Statements Council Tax Income Account

2007/08			2008/09	
£'000	£'000		£'000	£'000
	(53,805)	Gross Charges Levied		(54,355)
5,350		Less: Benefits	5,366	
(5,431)		Government Subsidy	(5,450)	
(81)			(84)	
4,664		Discounts	4,780	
73		Provision for bad debts	622	
299		Lump Sum Payment Discounts	300	
(100)		Miscellaneous	(31)	
	4,855			5,587
	(48,950)			(48,768)
	(4)	Community Charge collected		(2)
	(48,954)	Total Income reflected in the Income and Expenditure Account		(48,770)

Notes to the Council Tax Income Account

1 Calculation of Council Tax base at 1 April 2008

Band	Number of Properties	Proportion	Band D Equivalent	Council Tax 2008/09 £
A	16,626	6/9	11,084	722.67
B	12,518	7/9	9,736	843.11
C	6,391	8/9	5,681	963.56
D	5,472	9/9	5,472	1,084.00
E	5,852	11/9	7,152	1,324.89
F	4,154	13/9	6,000	1,565.78
G	3,615	15/9	6,025	1,806.67
H	401	18/9	802	2,168.00
Total	55,029		51,952	
Less : Reductions for estimated discounts, exemptions, reliefs, rebates, etc. and non-collection			(6,801)	
Estimated net income from a Council Tax of £1 for 2008/09			£45,151	

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 2008/09 the Band D charges were £178.20 for water and £201.33 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 2008/09 is £14.012m and, after making a bad debt provision, the net amount projected to be paid is £13.815m.

Non-Domestic Rate Income Account

2007/08			2008/09	
£'000	£'000		£'000	£'000
	(25,978)	Gross Charges Levied		(26,084)
2,877		Less: Reliefs and remissions	4,333	
185		Provision for bad debts	261	
2		Interest paid on overpaid rates	57	
	3,064			4,651
	(22,914)			(21,433)
	(61)	Net General Fund expenditure on discretionary reliefs		(124)
	(22,975)			(21,557)
22,975		Contribution to National Pool	21,557	
(40,054)		Distribution received from National Pool as part of Aggregate External Finance	(42,287)	
	(17,079)			(20,730)
	(40,054)	Total Income reflected in the Income and Expenditure Account		(42,287)

Notes to the Non-Domestic Rate Income Account

1. Rateable Subjects at 1 April 2008

Classification	Number	Rateable Value £'000
Shops	1,267	15,685
Public Houses	98	1,125
Offices including Banks	814	5,551
Hotels, Boarding Houses, etc	130	2,760
Industrial and Freight transport	1,665	14,454
Leisure, Entertainment, Caravan sites, etc	811	3,762
Garages and Petrol Stations	235	1,479
Cultural and Sporting	119	539
Education and Training	104	4,583
Public Service	425	3,156
Communications	6	13
Quarries, Mines, etc	15	236
Petrochemical	6	1,283
Religious	297	579
Health and Medical	101	3,036
Care Facilities	109	890
Other (including advertising)	582	1,413
Undertakings	35	4,299
Total	6,819	64,843

2 Non-Domestic Rates

The Non-Domestic rate is fixed by the Scottish Government and for 2008/09 was:

- 45.8p for properties with a rateable value up to £29,000
- 46.2p for properties with a rateable value above £29,000

Pension Fund

2007/08 £'000	Fund Account	2008/09 £'000	Notes
	Dealings with members, employers and others directly involved in the scheme		
(15,125)	Contributions Receivable	(17,568)	3,11
(3,107)	Transfers In	(2,281)	4
(3)	Other Income	(12)	
(18,235)		(19,861)	
9,870	Benefits Payable	12,626	5, 11
1,181	Payments to and on account of leavers	398	6
185	Administrative expenses borne by the Scheme	228	
(6,999)	Net (Additions) / Withdrawals from dealings with members	(6,609)	
(6,330)	Investment Income	(6,167)	7
20,536	Change in the market value of investments	68,962	8
383	Taxation	493	
1,041	Investment Management Expenses	1,009	
15,630	Return on Investments	64,297	
8,631	Net (increase) / decrease in the fund during the year	57,688	
302,060	Opening Net Assets of the Scheme	293,429	
293,429	Closing Net Assets of the Scheme	235,741	

2007/08 £'000	Net Assets Statement	2008/09 £'000	Notes
	Investment Assets		
17,428	Fixed Interest - Public Sector	16,371	} 9,10
4,484	Fixed Interest - Other	1,731	
159,819	Equities	129,070	
87	UK Index Linked	58	
-	Overseas Index Linked	2,154	
	Managed Funds		
20,841	Property	12,715	
40,782	Life (Equity)	29,864	
22,203	Life (Bonds)	20,671	
18,936	Open Ended Investment Contracts	15,119	
355	Money Market Instruments	134	
284,935		227,887	
8,494	Net Current Assets and Liabilities	7,854	
293,429	Net Assets	235,741	

The Accounts of the Fund do not take into account any liability to pay pensions or other benefits in the future.

Alexander G Brown FCCA IRRV
Chief Financial Officer
21 September 2009

Notes to the Pension Fund

Note 1 General

The accounting policies and estimation techniques used in the preparation of the Pension Fund statements are consistent with those set out in pages 6 to 9. They satisfy the requirements of Section 2, the Statement of Recommended Practice, of the Pensions SORP.

Scottish Borders Council manages and administers the Fund that provides pension and other benefits to its employees and those of the following 'scheduled' and 'admitted' bodies:

Scheduled Bodies

- Borders College
- Visit Scotland (Scottish Borders)

Admitted Bodies (with 'active' members)

- Borders College Business Consultants
- Scottish Borders Housing Association
- Borders Sport & Leisure Trust
- Jedburgh Leisure Facilities Trust
- Gala Youth Project
- Lothian and Borders Community Justice Authority
- Amey Community Limited

Admitted Bodies (with no 'active' members but pensioners and deferred pensioners)

- Scottish Borders Careers
- Heriot Watt University (formerly Scottish College of Textiles)
- Red Cross Housing Association
- Berwickshire Housing Association
- Project '80 Council Burnfoot

Teachers are not covered by the Fund as they are part of a national scheme administered by the Scottish Public Pensions Agency, an executive agency of the Scottish Government.

The Accounts of the Fund do not take into account any liability to pay pensions or other benefits in the future. These liabilities in terms of the Council as employer are covered in the FRS 17 entries and notes to the Core Financial Statements.

Investment income received has been recorded on an accruals basis. Central Support Costs have been recharged to the Fund on the basis of time spent by staff on the service. Investments listed on recognised Stock Exchanges are valued at the bid on the closing business day. Other securities are valued at a price which is considered the most appropriate in the opinion of the investment managers. Both Managers' processes are subject to external audit and verification and this is reported in their respective FRAG (Financial Reporting and Auditing Guidelines) 21 reports.

Note 2 Actuarial Valuation

The last actuarial valuation of the Fund, based on the projected unit method, was as at 31 March 2008 and the actuary's final report was presented in February 2009. This recommends the various employers' contribution rates effective 2009/10 to 2011/12 to ensure that sufficient funds are available to pay future benefits. Each employer's contribution rate is based on a common rate plus or minus an adjustment to reflect their circumstances. In 2008/09 the common rate was 300%. As at the 31 March 2008 valuation the pension fund had a funding level of 96.5% with a deficit of £10.767m and the actuary recommended a common contribution rate of 18% (of which 1.5% represented the recovery of the deficit) of payroll for the period from 1 April 2009 to 31 March 2012, to which adjustments are made to reflect each body's circumstances. The asset value reported by the actuary at the valuation date was £299.3m. The next actuarial valuation will be as at 31 March 2011.

Notes to the Pension Fund

Note 3 Contributions Receivable

2007/08				2008/09		
Employers £'000	Members £'000	Total £'000		Employers £'000	Members £'000	Total £'000
11,185	3,826	15,011	Normal	12,174	4,030	16,204
35	-	35	Special	1,276	-	1,276
-	79	79	Additional Voluntary	-	88	88
11,220	3,905	15,125	Total	13,450	4,118	17,568

Note 4 Transfers In

There were no group transfers in to the scheme during 2008/09 and the total of £2.281m represents the total of transfer values in respect of individual members joining the scheme.

Note 5 Benefits Payable

2007/08 £'000		2008/09 £'000
8,369	Pension Payments	9,060
1,501	Lump Sum Payments	3,566
9,870	Total	12,626

Note 6 Payments to and on account of Leavers

2007/08 £'000		2008/09 £'000
98	Contributions Returned	75
1,083	Individual Transfer Values	323
1,181	Total	398

Note 7 Investment Income

2007/08 £'000		2008/09 £'000
(680)	Fixed Interest Securities	(757)
(4,708)	Equity Dividends	(4,516)
(1)	Index Linked Securities	(7)
(468)	Pooled Investment Vehicles	(503)
(473)	Cash Deposits	(384)
(6,330)	Total	(6,167)

Note 8 Change in the market value of investments

2007/08 £'000		2008/09 £'000
(5,135)	Realised	12,778
25,671	Unrealised	56,184
20,536	Total	68,962

Notes to the Pension Fund

Note 9 Market Value of the Scheme's Investment Assets

As at 31 March 2009 the market value of the assets under management was:-

31 March 2008		Manager	31 March 2009	
£'000	%		£'000	%
81	0.03	Internal	77	0.03
175,053	61.44	UBS	142,000	62.31
109,801	38.53	Baillie Gifford	85,810	37.66
284,935	100		227,887	100

Note 10 Analysis of Investment Assets

2008				2009		
UK £'000	Overseas £'000	Total £'000		UK £'000	Overseas £'000	Total £'000
17,428	432	17,860	Fixed Interest - Public Sector	16,371	-	16,371
2,474	1,665	4,139	Fixed Interest - Other	1,789	2,154	3,943
59,286	100,533	159,819	Equities	42,171	86,899	129,070
			Managed Funds			
20,841	-	20,841	Property	12,715	-	12,715
40,782	-	40,782	Life (Equity)	29,864	-	29,864
22,203	-	22,203	Life (Bonds)	20,671	-	20,671
			Open Ended Investment			
18,936	-	18,936	Contracts	15,119	-	15,119
355	-	355	Money Market Instruments	134	-	134
182,305	102,630	284,935		138,834	89,053	227,887

As at 31 March 2009 assets valued at £220.669m were quoted on the Stock Exchange and assets valued at £7.218m were unquoted.

During 2008/09 sales of investments totalled £92.1m and purchases totalled £91.2m.

Note 11 Analysis of Contributions and Benefits

	Benefits Payable £'000	Contributions Receivable £'000
Scottish Borders Council	12,015	16,015
Scheduled Bodies	223	422
Admitted Bodies	388	1,131
Total	12,626	17,568

Note 12 Statement of Investment Principles

The Council approved its current Statement of Investment Principles on 2 March 2006. The Statement, defines the Fund's operational framework insofar as investments are concerned. It is reviewed periodically to ensure that it continues to reflect the needs of the Fund and the views its stakeholders. On that same date the Council approved its first Funding Strategy Statement 2006 after consultation with all employers with an interest in the fund. The Statement defines how the fund intends to meet its financial obligations. Both these documents will be published on the Council's web site and are available on request from the Council's Chief Financial Officer.

Notes to the Pension Fund

Note 13 Investment Management Arrangements

Investment Management is undertaken on behalf of the Council by two firms of investment managers.

At 31 March 2009 UBS Global Asset Management managed some 62.31% of the fund, including property, bonds, UK equities and a Global Equity Fund. The UK equity portfolio is managed entirely on a passive basis. The Global Equity Fund, property and bonds are all actively managed. A performance target of 2% p.a. above benchmark over rolling three year periods has been set for active equities, 0.5% p.a. for bonds and 1.0% p.a. for property. All UBS targets are net of fees.

Baillie Gifford & Co. managed 37.66% of the fund's investments at 31 March 2009. They manage UK and overseas equities on a wholly active basis with a performance target of 1% p.a. above benchmark (net of fees) over rolling three year periods.

0.03% of the Fund was managed by Council staff at 31 March 2009, consisting of cash held pending investment by the external managers.

Overall the Fund suffered a negative return of 21.4% for the year to 31 March 2009 against a benchmark fall of - 19.9%. Over three years the Fund has returned -7.8% against a benchmark of -6.6% and over 5 years it has returned 1.9% against a benchmark of 2.8%.

Note 14 Stock Lending

As at 31 March 2009 no stock had been released to a third party under a stock lending arrangement.

Note 15 Membership Details

APT&C staff and all new employees from 1 April 1998 pay contributions of 6% of remuneration. Manual workers employed before 1 April 1998 retain the right to a contribution rate of 5% of remuneration. The following table gives details of the various bodies' membership and their contribution rates.

Membership Details as at 31 March 2009	Contributors	Pensioners	Deferred Pensioners	Employer's Contribution Rate %
Scottish Borders Council	4,167	2,002	1,728	300
Borders College	96	30	38	300
Borders College Business Consultants	30	7	22	300
Visit Scotland (Scottish Borders)	4	2	11	300
Scottish Borders Housing Association	159	24	39	350
Borders Sport and Leisure Trust	31	3	13	320
Jedburgh Leisure Facilities Trust	3	-	1	320
Gala Youth Project	1	-	2	300
Scottish Borders Careers	-	-	4	-
Heriot Watt University (formerly S.C.O.T.)	-	24	3	-
Lothian and Borders Community				
Justice Authority	2	-	-	290
Amey Community Limited	8	-	-	305
Others	-	2	1	-
Total	4,501	2,094	1,862	

The employers' contribution rates are expressed as a percentage of the employee contribution rate from 1 April 1998.

Notes to the Pension Fund

Note 16 Membership Reconciliation 2008/09

Membership Reconciliation as at 31 March 2009	Contributors	Pensioners	Deferred Pensioners	Total
Number at 1 April 2008	4,329	1,975	1,714	8,018
Councillors	30	-	-	30
Rationalisation of posts (single status, etc)	48	-	23	71
New Members	700	-	-	700
Transfers to Other Schemes	(90)	-	(35)	(125)
Refunds of Contributions	(159)	-	-	(159)
Retirement of Contributing Members	(127)	127	-	-
Transfer to Deferred Pensioners	(241)	-	241	-
Re-employed Deferred Pensioners	21	-	(21)	-
Retirement of Deferred Pensioners	-	58	(58)	-
Dependants' Pensions	-	31	-	31
Deaths	(9)	(74)	(2)	(85)
Commutation (trivial pensions)	-	(21)	-	(21)
Ill Health Grant	(1)	-	-	(1)
End of Entitlement	-	(2)	-	(2)
Number at 31 March 2009	4,501	2,094	1,862	8,457

Note 17 Future Scheme Arrangements

From 1 April 2009 revised pension scheme arrangements come into force. The main areas of change are tiered employee contribution rates, service accruing on a basis of sixtieths rather than eightieths and no automatic lump sum entitlement but the option to convert an element of pension to lump sum.

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 6 to 9. 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.

2007/08 £'000	Income and Expenditure Account	Charitable £'000	Other £'000	2008/09 Total £'000
(96)	Income			
	Dividends and Interest	(8)	(77)	(85)
	Expenditure			
55	Grants to Beneficiaries	1	43	44
8	Depreciation	8	-	8
(33)	(Surplus) / Deficit for the Year	1	(34)	(33)
(551)	(Surplus) b/f	(130)	(462)	(592)
(8)	Funding from Revaluation Reserve	(8)	-	(8)
(592)	(Surplus) c/f	(137)	(496)	(633)

2007/08 £'000	Balance Sheet	Charitable £'000	Other £'000	2008/09 Total £'000
	Fixed Assets			
366	Land and Buildings	140	218	358
27	Investments	6	21	27
-	Long term Loan	-	6	6
	Current Assets			
719	Capital Advances to the Loans Fund	51	669	720
600	Revenue Advances to the Loans Fund	137	497	634
	Current Liabilities			
(8)	Sundry Creditors	-	(7)	(7)
1,704	Net Assets	334	1,404	1,738
	Financed by			
(592)	Revenue Reserve	(137)	(496)	(633)
(815)	Capital Reserve	(109)	(708)	(817)
(297)	Revaluation Reserve	(88)	(200)	(288)
(1,704)		(334)	(1,404)	(1,738)

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 2009, for each of the funds. The accounting policies applied are those as set out in pages 6 to 9. 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.

Income and Expenditure Accounts

Total 2007/08 £'000		2008/09								
		Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Income									
(205)	Fees and Charges	(1)	-	(114)	-	-	(10)	(44)	(43)	(212)
(116)	Investment Income	(1)	(1)	(22)	(31)	(5)	(11)	(13)	(9)	(93)
(7)	Grant Income	-	(6)	-	-	-	-	-	-	(6)
(328)		(2)	(7)	(136)	(31)	(5)	(21)	(57)	(52)	(311)
	Expenditure									
72	Property Costs	-	-	123	1	-	21	3	13	161
64	Depreciation	1	-	23	6	-	5	12	15	62
29	Administrative Costs	-	1	12	4	1	3	4	3	28
102	Donations and Contributions	-	2	18	32	-	-	29	14	95
267		1	3	176	43	1	29	48	45	346
(61)	(Surplus) / Deficit	(1)	(4)	40	12	(4)	8	(9)	(7)	35
(1,197)	(Surplus) / Deficit b/f	(25)	(23)	(399)	(228)	(55)	(165)	(274)	(155)	(1,324)
(64)	Funding from Revaluation Reserve	(1)	-	(23)	(6)	-	(5)	(12)	(15)	(62)
(2)	Transfer to Capital Reserve									-
(1,324)		(27)	(27)	(382)	(222)	(59)	(162)	(295)	(177)	(1,351)

Common Good Funds

Balance Sheets

Total 2007/08 £'000		2008/09								
		Duns £'000	Galashiels £'000	Hawick £'000	Jedburgh £'000	Kelso £'000	Lauder £'000	Peebles £'000	Selkirk £'000	Total £'000
	Fixed Assets									
3,821	Land & Buildings	10	-	1,713	325	-	396	410	839	3,693
13	Other Fixed Assets	-	-	3	-	-	-	4	2	9
724	Investments	-	-	97	480	65	-	-	-	642
6	Long Term Loan to Third Party	-	-	-	-	-	4	-	-	4
	Current Assets									
78	Sundry Debtors	-	-	38	-	-	8	2	7	55
272	Capital Advances to Loans Fund	-	-	53	6	1	97	66	49	272
1,260	Revenue Advances to Loans Fund	27	27	392	234	60	150	299	175	1,364
1	Stock	-	-	-	-	-	-	-	-	-
	Current Liabilities									
(9)	Sundry Creditors	-	-	(45)	-	-	-	(6)	(6)	(57)
6,166	Net Assets	37	27	2,251	1,045	126	655	775	1,066	5,982
	Financed by									
(1,324)	Revenue Reserve	(27)	(27)	(382)	(222)	(59)	(162)	(295)	(177)	(1,351)
(1,198)	Capital Reserve	-	-	(289)	(503)	(67)	(97)	(116)	(49)	(1,121)
(3,644)	Revaluation Reserve	(10)	-	(1,580)	(320)	-	(396)	(364)	(840)	(3,510)
(6,166)		(37)	(27)	(2,251)	(1,045)	(126)	(655)	(775)	(1,066)	(5,982)

Alexander G Brown FCCA IRRV
Chief Financial Officer
21 September 2009

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.

	Balance at 1 April 2008 £'000	Movement during the year £'000	Balance at 31 March 2009 £'000
Duns	-	-	-
Galashiels	-	-	-
Hawick	(301)	12	(289)
Jedburgh	(560)	57	(503)
Kelso	(75)	8	(67)
Lauder	(97)	-	(97)
Peebles	(116)	-	(116)
Selkirk	(49)	-	(49)
Total	(1,198)	77	(1,121)

Group Accounts

Introduction

The Statement of Recommended Practice (SORP) has required the preparation of group accounts from 2005/06. This reflected an increasing tendency of local authorities to use a range of service delivery vehicles to facilitate the discharge of their functions which, whilst technically independent, are effectively under the authority's control. Group accounts therefore report on the material extent and implications of the authority'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 57 and 58 to 60 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 2008/09:

- 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. Because of, principally, the pensions deficits of the Police and Fire & Rescue Boards, the deficit of £8.891m on the Council's single entity Income and Expenditure Account becomes a group deficit of £19.341m.

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 2008/09.

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

- **Group Income and Expenditure Account:** This account summarises the Group's Income and Expenditure for the year
- **Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit:** This statement shows how the surplus or deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the surplus or deficit for the year on the Group Accounts
- **Group Statement of Total Recognised Gains and Losses:** This statement brings together all the gains and losses for the Group for the year
- **Group Balance Sheet:** This statement sets out the overall financial position of the Group at 31 March 2009
- **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 63 to 71.

Group Income and Expenditure Account

2007/08		2008/09		
Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
4,832	Chief Executive	4,889	(149)	4,740
3,581	Resources	5,522	(2,703)	2,819
98,717	Education & Lifelong Learning	112,381	(5,908)	106,473
4,756	Planning & Economic Development	7,613	(3,368)	4,245
52,457	Social Work	80,527	(17,754)	62,773
32,332	Technical Services	46,308	(9,356)	36,952
667	Corporate Projects	2,126	-	2,126
502	Other	21,404	(20,691)	713
(100)	Non-distributed costs	3,677	-	3,677
2,143	Exceptional items	2,112	-	2,112
55	Common Good	346	(218)	128
55	Trust Funds	61	(8)	53
11,684	Police	11,670	-	11,670
7,118	Fire & Rescue	9,039	-	9,039
1,284	Share of operating result of associates	(1,640)	-	(1,640)
220,083	Net Cost of Services	306,035	(60,155)	245,880
11	(Profit) / Loss on disposal of assets			(289)
(302)	Surplus on Significant Trading Operation			(74)
8,981	Interest payable and similar charges			11,652
(1,947)	Interest receivable			(2,002)
18,359	Interest costs on pensions			20,440
(19,702)	Return on pension assets			(18,972)
294	Share of Associates' Interest Payable			305
(169)	Share of Associates' Interest and Investment Income			(107)
10,695	Share of Associates' Pension Interest Cost and Expected Return on Pension Assets			11,911
236,303	Net Operating Expenditure			268,744
	Income			
(134,663)	Revenue Support Grant			(158,346)
(40,054)	Non-Domestic Rates Pool for Scotland			(42,287)
(48,954)	Council Tax			(48,770)
(223,671)	Total Income			(249,403)
12,632	(Surplus) / Deficit for the year			19,341

Reconciliation of the Single Entity Surplus or Deficit for the Year To The Group Surplus or Deficit

2007/08			2008/09	
£'000	£'000		£'000	£'000
	637	(Surplus) / Deficit on the Council's single entity Income and Expenditure Account for the Year		8,891
		Add;		
		(Surplus) / Deficit arising from other entities included in the group accounts:-		
		Subsidiaries		
(61)		Common Good	35	
(41)		Trust Funds	(33)	
	(102)	Associates		2
(8)		Borders Sport and Leisure Trust	(17)	
1		Jedburgh Leisure Facilities Trust	(1)	
9,319		Lothian and Borders Police	8,635	
2,785		Lothian and Borders Fire & Rescue	1,831	
	12,097			10,448
	12,632	Group (Surplus) / Deficit for the Year		19,341

Group Statement of Total Recognised Gains and Losses

2007/08 £'000		2008/09 £'000
12,632	Net (surplus) / deficit for the year	19,341
(7,353)	(Surplus) / deficit on revaluation of fixed assets	(37,062)
(52,994)	Actuarial (gains) / losses on pension fund liabilities and assets	27,048
(7,163)	Any other (gains) / losses recognised	4,661
(54,878)	Total recognised (gains) / losses for the year	13,988

Group Balance Sheet

2008 £'000 Restated	Net Assets	2009	
		£'000	£'000
1,179	Intangible Assets		907
	Tangible Fixed Assets		
	Operational		
192,592	Land and Buildings	226,602	
16,817	Vehicles, Plant, Furniture and Equipment	16,767	
65,510	Infrastructure	67,692	
	Non Operational		
33,202	Assets Under Construction	43,585	
1,445	Assets Awaiting Disposal	4,126	
309,566			358,772
3,116	Long Term Debtors	2,888	
	Long Term Investments		
(158,396)	Share of Associates' Net Assets	(171,525)	
751	Other	670	
(154,529)			(167,967)
156,216	Total Long Term Assets		191,712
	Current Assets		
780	Stores, Materials and Work in Progress	825	
34,653	Sundry Debtors	30,396	
(7,063)	less Bad Debt Provision	(7,848)	
27,590		22,548	
44,000	Short Term Deposits	28,865	
2,782	Cash & Bank	3,597	
75,152		55,835	
	Current Liabilities		
(2,998)	Provisions within 12 months	(3,435)	
(45,118)	Sundry Creditors	(45,350)	
(222)	Borrowings Repayable within 12 months	(166)	
(1,339)	Due to Pension Fund	(1,207)	
(49,677)		(50,158)	
25,475	Net Current Assets		5,677
181,691	Total Assets less Current Liabilities		197,389
(173,480)	Long Term Borrowing		(168,299)
(1,472)	Provisions		(124)
(333)	Deferred Liabilities		(13)
(1,871)	Long Term Leasing Liability		-
(53,794)	Government Grants and Contributions Deferred		(65,885)
(315,537)	Pension Liability	(283,494)	
271,205	Pension Assets	212,847	
			(70,647)
(93,591)	Net Assets		(107,579)

Group Balance Sheet

2008 £'000 Restated	Financed by	2009	
		£'000	£'000
(14,279)	General Fund Balance	(10,949)	
(41)	Corporate Repairs and Renewals Fund	(39)	
(4,083)	Insurance Fund	(1,660)	
(8,061)	Capital Fund	(11,654)	
(26,464)			(24,302)
44,332	Pensions Reserve		70,647
17,868			46,345
(6,575)	Revaluation Reserve	(40,382)	
(74,913)	Capital Adjustment Account	(71,702)	
6,685	Financial Instruments Adjustment Account	9,513	
(74,803)			(102,571)
(3,941)	Revaluation Reserve of Group Entities	(3,799)	
154,467	Profit and Loss and Other Reserves of Group Entities and Share of Associates Profit and Loss and Other Reserves	167,604	
150,526			163,805
93,591			107,579

The unaudited accounts were issued on 29 June 2009 and the audited accounts were authorised for issue on 21 September 2009.

Alexander G Brown FCCA IRRV
Chief Financial Officer
21 September 2009

Group Cash Flow Statement

2007/08 Restated £'000		2008/09	
		£'000	£'000
(23,987)	Net cash inflow from revenue activities		(14,984)
	Servicing of Finance		
	Cash Outflows		
8,920	Interest paid	8,966	
49	Interest element of finance lease rental payments	31	
	Cash Inflows		
(2,581)	Interest received	(2,706)	
(171)	Interest element of finance lease rental receipts	(165)	
6,217	Capital Activities		6,126
	Cash Outflows		
32,325	Purchase of fixed assets	36,446	
	Cash Inflows		
(1,282)	Sale of fixed assets	(614)	
(17,424)	Capital grants received	(20,379)	
(5,315)	Other capital cash payments	(450)	
8,304			15,003
(9,466)	Net Cash (inflow)/outflow before financing		6,145
11,000	Management of liquid resources		(12,500)
	Financing Activities		
	Cash Outflows		
47,991	Repayments of amounts borrowed	11,977	
2,500	Premiums on premature repayment of loans	78	
292	Capital element of finance lease rental payments	302	
	Cash Inflows		
(50,000)	New loans raised	(6,707)	
(2,509)	Loans discount received	-	
(103)	Capital element of finance lease rental receipts	(110)	
(1,829)			5,540
(295)	Net (Increase)/Decrease in Cash		(815)

Represented by

(1)	(Increase)/Decrease in Cash in Hand	1
(294)	(Increase)/Decrease in Bank Balance	(816)
(295)		(815)

Notes to the Group Accounts

Note 1 Group Income and Expenditure Account

Reporting Authority Adjustments to align with UK GAAP

A number of adjustments are required to enable the details contained within the Council's Income and Expenditure Account to align with the UK GAAP 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 18 to 48 are also valid for the Group Income and Expenditure Account and are therefore not replicated here.

Note 2 Group Balance Sheet

Effect of Consolidation

The Group Balance Sheet consolidates the assets and liabilities of the Council and the Common Good and Trust Funds. It also includes the Council's share of the associates' net assets or net liabilities. The appropriate shares of surplus or deficits are contained in the relevant group reserves.

2008			Fixed Assets at Net Book Value	2009		
Scottish Borders Council £'000	Common Good Funds £'000	Trust Funds £'000		Scottish Borders Council £'000	Common Good Funds £'000	Trust Funds £'000
188,405	3,821	366	Land and Buildings	222,552	3,693	358
16,804	13	-	- Vehicles, Plant, Equipment etc.	16,759	8	-
65,510	-	-	- Infrastructure	67,692	-	-
33,202	-	-	- Non Operational	43,584	-	-
1,445	-	-	- Surplus Assets, held for disposal	4,126	-	-
305,366	3,834	366	Total	354,713	3,701	358
		309,566				358,772

2008 Restated £'000	Long-Term Investments	2009 £'000
-	- Scottish Borders Council	-
(158,396)	Scottish Borders Council - Share of Net Assets of Associates	(171,525)
724	Common Good Funds	643
27	Trust Funds	27
(157,645)	Total	(170,855)

Notes to the Group Accounts

2008 £'000	Sundry Debtors	2009 £'000
27,512	Scottish Borders Council	22,492
78	Common Good Funds	56
-	Trust Funds	-
27,590	Total	22,548

2008 £'000	Sundry Creditors	2009 £'000
(45,101)	Scottish Borders Council	(45,286)
(9)	Common Good Funds	(57)
(8)	Trust Funds	(7)
(45,118)	Total	(45,350)

Note 3 Group Cash Flow

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

2007/08 £'000		2008/09	
		£'000	£'000
12,632	Deficit for the year		19,341
	Non-Cash Transactions		
(17,370)	Depreciation	(18,170)	
1,912	Amortisation of grants	2,438	
2,032	FRS17 Pension adjustments	497	
(12,220)	Other non-cash items	(13,182)	
(25,646)			(28,417)
	Items on an Accruals Basis		
63	Movement in stocks	45	
(1,716)	Movement in debtors	687	
(1,092)	Movement in creditors	(1,424)	
(2,012)	Movement in other provisions	910	
(4,757)			218
	Items treated as Servicing of Finance		
(8,920)	Interest paid	(8,966)	
(49)	Interest element of finance lease rental payments	(32)	
2,582	Interest received	2,707	
171	Interest element of finance lease rental receipts	165	
(6,216)			(6,126)
(23,987)	Net cash inflow from revenue activities		(14,984)

Notes to the Group Accounts

Note 4 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 2008/09 the Trust's net operating result was a surplus of £116,460. A 14.3% share results in £16,654 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 2008/09 the Trust's net operating result was a deficit of £7,422 of which £1,239 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 eighteen. 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 2008/09 was 12.2%. The Board's net operating result in 2008/09 was a deficit of £70.8m and a share of 12.2% results in £8.635m being consolidated. At 31 March 2009 the Board have an overall net liability of £1,064.6m and a share of 12.2% results in £129.9m 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 eighteen. 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 2008/09 was 17.2%. The Board's net operating result in 2008/09 was a deficit of £10.6m and a share of 17.2% results in £1.8m being consolidated. At 31 March 2009 the Board have an overall net liability of £242.5m and a share of 17.2% results in £41.7m 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 5 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. The number and value of specific grants reduced significantly in 2008/09 following consolidation into Revenue Support 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.

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 8 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.

FRS 17: 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.

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.

IFRS: International Financial Reporting Standards. The Council's accounts will start to be 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.

Non-Operational Assets: these are defined as investment properties, assets under construction and surplus assets held for disposal.

Operational Assets: assets owned by the Council and used directly in the pursuit of the Council's strategy or service objectives, e.g. land, buildings, vehicles and plant.

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 need 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.

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.

STRGL: the Statement of Total Recognised Gains and Losses brings together all the gains and losses for the Council for the year and shows the total increase in its net worth.

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).

UK GAAP: Generally Accepted Accounting Principles in the UK. Recent years have seen local authority accounting becoming fully GAAP compliant.

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 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 2008 under Part VII of the Local Government (Scotland) Act 1973. These financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, Pension Fund Accounts, Common Good Fund and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.~~

~~This report is made solely to the parties to whom it is addressed in accordance with 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 Director of Corporate Resources and Auditor

~~The Director of Corporate Resource's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the Financial Statements.~~

~~My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.~~

~~I report my opinion as to whether the financial statements present fairly, in accordance with relevant legal and statutory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.~~

~~I also report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.~~

~~I review whether the Statement on the System of Internal Financial Control reflects the authority's compliance with the SORP and I report if, in my opinion, it does not. I am not required to consider, nor have I considered, whether the statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.~~

~~I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword by the Director of Corporate Resources. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.~~

Basis of audit opinion

~~I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an~~

~~assessment of the significant estimates and judgements made by the Director of Corporate Resources in the preparation of the financial statements, and of whether the accounting policies are appropriate to the local authority's, and its group, circumstances, consistently applied and adequately disclosed.~~

~~I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.~~

Opinion

~~In my opinion the financial statements:~~

- ~~• present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of Scottish Borders Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and~~
- ~~• the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.~~

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

23 September 2008