



SOUTH  
LANARKSHIRE  
COUNCIL

# Annual Accounts 2018



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# Introduction

## by Council Leader

The publication of our Annual Accounts is one of the most important things we do each year, as it demonstrates how efficient and effective the council has been, and it does this in a very public and transparent way.

The SNP took over as the council's administration following the local authority elections of May 2017, by which time the budget for 2017/18 had already been agreed. However, all political groups took part in the process of setting the budget and I am happy to endorse these accounts. They show, first and foremost, that the council met our statutory requirement to set a balanced budget.

They also show that the council has been efficiently run during our first year in office – a year which I would note has been marked with a number of significant achievements as the new administration set about delivering on the many pledges that were welcomed by voters when they elected us to office.

One central promise was that we would be open and transparent, and I am pleased to be able to report that we have made good progress in this. The council's first Petitions Committee is nearing completion and should be established this year, allowing like-minded citizens a new way to bring any concerns and suggestions they have before Elected Members.

This will make the democratic process more accessible and I hope will reinvigorate interest in the work we do. For the same reason, to mark the Year of Young People, the council has announced a Children and Young People's Cabinet, whose members will shadow councillors and officers and see local democracy in action.

As part of this greater inclusivity the council has become more active on social media, and now has a facebook page. My colleagues and I are also reaching out in person, by making sure we get out into our communities and meet the people we work for.



**John Ross**  
Council Leader

This is all part of that commitment to open government and to working in partnership with our communities, and we take very seriously indeed the Scottish Government's pursuit of community empowerment. This is increasingly reflected in the council's drive to engage with local people as we shape the services we provide, now and in the future.

This engagement is vital as we continue to deliver our ambitious programme to transform and revitalise South Lanarkshire. I look forward to offering more details of these activities in future accounts.

Welcome to the 2017/18 annual accounts for South Lanarkshire Council.

These accounts demonstrate the council's sound financial approach, which is based on good financial planning for both the short and longer term. The accounts also show that a balanced budget once again was set by the council.

As part of setting the budget in the year these accounts cover the council made a number of efficiencies totalling £19 million. This was done while continuing to protect key frontline services as far as possible and continuing further investment in important areas like social work and education.

When the budget was set at the start of the year, Education, especially schools, remained the council's biggest area of revenue spend in 2017/2018, accounting for £321.8m of our £673m budget. £144.1m was spent on Social Work services, which included an additional budget allocation of £7.7m to meet increased demand for social care services.

The balance of the council's revenue expenditure funded the work carried out on local residents' behalf by Community and Enterprise Resources, Housing and Technical Resources, and Finance and Corporate Resources.

In addition to ensuring our revenue spending meets the area's needs, the council also continues to invest in the local infrastructure for the long-term benefit of our residents and communities. In February 2017, capital programmes for 2017/2018 to 2019/2020 were approved which will fund projects to the value of £256m by 2020.

Further capital investments which will benefit South Lanarkshire for many years to come include the continuation of our Schools Investment Programme, our Roads Investment Plan and our projects through the Glasgow City Region City Deal, including our Community Growth Areas.

Thanks to these programmes, by 2019 every primary and secondary school will be a modern and inspiring place to learn and the positive impact of this investment on school experience and exam results – and therefore our young peoples' life opportunities – is already clear. In addition, the Community Growth Areas will provide further investment in South Lanarkshire and deliver approximately 10,000 new houses over the next 20 years.



Lindsay Freeland  
Chief Executive

Both our revenue and capital expenditures support the council's objectives and values as set out in Connect, the Council Plan. This plan was approved in 2017 and sets out our approach to 2022, with the core vision "to improve the quality of life of everyone in South Lanarkshire".

Across Scotland in 2017 Local Outcomes Improvement Plans (LOIPs) were introduced to replace Single Outcome Agreements as the key documents that demonstrate that local authorities and their partners have a clear understanding of local needs circumstances and aspirations, and how these can vary for different places within an area's boundaries.

Our LOIP has been published as our Community Plan, and it provides a shared vision and focus which bind the public sector to making decisive improvement on local outcomes. As a key part of this process, a number of Neighbourhood Plans have been developed in consultation with local communities.

The year covered by these annual accounts also included the local authority elections of 4 May 2017 and the first meeting of the new council took place on 18 May 2017, when a new administration was established and councillors elected a Provost, Council Leader and other key post-holders.

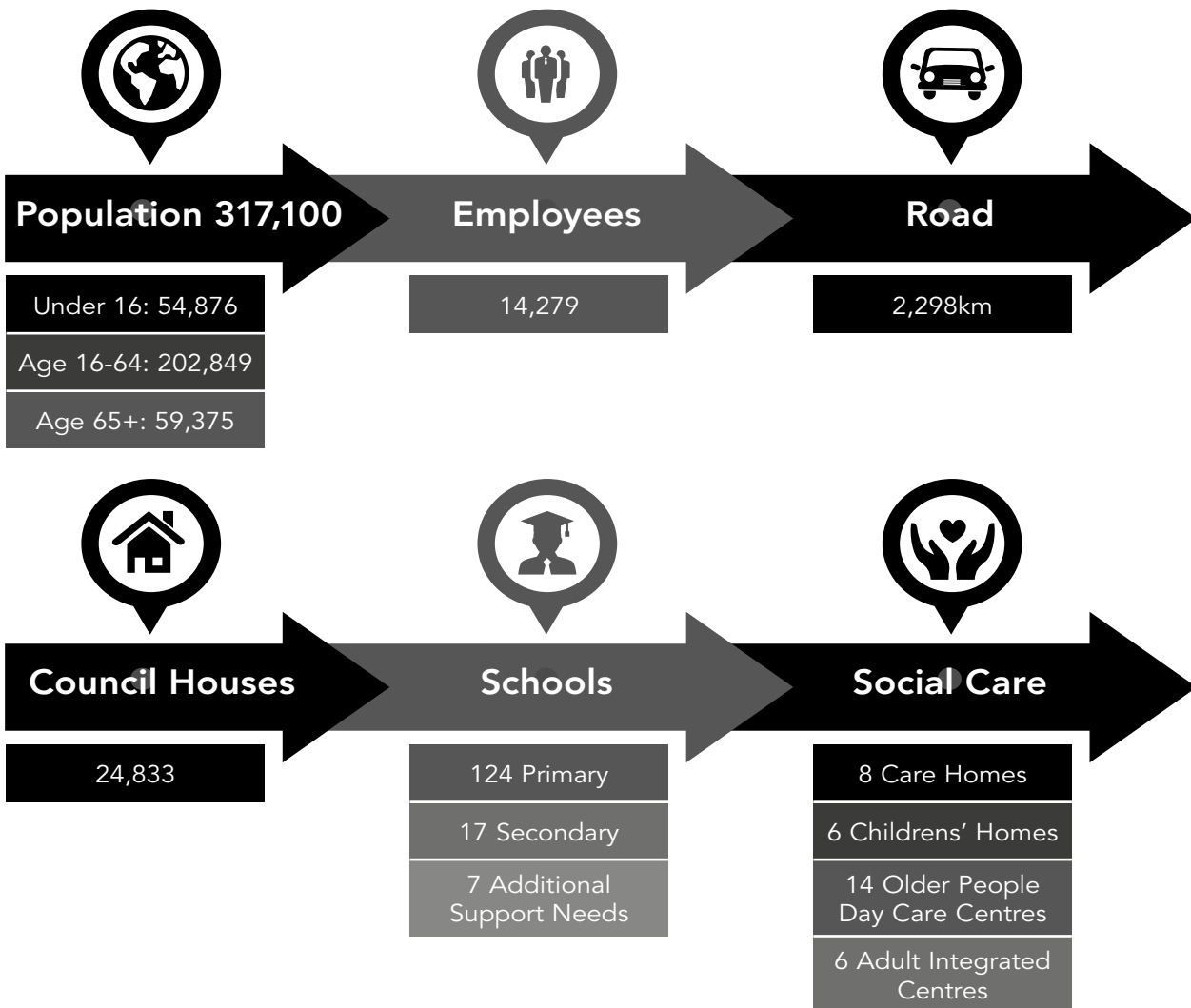
Future budgets are expected to continue to be challenging and further savings will need to be found in the financial year ahead. However, we are committed to continuing to provide the services the people of South Lanarkshire have come to expect from us and committed to continued investment in our communities.

# Management Commentary

## Introduction

The Management Commentary outlines the key messages in relation to the council's financial planning and performance for the year 2017/2018 and how this has supported delivery of the council's priorities. This commentary also looks forward, outlining the council's future financial plans and the challenges and risks which the council will face whilst trying to maintain service delivery and meet the needs of the people of South Lanarkshire.

South Lanarkshire spans central and southern Scotland, covering an area of 686 square miles from the Cathkin Braes to the Pentlands and down through the Southern Uplands. South Lanarkshire Council faces the dual challenge of catering for the busy towns in the urban areas of the north west (East Kilbride, Hamilton, Cambuslang and Rutherglen), while meeting the needs of residents in dozens of small villages and remote hill farms in its wide rural area (Clydesdale area).



The council's current population is expected to increase by 1.5% in the years 2016 to 2026 and a further 0.1% in the years 2026 to 2037. The council is currently facing an aging population, with more than 18% of the current population being over the age of 65. This trend is expected to continue, with the number of over 65's significantly increasing.

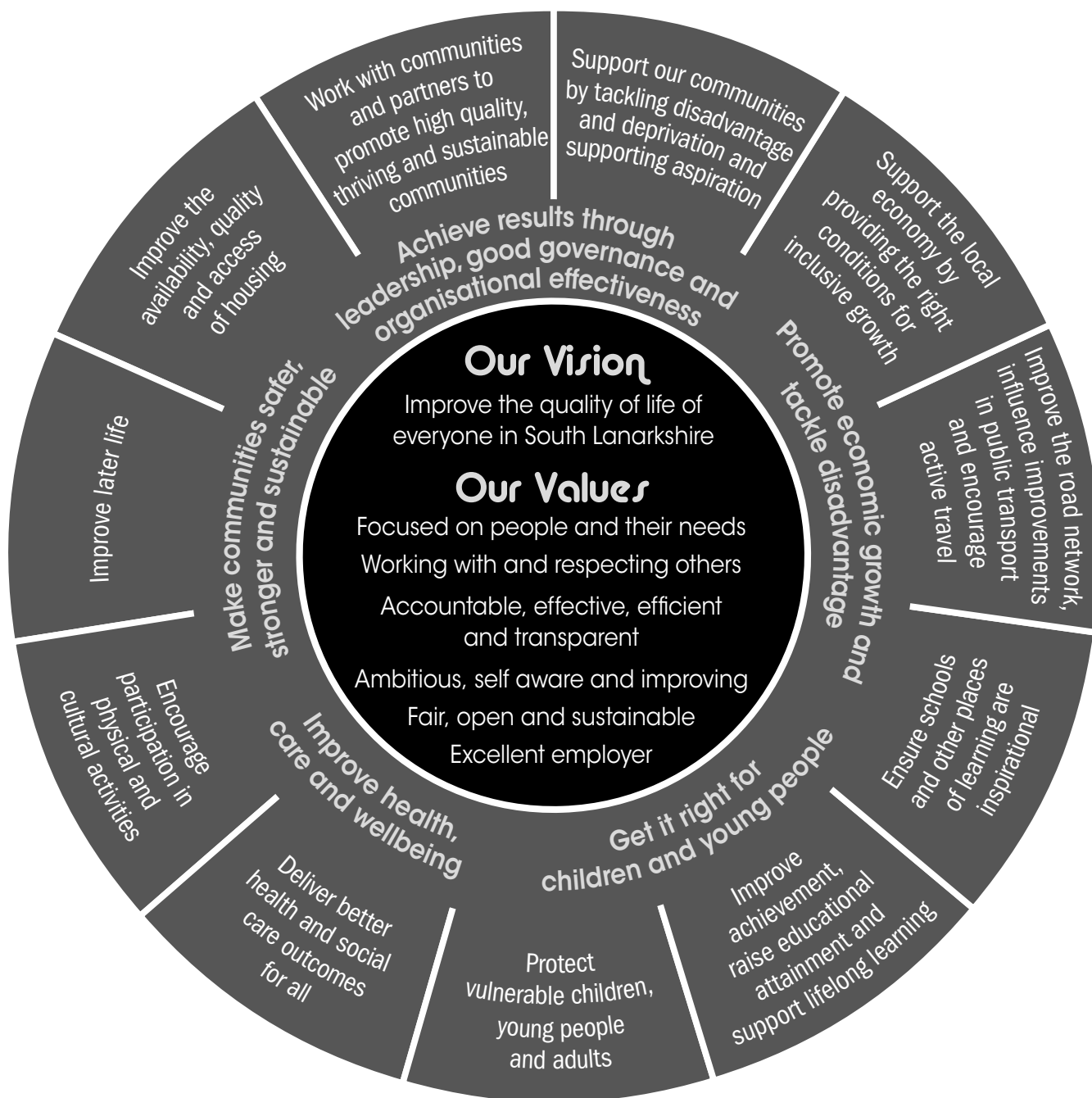
Although the predicted population increases are below those of Scotland as a whole it is expected that South Lanarkshire will see significant increases in numbers in the Community Growth areas, particularly in the number of children, which is anticipated to have an impact on Education and Childrens' Services.



# Management Commentary

The council's vision is to 'Improve the quality of life of everyone in South Lanarkshire'. This vision is at the core of the new Council Plan – Connect 2017-2022, which was approved by the council on 8 December 2017. The Council Plan sets out the council's vision, values and objectives and what difference these will make to the residents and communities of South Lanarkshire.

A diagrammatic summary of the core elements of the Plan has been developed. This takes the form of a wheel. This captures the flexibility and dynamism of the Council Plan Connect as we work together towards achieving our Ambitions and Objectives with our Vision and Values together at the centre of everything we do.



# Management Commentary

The council delivers the Plan through its five Resources:



The delivery of the above mentioned services relies on the commitment, dedication and ability of our 14,279 employees (11,869 full time equivalents).

## Performance

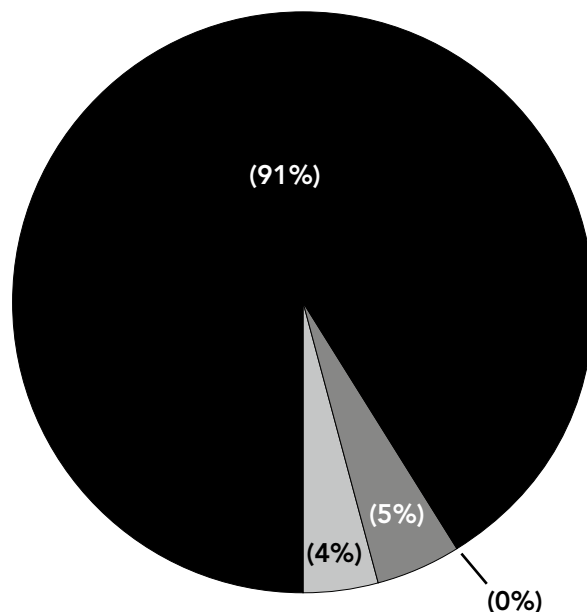
South Lanarkshire Council has a well established approach to performance management and reporting. This enables the council to keep track of the progress made in achieving priorities and objectives. Such measures are introduced at Resource Plan level and are included within IMPROVe, the council's performance measuring and reporting tool. Bi-annual updates on achievement of the measures are presented to Elected Members.

The measures are aligned to the Priorities and Objectives set out in the Council Plan. A total of 714 measures were identified within Resource Plans for 2017/2018. Of those 219 (31%) are linked to the achievement of the Connect Objectives detailed in the Council Plan. The measures are detailed within the individual Resource Plans and bi-annual progress reports, and can be found on the Performance pages of the council's website.

In addition, the Q4 outcome was reported to the Performance and Review Scrutiny Forum on 6 June 2018 and can be found here: [Connect 2017-2022 Quarter 4 Progress Report 2017/2018](#).

As at the end of Quarter 4 (31 March 2018), 200 (91%) measures had been achieved. This includes the implementation of the Roads Programme. Of the remaining measures, 10 experienced minor issues and 9 are included for information only or the statistics are not yet available in 2017/2018. There were no measures that were not achieved.

### IMPROVe Performance



- 200 measures achieved (91%)
- 10 measures experienced minor issues (5%)
- 9 measures included for information only (4%)
- 0 measures not achieved (0%)

The council continues to remain an active participant in the Local Government Benchmarking Framework (LGBF). As well as allowing the council to self assess its performance across years, the main benefit of the LGBF is the ability to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

## Key Achievements in 2017/2018:

- Sanderson High School won a Gold Scottish Education Award in the category 'Employability Across Learning'.
- The proportion of school leavers entering positive destinations increased to 94% which is above the national average of 93%.
- The percentage of pupils gaining 5 or more awards at Level 6 (Higher) or better, increased to 33.6% and is the highest level recorded in the last 5 years.
- 70 new council homes delivered in the Fernhill area.
- 2,383 people were supported through employability programmes. Of this number, 1,266 people went on to access employment or training/education; and in terms of employment, 794 people were assisted into work.
- As a direct result of local authority intervention to businesses via grants, loans or advice, 1,361 jobs were created or sustained and £23.030m in sales was generated.
- Completion of the £1m extension to Newton Rail Station Park and Ride (including construction of 155 car park spaces).
- In respect of aids and adaptations, 2,220 pieces of equipment have been recycled and 145 stair lifts have been recycled, saving £0.200m.

## Financial Planning

The council considers financial planning an essential tool to ensure that the council is able to prepare for new challenges and national initiatives. In a climate of financial pressures where increasing cost burdens such as pay award, contract inflation and demands for social care provision, taken together with reducing grant funding is resulting in significant saving requirements on revenue budgets, this can prove challenging when the aim is to continue to deliver services and improve the lives of our residents and communities.

The key financial strategies to support this process are:

- Revenue Financial Strategy for 2017/2018.
- Medium Term Revenue Budget Strategy 2016/2017 to 2018/2019
- Capital Programme 2017/2018 to 2019/2020
- The Treasury Management and Annual Investment Strategy 2017/2018 which contains details of debt and investment projections, borrowing strategies and expected movement in interest rates. The strategy identifies the different types of treasury risk that investments are exposed to and the controls in place for limiting those risks. These include restrictions on who the council will invest with and on the period of investment.



# Management Commentary

## Financial Performance

### General Fund Revenue Budget

The General Fund is the Statutory Fund through which all normal business of the council is directed. Net expenditure within the General Fund was met from Government Grant (80%), Council Tax (18%) and the one-off use of reserves (2%).

The council's budget for 2017/2018 was approved by the council on 16 February 2017. The budget set for the year was £673.338m.

For 2017/2018, the council finished the year with a net Revenue Budget of £673.894m. This reflects an in-year increase to the council's budget due to additional grant income received for specific purposes and the use of reserves for known commitments.

The table shows a summary of the budgeted and actual spend across the council's Resources and Services, both before and after Transfers to Reserves, excluding the Housing Revenue Account which is a separate ring fenced account.

	Annual Budget £m	Actual Before Transfers £m	Variance Before Transfers £m	Actual After Transfers £m	Variance After Transfers £m
Community and Enterprise	116.814	115.869	0.945	117.648	(0.834)
Education	297.643	290.438	7.205	297.006	0.637
Finance and Corporate	33.994	33.035	0.959	33.493	0.501
Housing and Technical	19.869	19.033	0.836	19.868	0.001
Social Work	139.661	139.724	(0.063)	139.930	(0.269)
Joint Boards	2.363	2.363	-	2.363	-
CFCR	0.859	0.423	0.436	0.423	0.436
Loan Charges	57.751	52.205	5.546	52.205	5.546
Corporate Items	4.940	0.427	4.513	2.115	2.825
Transfers to Reserves	-	-	-	13.474	(13.474)
<b>Total Expenditure</b>	<b>673.894</b>	<b>653.517</b>	<b>20.377</b>	<b>678.525</b>	<b>(4.631)</b>

Council Tax	137.458	142.749	5.291	141.249	3.791
Less: Council Tax Reduction Scheme	(21.370)	(19.030)	2.340	(20.030)	1.340
Net Council Tax	116.088	123.719	7.631	121.219	5.131
General Revenue Grant	254.812	254.812	-	254.812	-
Non Domestic Rates	287.862	287.862	-	287.862	-
Transfers from Reserves	15.132	15.132	-	15.132	-
<b>Total Income</b>	<b>673.894</b>	<b>681.525</b>	<b>7.631</b>	<b>679.025</b>	<b>5.131</b>
<b>(Surplus)/Deficit for Year</b>	<b>-</b>	<b>(28.008)</b>	<b>28.008</b>	<b>(0.500)</b>	<b>0.500</b>

<b>(Surplus)/Deficit for Year before transfers</b>	<b>(28.008)</b>
Transfer to Specific Reserves	7.414
<b>(Surplus)/Deficit for Year after transfers to Specific Reserves</b>	<b>(20.594)</b>
Transfer to Earmarked General Fund	20.094
<b>Uncommitted General Fund</b>	<b>(0.500)</b>



# Management Commentary

At the end of 2017/2018, there was an underspend before Transfers to Reserves of £28.008 million. Transfers to Reserves were made totalling £27.508m. The underspend, before transfers to reserves, arose for the following reasons:

- **Resources:** The 5 Council Resources reported an underspend of £9.882m before transfers to reserves. The main reasons for each Resource is detailed below:

**Community and Enterprise:** The underspend relates mainly to a reduction in roads and carriageway works due to adverse weather, an underspend as a result of tonnages and related cost of waste being lower than anticipated and delays in landscaping works to be carried out at allotments.

**Education Resources:** The underspend has arisen as a result of the timing of expenditure on Early Years, Children and Young People Act and Pupil Equity Fund projects.

**Finance and Corporate:** The underspend resulted mainly from lower than anticipated housing benefit overpayments and an underspend on Scottish Welfare Fund payments, partially offset by a reduction in penalty income received in respect of the collection of debt.

**Housing and Technical:** The underspend reflects lower than anticipated expenditure on maintenance within Homeless properties and the timing of spend on the Homeless Service as a result of Welfare Reform and the rollout of Universal Credit.

**Social Work:** The overspend reflects the demand for Adult and Older People social care services, offset by additional income from service users and an underspend on Direct Payments.

The variances for all services are detailed in the report presented to the Executive Committee on 27 June 2018: [2017/2018 Final Outturn and Annual Accounts](#)

- **Loan Charges** shows an underspend of £5.546m and is the result of savings on interest and expenses due to no new borrowing being undertaken in the current financial year, with cash balances being used to fund capital spend. When new borrowing is taken, the cash balances will be replenished.
- **Corporate Items** Included within this budget are Resource budgets for rates, utilities, Apprenticeship Levy, and Carbon Reduction Commitment. The underspend reflects the element of budget not allocated to Resources as they were not required in

the current year due to actual increases for rates and utilities and actual charges for Apprenticeship Levy and Carbon Reduction Commitment being lower than anticipated. In addition, income was received in relation to energy and spend to save repayments. This additional income was transferred to Reserves for commitments in future years.

- **Council Tax** is over recovered by £5.291m before transfers to reserves as a result of increased property numbers and the collection of arrears. In addition, the Council Tax Reduction Scheme was underspent by £2.340m reflecting a lower than anticipated demand during the year.

The Transfers to Reserves of £27.058m includes transfers to the Winter Maintenance Fund (£2m), Insurance Fund (£1.7m), IT Development Fund (£1.5m) and Earmarked General Fund, to assist with future budget strategies (£8.2m), arising from the underspends in loan charges, and over recovery of Council Tax.

In addition, transfers to Reserves totalling £14m were made from the Resource and Corporate Items lines. This mainly relates to £1m for the roads carriageways, £6.6m for the Early Years and Pupil Equity Fund, £0.8m in respect of the Homelessness underspend, £0.6m in relation to the energy, utilities and spend to save payments, and £2.5m of net Council Tax income as detailed in the explanations above. The balance relates to funding for a number of Resource projects to meet commitments in future years.

These approved transfers left an underspend of £0.500m to be transferred to the Uncommitted General Fund.

The Movement in Reserves Statement on page 43 reconciles the financial position shown in the Comprehensive Income and Expenditure Statement (page 41) to the movement on the Council's Reserves (pages 53 and 56).

Once statutory adjustments are reflected in the accounts, and transfers to/from the Council's Reserves are applied, the balance on the council's total General Fund is £71.040m being carried forward in the General Fund Reserve into 2018/2019, of which £13.043m remains uncommitted. The uncommitted balance of £13.043m, including the £0.500m underspend from 2017/2018 equates to 1.88% of Annual Budgeted Net Expenditure (for 2018/2019).

The Council's Reserves policy identifies that there is no prescribed minimum level of reserves which should be held by a council. The level of Uncommitted General Fund currently reflects a suitable cushion to contribute towards any unanticipated pressures that the council may face.



# Management Commentary

## Housing Revenue Account

The council's ring-fenced Housing Revenue Account (pages 94-95) shows an increase in reserves of £1.373m for the year mainly due to the actual bad debt provision being lower than anticipated. This increases the accumulated surplus to £11.624m, which will be carried forward to future years to fund the ongoing impact of welfare reform, the development costs related to the new housing management I.T. system and the continuation of the housing investment programme, as well as maintaining a reasonable level of reserves.

The council has a medium to long term financial Business Plan for the HRA. This ensures the affordability of the council's approved Strategic Housing Investment Programme (SHIP), a key part of the Local Housing Strategy (LHS) process. The strategic outcomes identified in the LHS guide investment priorities outlined within the SHIP, including the increase in supply of affordable housing in areas of housing pressure, as well as coping with the needs of an ageing population.

## Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement

The new Expenditure and Funding Analysis (page 40) was introduced in 2016/2017 and its purpose is to reconcile the monitoring position of the council funded from Council Tax and Government Grant, as reported to the Executive Committee during the year, to the position reported under the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 on the Comprehensive Income and Expenditure Account. The total movement on the General Fund and HRA for 2017/2018 was a surplus of £15.472m compared to the deficit of £121.874m reported in the Comprehensive Income and Expenditure Statement.

## The Balance Sheet

The Balance Sheet shows the position as at 31 March 2018 and brings together the council's year end balances including the assets owned, the monies owed to and by the council and the reserves available to the council for use in future years.

The council's Balance Sheet (page 42) summarises the Assets and Liabilities as at 31 March 2018 and shows a net worth of £1,445.191m. This is an increase of £445m from 2017/2018 and equates to a decrease in the Liabilities of £378m in addition to an increase in Assets of £67m. The main movements in the council's Balance Sheet are explained in more detail below:

## Long Term Assets

The value of Long Term Assets was £2,947m at the end of 2017/2018, representing an increase of £43m in the year and reflects an increase

in Property, Plant and Equipment due to the revaluation of council Dwellings and also capital expenditure on assets.

## Current Assets

Current assets have increased by £24m. This is mainly due to an increase in cash and cash equivalents due to an increase in working capital and usable reserves, offset by the fact that the council did not take any new borrowing in 2017/2018. In addition, there were decreases in debtors, inventories and assets held for sale.

## Long and Short Term Borrowing

The Treasury Management and Annual Investment Strategy lays out the council's borrowing strategy.

The council's total borrowing at 31 March 2018 is £913m comprising (Long Term £882m and Short Term £31m). This represents a decrease of £24m from the position at 31 March 2017. The decrease in Borrowing is the result of no new borrowing being taken out in 2017/2018 and repayments of existing borrowing. Details of borrowing are shown in Note 30 on Financial Instruments (page 77).

## Council's Pension Liability

The Net Pension Liability has decreased by £373m to £337m from the 31 March 2017 position. This reflects the outcome of the formal triennial valuation of the pension fund carried out by the pension fund actuary, Hymans Robertson LLP during 2017/2018.

The valuation included a review of the underlying assumptions used in the calculation of the fund obligation, which resulted in reductions in the assumptions used in respect of mortality and longevity (based on average life expectancy). The assumption of lower expected future pension payments has decreased the overall liability. In addition the return on assets was better than anticipated, also resulting in a decrease to the overall liability.

The Pension Liability shown is the result of the accounting legislation and standards and reflects the cost to the council if all staff retired as at 31 March 2018.

Whilst indicative of a broad position in terms of a pension liability, the reader should be aware of a range of factors inherent in the figure, before drawing conclusions on such a significant number in the council's Financial Statements. The council is meeting pension costs on an annual basis. Note 28: Defined Benefit Schemes on pages 72-76 provides more details on pensions including the factors affecting the pension liability such as assumptions about mortality, salary inflation, pension inflation and discount rates.

# Management Commentary

## Net Worth

The Net Worth of the council is shown across the Movement in Reserves. Noted on the balance sheet are Unusable Reserves of £1,332.550m and Usable Reserves of £112.641m, the former being maintained for accounting purposes only. The detail of these reserves is noted in the Movement in Reserves Statement on pages 43 with more detail provided in Note 11 (page 56) and the Accounting Policies (pages 86 to 93).

It is expected that future revenue streams, aligned with the budget process and service reform programme, will provide sufficient resources to manage any future liabilities. It is therefore considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Key Financial Ratios

In order to monitor financial performance and to supplement the figures contained within the Annual Accounts, the council prepares a number of financial ratios as a result of best practice guidance contained within the Prudential Code for Capital Finance in Local Authorities.

The following table provides information on the Council's borrowing strategy as reported to the Council's Executive Committee. In order to highlight performance, the table shows the 'target' (where appropriate, set through approved Prudential Indicators), as well as the actual outcome:

Financial Indicator and Commentary	2017/2018 Estimate/ Target	2017/2018 Outcome	2016/2017 Estimate/ Target	2016/2017 Outcome
<b>Debt/Long-term Borrowing</b>				
Capital Financing Requirement (CFR) for the current year	£1,282m	£1,255m	£1,255m	£1,271m
External Debt Levels for the current year	£1,282m	£1,255m	£1,255m	£1,151m
Gross Borrowing (External Debt Levels excluding PPP Finance Lease Liability and accrued interest)	£1,066m	£904m	£1,032m	£928m
Ratio of Financing Costs to Net Revenue Stream (as a %) which indicates how much of the council's net revenue budget is used for servicing debt:				
General Services	9.06%	8.85%	10.80%	7.95%
Housing Revenue Account	17.23%	16.95%	16.58%	16.43%

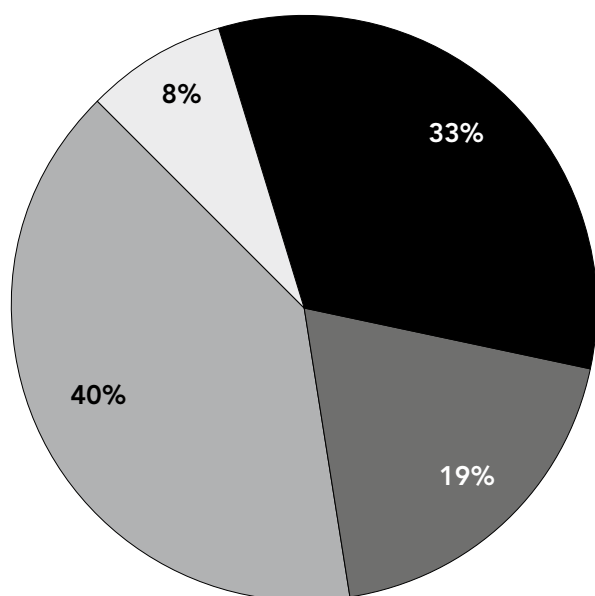
The ratio of financing costs to net revenue stream shows how much of the Council's income raised from Council Tax and grant received from the Scottish Government has been used to pay for costs associated with the Council's borrowing.

# Management Commentary

## Capital Programme

The council operates two distinct Capital Programmes: the General Services Programme and the Housing Capital Programme.

The pie chart shows the main areas of spend progressed through the year:



- Education (£30.870m)
- Roads (£17.194m)
- Housing Revenue Account (£36.925m)
- Other (£7.423m)

**General Service Programme:** The General Services capital budget for 2017/2018 including movements that were reported during the year, was £78.242 million.

The actual expenditure at 31 March 2018 was £55.487m, resulting in an underspend against the budget of £22.755m. This underspend is mainly due to the timing of the Primary Schools Modernisation Programme, Growth and Capacities Programme and Early Years expansion works within Education Resources. Vacant and Derelict Land works at Shawfield and Glen Esk were also delayed. In addition, there are multi-year projects including Street Lighting works and City Deal Community Growth Areas where the funding covers a number of years. Finally, due to adverse weather conditions, there was a delay in the Roads Improvement Programme works.

For all of these projects, the underspend reflects the timing of project spend and funding will carry forward into financial year 2018/2019 to meet commitments.

The General Services Programme has mainly been funded from a combination of grants from various funding bodies (£42.035m) and borrowing (£11.933m) with the remainder funded through contributions from the revenue account (£1.519m).

**Housing Capital Programme:** The Housing capital budget for 2017/2018 was £40.581m. The focus of this spend has been on Council housing stock through environmental works and also the provision of new properties. The Housing Programme is ring-fenced and funded by its own Revenue Account, Government Grant, Prudential Borrowing and house / land sales.

The actual expenditure to 31 March 2018 was £36.925m. This represents an underspend of £3.656m reflecting the timing of spend in relation to the Urban Park Development of the former Blairbeth Golf Course site and the continued work of the Housing Investment Programme. This includes external works where programmes have been impacted due to extended periods of cold weather. Any ring-fenced funding not utilised will be carried forward and used to fund the commitments in future years.



# Management Commentary

The council is able to regulate its own capital spending limits within a Prudential Framework recommended by CIPFA and endorsed by the Scottish Government. As such, the repayment of borrowing, which falls as a future commitment against the council's Revenue Budget, must be affordable. The repayments form part of the approved revenue budget, and the spend and debt repayments remain within the Prudential Framework limits approved by the council. The ratio of financing costs to the council's Net Revenue Stream for 2017/2018 (Government Grant plus Council Tax Income) is 8.85%.

More detailed narrative and capital investment plans, treasury management (borrowing and investments), prudential indicators and loans fund liabilities can be found in the council's Report on Prudential Indicators, Treasury Management Strategy and Annual Investment Strategy 2017/2018 that was presented to a meeting of the full council on 16 February 2017.

The outstanding liabilities on the PPP contracts are £216.138m, of which £7.213m is shown under current liabilities and £208.925m under long term liabilities. Details of the annual costs of these contracts are shown in Note 26 (page 71).

## Financial Outlook including Risks and Uncertainties

Moving into 2018/2019, the council continues to focus on responding to the funding challenges, while at the same time, continuing to provide services for the benefit of the citizens of South Lanarkshire. The 2018/2019 budget was set on 28 February 2018 and took account of a savings package which aimed to minimise the impact on front-line service delivery. However, given the extent of the financial pressure being experienced, this protection is becoming more difficult.

The council's has faced over £161m in efficiency savings in the last 10 years, with a further £15m required to balance the budget in 2018/2019, and this trend is expected to continue moving forward.

A new financial strategy will be presented to Elected Members. Based on best information available, including information from independent economic advisors, the Strategy

assumes a reducing level of Government Grant going forward.

External advice also indicates an expectation of increased pay awards, living wage expectations and inflation over the period of the Strategy. Alongside these cost pressures, the council faces service pressures arising from a range of issues including demographic changes, and an increasing older population, which impacts on the cost of providing social care. The summarised position is a budget shortfall for the coming years, and a continued need to make savings.

There are a number of other key developments which are likely to impact on the financial position of the council in the coming years, some of which are noted below:

- **Grant Uncertainty:** The level of grant that the council will receive in 2019/2020 and beyond is unknown and therefore makes it difficult to form a budget strategy with any certainty. Based on the pattern of UK and Scottish Government budget announcements over the last few years, it is likely to be late 2018 before we know the council's 2019/2020 grant figures.

In addition, an independent economist who provides monthly economic updates to the CIPFA Directors of Finance Group, has highlighted that due to the potential impact of UK and Scottish Government decisions, it is difficult to predict the short to medium term outlook for Local Government.

- **Impact of Integration of Health and Social Care:** The Integration Joint Board has been established which will manage delivery of health and social care services, facing increasing pressures from an increasing and ageing population and an increasing demand for service.
- **Impact of Welfare Reform legislation:** Welfare reform is still evolving and the council will continue to adjust as further implications emerge, including the rollout of Universal Credit.
- **Brexit:** there may be a financial impact of the United Kingdom's decision to leave the European Union.

# Management Commentary

- **Implementation of National strategies:** including Early Years, Raising Attainment and Educational Leadership.
- **The Community Empowerment Bill** which promises to have implications for local democracy and the engagement of public sector bodies with local communities.
- **Glasgow City Region City Deal**, a £1.13bn initiative, involving eight councils and the Scottish and UK Governments, to stimulate economic growth over the next 20 years. South Lanarkshire Council is undertaking four main projects (Cathkin Relief Road, Community Growth Areas, Stewartfield Way and Greenhills Road) at a total cost of £169m, of which the council is contributing £23 million.

Taken together, these influences represent a fast-changing environment, bringing opportunities as well as challenges, and driving the requirement for the council and its services to be open to new ways of working, to innovation and continuous improvement.

## Supplementary Information

### Common Good and Trust Funds

The council operates Common Good and Trust Fund accounts which record the financial transactions in relation to funds which the council administers. These do not represent charges or income to council tax payers.

### Group Accounts

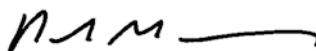
The council has adopted the recommendations of the Accounting Code of Practice in the United Kingdom 2017/2018 and has produced a full set of Group Accounts. These accounts incorporate any material balances from identified associates and include a Group Movement in Reserves Statement, a Group Balance Sheet, a Group Expenditure Funding Analysis Statement, a Group Income and Expenditure Statement and a Group Cash Flow.

By including the Group entities along with the council's Single Entity Accounts, the effect on the Group Balance Sheet is an increase in both Reserves and Net Assets of £57.503m.

This represents the council's share of the net assets in these entities. The Group Accounts, including details of associates are included in pages 98-110.

### More Information

Further information about South Lanarkshire Council can be obtained on the council's website ([www.southlanarkshire.gov.uk](http://www.southlanarkshire.gov.uk)). Alternatively, contact Finance and Corporate Resources, Floor 4, Almada Street, Hamilton ML3 0AB.



**Paul Manning**  
Executive Director  
(Finance and Corporate Resources)



**Lindsay Freeland**  
Chief Executive



**Councillor John Ross**  
Leader of the Council



# Annual Governance Statement

## Acknowledgement

### Scope of responsibility

The residents of South Lanarkshire expect the council to conduct its business in a lawful and transparent way. In particular, the council has a duty to safeguard public money and account for it; and to continuously review and improve how its functions are discharged, focussing on the priorities of economy, efficiency and effectiveness.

The council is responsible for putting in place proper arrangements for the governance of its activities and facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A Local Code of Corporate Governance has been approved and adopted. This is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework entitled 'Delivering Good Governance in Local Government'.

This statement explains how South Lanarkshire Council has complied with the code during 2017/2018 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts.

### The purpose of the governance framework

The governance framework comprises the culture, values, systems and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's aims and objectives by evaluating the likelihood and potential impact of those risks being realised. This enables the council to manage risk efficiently, effectively and economically.

The governance framework has been in place at South Lanarkshire Council for the year ended 31 March 2018 and up to the date of approval of the Annual Accounts.

## The Governance Framework

### Visions and aims for the community

The council's vision is 'to improve the quality of life of everyone in South Lanarkshire'. The Council Plan, [Connect 2017-2022](#) sets out the council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire. The [Community Plan 2017-2027](#) sets out a common vision for the South Lanarkshire Community Planning Partnership and shows how the partners aim to achieve that vision.

The following table sets out how the council has complied with its [Local Code of Corporate Governance](#). Key elements of the systems and processes that comprise the council's governance arrangements are described below. These systems and processes are fit for purpose and provide assurance that the council is discharging its obligations to residents.



# Annual Governance Statement

Principle	Assurance on compliance
<p><b>Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>	<ul style="list-style-type: none"> <li>• The council has revised its employee Code of Conduct and Induction Checklist and developed a new Behaviours Framework. These documents outline the expected standards of behaviour required to ensure integrity.</li> <li>• All councillors have received training in the standards of behaviour required in line with the Code of Conduct for Councillors. This has been supplemented with approval of role profiles for all members which has, as a core accountability, to maintain the highest standards of conduct.</li> <li>• The council's Local Code of Corporate Governance which sets out the behaviours and values that the council is committed to was revised during 2017/2018 and aligned with the CIPFA/SOLACE guidance on Delivering Good Governance in Local Government.</li> <li>• The council approved revised committee management procedural documents including decision making protocols, contracts and financial regulations. Information on all declarations of interest made by councillors is available to the public.</li> <li>• There are a range of policies, for example anti-fraud and corruption and whistleblowing that promote ethical behaviour amongst employees and councillors. Whistleblowing for Third Parties and Confidential Reporting procedures will be revised during 2018/2019.</li> <li>• An analysis of the training needs for all Elected Members has been completed and a schedule of training has been prepared.</li> <li>• The council investigated all reported cases concerning employees of suspected unethical behaviour and non-compliance with the law/policy.</li> </ul>
<p><b>Principle B:</b> Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• The Community Engagement Co-ordination Group maintained an overview of partnership community engagement activity. The Community Engagement Framework which underpins the work of this group will be revised during 2018/2019.</li> <li>• The council undertook 337 surveys with residents, employees and partners, and through the council's Citizen Panel to better inform service delivery. A summary of public consultations is published on the council's website.</li> <li>• The new Council Plan 2017-2022, Community Plan 2017-2027 and the Annual Budget were developed through internal managers/councillors events and consultations with communities, partners and employees.</li> <li>• Neighbourhood Plans are currently being developed with three local communities and Community Planning Partners in accordance with the requirements of the Community Empowerment (Scotland) Act 2015.</li> <li>• A significant wellbeing survey in partnership with the Scottish Government and Community Planning Partners was carried out with around 17,000 children, young people and parents. The feedback is being used to inform how children's services are shaped and delivered across the partnership in the future.</li> <li>• The Annual Performance Report and Annual Public Performance Reports demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its objectives and how it is performing locally and nationally.</li> <li>• To ensure inclusivity and help shape service delivery, the council co-ordinates regular engagement with targeted groups such as young people, older people, people with disabilities, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting.</li> <li>• In November 2017, the South Lanarkshire Council Facebook page was launched, providing information such as news and events. In terms of usage, in April 2018, nearly 65,000 people engaged with this page through likes, comments and shares.</li> </ul>

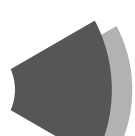


# Annual Governance Statement

Principle	Assurance on compliance
<p><b>Principle C:</b> Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> <li>• The new Council Plan 2017-2022 and Community Plan 2017-2027 have clearly defined economic, social and environmental outcomes to be delivered during the period.</li> <li>• The new Sustainable Development and Climate Change Strategy 2017-2022 which sets out the council's strategic outcomes in terms of the council, environment and communities for sustainable development and climate change during the period was published. Progress against the annual action plan was reported to the Corporate Management Team, the Sustainable Development Member/Officer Working Group and the Executive Committee.</li> <li>• Annual Resource Plans were reviewed and updated in light of the new Council Plan to ensure clear linkages between the plans. These plans outline outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the council and partnership plans.</li> <li>• Strategic Environmental Assessments (SEA) were completed for all relevant council policies, plans and strategies developed during 2017/2018 and the council was recognised for good practice in a national SEA research publication.</li> <li>• A summary of the findings resulting from equality impact assessments of the council's key decisions on service users, communities and businesses has been published on the council's website.</li> </ul>
<p><b>Principle D:</b> Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> <li>• Annual budget setting consultations take place with members of the public and employees and the outcomes of these are reported to councillors prior to budget approval.</li> <li>• The council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Resource and Corporate Management Teams; Resource and Executive Committees; and Forums. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.</li> <li>• In terms of the 2017/2018 Local Government Benchmarking Framework results, the council are performing better than Scottish Average levels for more than half of the indicators. From the 2015/2016 results, an action plan was developed and monitored by the Corporate Management Team and the 2016/2017 results show that for more than half of the indicators that the council has improved its performance when compared to the previous year.</li> </ul>

# Annual Governance Statement

Principle	Assurance on compliance
<p><b>Principle E:</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> <li>• The council has worked with third party service providers and a range of partners to increase capacity to deliver its objectives.</li> <li>• In line with the requirements of the Community Empowerment (Scotland) Act 2015, the Community Planning Partnership developed and published its first Local Outcomes Improvement Plan entitled "The Community Plan" within the statutory timescale. Three Neighbourhood Planning areas were identified and work is progressing with these communities and partners to develop local plans.</li> <li>• Adult Social Care Services were commissioned by the Integration Joint Board (IJB) to continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and annual IJB Directions. Six monthly performance reports are submitted to the Social Work Resources Committee.</li> <li>• Each Resource reviewed and updated its workforce plan and related action plan to better understand workforce capacity issues, further challenges and opportunities to ensure that resources are in the right place, at the right time and have the right skills.</li> <li>• The roles and responsibilities of councillor's were reviewed and their profiles updated to ensure continued effectiveness.</li> <li>• The revised Scheme of Delegation ensured that committees, officers and statutory officers were clear on the decisions that could be made within their area of authority.</li> <li>• Resource Learning and Development Boards considered all training and development needs highlighted through the annual employee appraisal process to support employee personal development.</li> <li>• Training requirements were identified and learning and development programmes were developed and delivered to all councillors. Learning and development opportunities continue to be offered to councillors on an ongoing basis.</li> </ul>





# Annual Governance Statement

Principle	Assurance on compliance
<p><b>Principle F:</b> Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> <li>• Regular compliance monitoring of the council’s Risk Management Strategy, Resource Risk Registers and Control Plans was undertaken by the Risk Management Team and Resource Risk Groups. Regular reports were presented to the Corporate Management Team and the Risk and Audit Scrutiny Forum.</li> <li>• A comprehensive review of the council’s <a href="#">top risks</a> and the associated control plan was completed.</li> <li>• The council’s Internal Audit Service completed its annual programme of risk based audits with an objective of providing an opinion on the adequacy and effectiveness of the council’s risk management, governance and internal control arrangements in respect of the council’s key priorities. Where improvement was required, action plans were developed and monitored and where necessary follow-up audit work completed.</li> <li>• Through a well established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is monitored and reported quarterly at Resource level with a six-monthly cycle of reports to the Corporate Management Team, Resource Committees, the Performance and Review Scrutiny Forum and the Executive Committee. A report which highlights areas of under-performance and the actions that will be taken to improve this was also considered by the Performance and Review Scrutiny Forum.</li> <li>• The annual review of compliance with the council’s Information Management Framework did not highlight any significant areas of concern. Each Resource developed and implemented an action plan for those areas of improvement that were identified.</li> <li>• The Information Governance Board supported by Internal Audit, ensured regular scrutiny and the promotion of effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>• An action plan was developed to assist with strategic preparations and actions for Resources in connection with operational compliance with the introduction of the General Data Protection Regulation in May 2018. This was progressed through the Information Governance Board and reported to the Corporate Management Team and Committee. Relevant employees attended training on the new legislation. All Resources are undertaking actions to ensure operational compliance with the changed laws.</li> <li>• The Medium Term Financial Strategy 2016/2017 to 2018/2019 was updated during the year to reflect the new council priorities, and other internal and external influences. This document also includes a Long Term Financial Plan which considers up to seven years ahead. The 2018/2019 Revenue Budget and Capital Programme for 2018/2019 and 2019/2020 was approved by council. Revenue and Capital Budgets for 2017/2018 were reported regularly to the Corporate Management Team, Committees and Forums. The financial regulations were also reviewed and updated to ensure continued effectiveness in decision making practices.</li> <li>• The Executive Director of Finance and Corporate Resources is a member of the council’s Corporate Management Team and as such, is involved in all major decisions taken by the council’s Chief Officers, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.</li> </ul>

# Annual Governance Statement



Principle	Assurance on compliance
<p><b>Principle G:</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> <li>• Further to the evaluation of the process and procedures used in the 2016/2017 annual review of governance arrangements, new arrangements were developed and implemented in line with the CIPFA/SOLACE Delivering Good Governance Framework.</li> <li>• The annual review of Governance Arrangements has been completed at Resource level. Whilst there are no new significant issues to highlight in this statement, governance improvement actions have been identified and are included in Resource Action Plans/the Governance Improvement Action Plan. Progress against actions will be reported to the Corporate Management Team, Committees and Forums.</li> <li>• The review of the Risk and Audit Scrutiny Forum is now complete and a Risk and Audit Scrutiny Committee with delegated decision making powers has been established. The Terms of Reference for the new committee can be found on the council’s website</li> <li>• Outcomes from both external and internal audit activities were reported to the Corporate Management Team and the Executive Committee and were monitored by the Risk and Audit Scrutiny Forum.</li> <li>• A recent external review of the Internal Audit Service highlighted some areas for improvement and an action plan has been developed for implementation. Progress will be monitored through the Risk and Audit Scrutiny Forum. The review supported the assertion in previous annual assurance reports that the council’s Internal Audit function generally conforms to Public Sector Internal Audit Standards.</li> <li>• Committee meetings are held in public and all agendas, reports and decisions are published (except those exempt under the Access to Information Act) on the council’s website.</li> <li>• All of the council’s political management documents were revised and are published on the council’s website.</li> <li>• The council’s digital public performance reports were refined to enhance customer experience. Members of the public can now find relevant performance information which includes trends, comparisons and areas of improvement at a glance.</li> </ul>



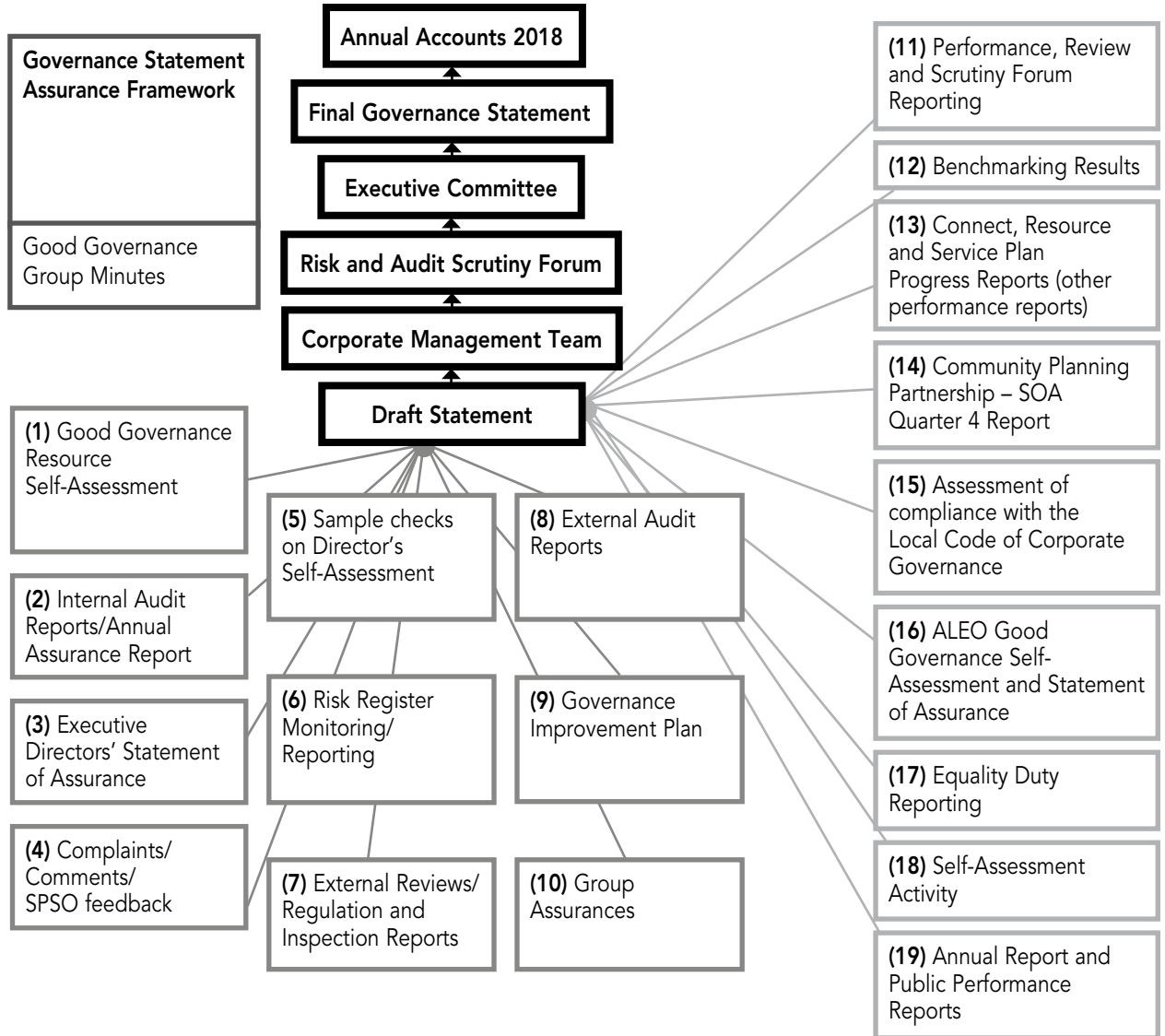


# Annual Governance Statement

## Review of Effectiveness

The council has responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. The following diagram outlines the steps that the council takes when undertaking an annual review of the effectiveness of its governance arrangements.

### 2017/2018 Annual Governance Statement Assurance Framework



# Annual Governance Statement

## Group Assurances

In respect of the Joint Boards, Charities and Companies that fall within the council's group boundary, the review of their internal financial control systems is informed by:

- Annual Governance Statements included in the respective financial statements of the Joint Boards;
- Assurances from company directors and/or other senior company officials; and
- The work of the relevant bodies respective external auditors (and where relevant internal auditors) and other interim reports.

The Executive Director of Finance and Corporate Resources, the council's Chief Financial Officer, has considered the effectiveness of the Group's internal financial control system for the year ended 31 March 2018. It is the Executive Director of Finance and Corporate Resources' opinion that reasonable assurance can be placed upon its effectiveness.

## Assurance

The 2016/2017 review in relation to operational controls within one service concluded in 2017/2018, identifying further practices that required improvement. Additional action plans were developed and management has taken steps to implement all recommendations. Follow-up audit work is planned during 2018/2019 to ensure that, through the implementation of these actions, procurement arrangements within the service are robust and effective and that overall governance has improved.

The opinion of the council's Risk Management Service is that a good level of assurance can be placed on the council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.

The Audit and Compliance Manager issued their Annual Assurance Report in April 2018 which included their opinion that reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance risk management and control arrangements for the year ending 31 March 2018.

## Governance Areas for Improvement

Progress against the areas identified as requiring action and improvement in the previous year are available to view on the council's website; see the [Good Governance Action Plan](#).

The following areas for improvement at a corporate level have been identified through the annual governance review:-

Subject	Action(s)	Responsible Officer	Target completion date
Committee Management	Implement the findings of the Risk and Audit Scrutiny Forum Review	Head of Administration and Legal	31 March 2019
Community Planning	Develop a Community Planning Partnership Participation and Engagement Strategy	Director of Finance and Corporate Resources	31 March 2019
Community Planning	Continue working with the three pilot communities to co-produce and deliver Neighbourhood Plans together with Community Planning Partners	Director of Finance and Corporate Resources	31 March 2019
Equalities – Impact Assessment	Review the Equality Impact Assessment online recording tool and process	Head of Personnel	31 March 2019

# Annual Governance Statement

Subject	Action(s)	Responsible Officer	Target completion date
Finance – Charities	Ongoing implementation of the review of Charities	Head of Finance - Strategy	31 March 2019
Finance – Procedures	Formalisation of a document to be used by all Resources to form a consistent approach to following the public pound	Head of Finance - Strategy	31 March 2019
Finance – Strategy	An updated medium/long term financial strategy will be prepared and reported to Committee. Work to agree a 2019/2020 budget by February 2019 will be ongoing	Head of Finance - Strategy	28 February 2019
Governance	Local Code of Corporate Governance to be approved and rolled out to all employees and elected members	Head of Administration and Legal	31 March 2019
Information Governance	Implement the General Data Protection Regulation on 25 May 2018 including the provision of legal advice and supporting guidance on behalf of the Information Governance Board and prepare for the same implementation of Part 3 of the Data Protection Bill in relation to law enforcement	Head of Administration and Legal	31 December 2018
Performance Reporting	Consider feedback from External Audit on the Annual Performance Report and implement any changes that may be required	Head of Strategy and Communications	31 October 2018
Risk Management	Review the Risk Management Partnership Guidance	Head of Finance - Transactions	31 December 2018
Strategy and Plans	Develop a Corporate Communications Strategy	Head of Communications and Strategy	31 August 2018
Strategy and Plans	Identify and make appropriate links between the Equality Impact Assessment process and the requirements of the Fairer Scotland Duty	Head of Personnel	31 March 2019
Strategy and Plans	Develop a Recruitment Strategy	Head of Personnel	31 March 2019
Strategy and Plans	Revise the Whistleblowing for Third Parties and Confidential Reporting procedures	Director of Finance and Corporate Resources	30 September 2018

In addition to the improvement actions listed above, each Resource has identified service level improvements to governance arrangements. Progress against these actions will be monitored and reported through the Service/Resource Planning process.



# Annual Governance Statement

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and that the council complies with the Local Code of Corporate Governance. During 2018/2019, steps will be taken to address the governance improvement areas to further enhance the council's governance arrangements and evidence our commitment to continuous improvement.

**John Ross**  
Leader of the council

Signature:



Date: 18 September 2018

**Lindsay Freeland**  
Chief Executive

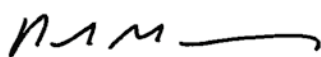
Signature:



Date: 18 September 2018

**Paul Manning**  
Executive Director (Finance and Corporate Resources)

Signature:



Date: 18 September 2018





# Statement of Responsibilities

## The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). South Lanarkshire Council has designated the Executive Director of Finance and Corporate Resources as the officer with these responsibilities.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Risk and Audit Scrutiny Committee at its meeting on 18 September 2018.

Councillor John Ross  
Leader of the council

## Executive Director of Finance and Corporate Resources' responsibilities

The Executive Director of Finance and Corporate Resources is responsible for the preparation of the council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Executive Director of Finance and Corporate Resources has:

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

The Executive Director of Finance and Corporate Resources has also:

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

## Annual Accounts

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

Paul Manning  
Executive Director  
(Finance and Corporate Resources)  
South Lanarkshire Council

Date: 18 September 2018

# Remuneration Report

## Remuneration Policy

### Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Officers of Scottish local authorities. Circular CO/149 sets the amount of salary for Chief Officers and the Chief Executive of South Lanarkshire Council for 2017/2018.

### Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the council, the Civic Head (or Provost), Senior Councillors or Councillors. The Leader of the council and the Civic Head (or Provost) cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is to be paid to the Leader of the council is set out in the Regulations. For 2017/2018 the salary for the Leader of the council is £39,497. The Regulations permit the council to remunerate one Civic Head or Provost. The regulations set out the maximum salary that may be paid to that Civic Head. The council follows the regulations and pays a salary of £29,624 to the Provost.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £442,220 (excluding the Leader and Provost). The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors up to a maximum of 19 and their salary within these maximum limits.

In 2017/2018, the council had 18 Senior Councillors and the salary paid to these councillors totalled £407,543. The Regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the council the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board. The Regulations require the remuneration to be paid by the council of which the Convenor or Vice-convenor is a member. The council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government

Pension Scheme. The council is reimbursed by the Lanarkshire Valuation Joint Board for any additional remuneration paid to their Depute Convenor (equivalent to Vice-Convenor).

### Trade Unions (Facility Time Publication Requirements) Regulations 2017

In addition to the regulations governing senior employees and councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employees to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives.

This information is available on the council's website at the following link: [Trade Unions \(Facility Time Publication Requirements\) Regulations 2017](#).

### Audit Arrangements

All information disclosed in the tables numbered 1 to 6 in this Remuneration Report has been audited by the council's auditors, Audit Scotland. The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Note 12 to the Accounts contains total payments made to all Councillors, and will be audited as part of the audit of the Financial Statements and supplementary Notes to the Accounts.

**Table 1 – General Pay Band Disclosure for Senior Employees**

Annual Remuneration £	2017/18 Number of Employees	2016/17 Number of Employees
50,000 – 54,999	143	168
55,000 – 59,999	92	92
60,000 – 64,999	28	11
65,000 – 69,999	16	20
70,000 – 74,999	3	6
75,000 – 79,999	9	8
80,000 – 84,999	7	6
85,000 – 89,999	5	2
90,000 – 94,999	7	5
95,000 – 99,999	2	6
100,000 – 109,999 (Note 1)	–	–
110,000 – 114,999	1	–
115,000 – 124,999 (Note 1)	–	–
125,000 – 129,999	4	2
130,000 – 134,999	–	1
135,000 – 139,999	1	1
140,000 – 174,999 (Note 1)	–	–
175,000 – 179,999	1	–
180,000 – 184,999	–	1

Note 1: These are merged pay bands covering more than £5,000 due to the fact that no employees fell into these bands in either financial year.

# Remuneration Report

## Disclosure of Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Table 2 – Exit Packages

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band							
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	Cash Value £	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17	Total £
								Notional CAY Value £	Total £	Cash Value £	Notional CAY Value £	Total £		
£0 - £20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	2	-	2	-	50,005	4,593	54,598	-	-	-	-	-
£40,001 - £60,000	-	-	3	-	3	-	92,807	69,384	162,191	-	-	-	-	-
£60,001 - £80,000	-	-	1	-	1	-	29,876	38,472	68,348	-	-	-	-	-
£80,001 - £100,000	-	-	1	-	1	-	35,203	59,896	95,099	-	-	-	-	-
£100,001 - £150,000	-	-	2	-	2	1	139,012	140,354	279,366	113,098	-	-	-	113,098
>£150,000	-	-	3	-	3	1	323,921	421,603	745,524	120,293	181,166	301,459	-	301,459
<b>Total</b>	-	-	<b>12</b>	-	<b>12</b>	<b>2</b>	<b>670,824</b>	<b>734,302</b>	<b>1,405,126</b>	<b>233,391</b>	<b>181,166</b>	<b>414,557</b>	-	<b>414,557</b>
Provision	-	-	-	-	-	8	-	-	-	471,013	-	-	-	471,013
<b>Total incl. Provisions</b>	-	-	<b>12</b>	-	<b>10</b>	<b>10</b>	<b>670,824</b>	<b>734,302</b>	<b>1,405,126</b>	<b>704,404</b>	<b>181,166</b>	<b>885,570</b>	-	<b>885,570</b>

The total cost of exit packages shown for 2017/2018 totals £1.405m. In terms of the cash payments made, £0.471m was not included in the 2017/2018 Comprehensive Income and Expenditure Statement as this was provided for in the 2016/2017 Income and Expenditure Statement for the known leavers. Accounting guidelines also require the inclusion of an amount to represent the capitalised value of compensatory added years pension payments which will be made over future years. For non-teaching staff these total £0.734m, however, these have not been paid out by the council in 2017/2018.

The table does not include any provisions in 2017/2018 as there are no known exit packages that relate to employees who will leave the council in the coming year.

The annual salary costs of the 12 employees detailed in the table who left during 2017/2018 totalled £0.765m. This saving will be used to contribute towards the council's efficiency targets.

# Remuneration Report

## Disclosure of Remuneration

The tables below provide details of the remuneration paid to the council's Senior Employees and Senior Councillors. Comparative figures for 2016/2017 have been shown if they were in post at that time. We have also disclosed the remuneration of Councillors who hold Convenor and Vice-Convenor roles with Joint Boards.

The council pays the Councillor on behalf of the Joint Board for their role, and recovers these charges from the Joint Board. The annual return of Councillors' remuneration for 2017/2018 is available on the council's website ([www.southlanarkshire.gov.uk](http://www.southlanarkshire.gov.uk)).

Table 3 – Senior Employees

Post	Salary / fees £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	2017/18 Total £	2016/17 Total £
<b>L Freeland</b> Chief Executive	177,188	-	-	-	177,188	180,862
<b>T McDaid</b> Executive Director of Education Resources	126,479	-	-	-	126,479	28,423 (Full Year Equivalent 125,171)
<b>M McGlynn</b> Executive Director of Community and Enterprise Resources	128,457	-	-	-	128,457	126,837
<b>V De Souza</b> Executive Director of Health and Social Care (Note 1)	128,257	-	-	-	128,257	64,553 (Full Year Equivalent 125,171)
<b>P Manning</b> Executive Director of Finance and Corporate Resources	137,203	-	-	-	137,203	132,053
<b>D Lowe</b> Executive Director of Housing and Technical Resources	128,257	-	-	-	128,257	125,171
<b>L Purdie</b> Chief Social Work Officer	80,311	-	-	-	80,311	65,505
<b>2016/17 senior officers where post holders are no longer in post</b>	-	-	-	-	-	313,847
<b>Total</b>	<b>906,152</b>	-	-	-	<b>906,152</b>	<b>1,037,251</b>

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing (Scotland) Act 1987; or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

**Note 1** While the Executive Director of Health and Social Care is contractually employed by the council, a proportion of their total remuneration is funded by the South Lanarkshire Health and Social Care Partnership in respect of their role as Chief Officer of the Partnership.

# Remuneration Report

**Table 4 - Remuneration of Senior Councillors and Convenors and Vice-Convenors of Joint Boards**

The table below shows the full year remuneration for all Senior Councillors in 2017/2018. This includes Senior Councillors who started or ended their role during the year.

Name and Post	Salary	Taxable Expenses	Compensation for loss of office	Any other remuneration	Total Remuneration 2017/18	Total Remuneration 2016/17
	£	£	£	£	£	£
<b>A Allison</b> Opposition Leader – Conservative (From 28 June 2017)	17,002 (Full Year Equivalent 20,209)	–	–	–	17,002 (Full Year Equivalent 20,209)	n/a
<b>J Anderson</b> Community and Enterprise Resources Committee Chair (From 18 May 2017)	22,382 (Full Year Equivalent 25,686)	–	–	–	22,382 (Full Year Equivalent 25,686)	n/a
<b>J Bradley</b> Cambuslang and Rutherglen Area Committee Chair (From 18 May 2017 to 21 December 2017)	12,072 (Full Year Equivalent 20,209)	–	–	–	12,072 (Full Year Equivalent 20,209)	n/a
Social Work Resources Committee Chair (From 22 December 2017)	7,038 (Full Year Equivalent 25,686)	–	–	–	7,038 (Full Year Equivalent 25,686)	
<b>W Brogan</b> Opposition Leader – Labour (From 18 May 2017 to 16 August 2017) (From 05 February 2018)	10,276 (Full Year Equivalent 25,686)	–	–	–	10,276 (Full Year Equivalent 25,686)	n/a
Depute Opposition Leader (From 17 August 2017 to 04 February 2018)	10,558 (Full Year Equivalent 20,209)	–	–	–	10,558 (Full Year Equivalent 20,209)	
<b>J Burns</b> Depute Leader of the council (To 3 May 2017)	2,318 (Full Year Equivalent 25,686)	–	–	–	2,318 (Full Year Equivalent 25,686)	25,639
<b>S Callaghan</b> Social Work Resources Committee Chair (From 18 May 2017 to 21 December 2017)	15,344 (Full Year Equivalent 20,209)	–	–	–	15,344 (Full Year Equivalent 25,686)	n/a
<b>A Carmichael</b> Licensing Committee Chair (To 3 May 2017)	1,824 (Full Year Equivalent 25,686)	–	–	–	1,824 (Full Year Equivalent 25,686)	20,172

# Remuneration Report

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
<b>M Chalmers</b> Depute Leader of the council (From 18 May 2017)	22,382 (Full Year Equivalent 25,686)	-	-	-	22,382 (Full Year Equivalent 25,686)	n/a
<b>P Clearie</b> Depute Provost (To 4 May 2017)	2,287 (Full Year Equivalent 24,591)	-	-	-	2,287 (Full Year Equivalent 24,591)	24,546
<b>R Clearie</b> Cambuslang and Rutherglen Area Committee Chair (To 4 May 2017)	1,879 (Full Year Equivalent 20,209)	-	-	-	1,879 (Full Year Equivalent 20,209)	20,172
<b>G Convery</b> Finance and Corporate Resources Committee Chair (To 3 May 2017)	2,318 (Full Year Equivalent 25,686)	-	-	-	2,318 (Full Year Equivalent 25,686)	25,639
<b>P Craig</b> Business Manager Majority Party and Hamilton Area Committee Chair (From 18 May 2017 to 29 August 2017)	8,256 (Full Year Equivalent 28,972)	-	-	-	8,256 (Full Year Equivalent 28,972)	n/a
Business Manager Majority Party (From 30 August 2017)	15,062 (Full Year Equivalent 25,686)	-	-	-	15,062 (Full Year Equivalent 25,686)	
<b>M Devlin</b> Business Manager – Opposition (From 17 August 2017)	12,571 (Full Year Equivalent 20,209)	-	-	-	12,571 (Full Year Equivalent 20,209)	n/a
<b>J Docherty</b> Ruling Group Business Manager (To 4 May 2017)	2,388 (Full Year Equivalent 25,686)	-	-	-	2,388 (Full Year Equivalent 25,686)	25,639
<b>M Donnelly</b> Hamilton Area Committee Chair (From 30 August 2017)	11,851 (Full Year Equivalent 20,209)	-	-	-	11,851 (Full Year Equivalent 20,209)	n/a
<b>H Dunsmuir</b> Planning Committee Chair (To 4 May 2017)	2,388 (Full Year Equivalent 25,686)	-	-	-	2,388 (Full Year Equivalent 25,686)	25,639
<b>A Falconer</b> Social Work Resources Committee Chair (To 3 May 2017)	2,318 (Full Year Equivalent 25,686)	-	-	-	2,318 (Full Year Equivalent 25,686)	25,639
<b>A Fulton</b> Planning Committee Chair (From 18 May 2017)	22,382 (Full Year Equivalent 25,686)	-	-	-	22,382 (Full Year Equivalent 25,686)	n/a

# Remuneration Report

Name and Post	Salary	Taxable Expenses	Compensation for loss of office	Any other remuneration	Total Remuneration 2017/18	Total Remuneration 2016/17
	£	£	£	£	£	£
<b>R Lockhart</b> Clydesdale Area Committee Chair (From 18 May 2017)	17,610 (Full Year Equivalent 20,209)	-	-	-	17,610 (Full Year Equivalent 20,209)	n/a
<b>E Logan</b> Provost (To 3 May 2017)	2,673 (Full Year Equivalent 29,618)	-	-	-	2,673 (Full Year Equivalent 29,618)	29,565
<b>K Loudon</b> Education Resources Committee Chair (From 18 May 2017)	22,382 (Full Year Equivalent 25,686)	-	-	-	22,382 (Full Year Equivalent 25,686)	n/a
<b>A Maggs</b> Leader of the Majority Opposition Group (To 4 May 2017)	2,388 (Full Year Equivalent 25,686)	-	-	-	2,388 (Full Year Equivalent 25,686)	25,639
<b>I McAllan</b> Provost (From 18 May 2017)	25,809 (Full Year Equivalent 29,618)	-	-	-	25,809 (Full Year Equivalent 29,618)	n/a
<b>E McAvoy</b> Leader of the council (To 4 May 2017)	3,672 (Full Year Equivalent 39,491)	-	-	-	3,672 (Full Year Equivalent 39,491)	39,418
<b>C McClymont</b> Clydesdale Area Committee Chair (To 3 May 2017)	1,824 (Full Year Equivalent 20,209)	-	-	-	1,824 (Full Year Equivalent 20,209)	20,172
<b>A McInnes</b> Housing and Technical Resources Committee Chair (To 3 May 2017)	2,318 (Full Year Equivalent 25,686)	-	-	-	2,318 (Full Year Equivalent 25,686)	25,639
<b>J McKeown</b> Education Resources Committee Chair (To 4 May 2017)	2,388 (Full Year Equivalent 25,686)	-	-	-	2,388 (Full Year Equivalent 25,686)	25,639
<b>D McLachlan</b> Business Manager – Opposition (From 18 May 2017 to 16 August 2017)	5,039 (Full Year Equivalent 20,209)	-	-	-	5,039 (Full Year Equivalent 20,209)	n/a
Opposition Leader – Labour (From 17 August 2017 to 4 February 2018)	12,106 (Full Year Equivalent 25,686)	-	-	-	12,106 (Full Year Equivalent 25,686)	
<b>J McNamee</b> Hamilton Area Committee Chair (To 4 May 2017)	1,879 (Full Year Equivalent 20,209)	-	-	-	1,879 (Full Year Equivalent 20,209)	20,172



# Remuneration Report

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
<b>G Miller</b> Finance and Corporate Resources Committee Chair (From 18 May 2017)	22,382 (Full Year Equivalent 25,686)	-	-	-	22,382 (Full Year Equivalent 25,686)	n/a
<b>A Mitchell</b> East Kilbride Area Committee Chair (To 4 May 2017)	1,879 (Full Year Equivalent 20,209)	-	-	-	1,879 (Full Year Equivalent 20,209)	20,172
<b>C Nugent</b> Cambuslang and Rutherglen Area Committee Chair (From 22 December 2017)	5,538 (Full Year Equivalent 20,209)	-	-	-	5,538 (Full Year Equivalent 20,209)	n/a
<b>J Ross</b> Leader of the council (From 18 May 2017)	34,411 (Full Year Equivalent 39,491)	-	-	-	34,411 (Full Year Equivalent 39,491)	n/a
<b>D Shearer</b> Licensing Committee Chair (From 18 May 2017)	17,610 (Full Year Equivalent 20,209)	-	-	-	17,610 (Full Year Equivalent 20,209)	n/a
<b>C Stevenson</b> Depute Provost (From 18 May 2017)	21,428 (Full Year Equivalent 24,591)	-	-	-	21,428 (Full Year Equivalent 24,591)	n/a
<b>J Stewart</b> Community Services Committee Chair (To 3 May 2017)	2,318 (Full Year Equivalent 25,686)	-	-	-	2,318 (Full Year Equivalent 25,686)	25,639
<b>C Thompson</b> Enterprise Services Committee Chair (To 4 May 2017)	2,388 (Full Year Equivalent 25,686)	-	-	-	2,388 (Full Year Equivalent 25,686)	25,639
<b>S Wardhaugh</b> Depute Leader of the Majority Opposition Group (To 3 May 2017)	2,021 (Full Year Equivalent 22,401)	-	-	-	2,021 (Full Year Equivalent 22,401)	22,360
<b>D Watson</b> Business Manager of the Majority Opposition Group (To 3 May 2017)	1,824 (Full Year Equivalent 20,209)	-	-	-	1,824 (Full Year Equivalent 20,209)	20,172
East Kilbride Area Committee Chair (From 18 May 2017)	17,610 (Full Year Equivalent 20,209)	-	-	-	17,610 (Full Year Equivalent 20,209)	
<b>J Wilson</b> Housing and Technical Resources Committee Chair (From 18 May 2017)	22,382 (Full Year Equivalent 25,686)	-	-	-	22,382 (Full Year Equivalent 25,686)	n/a
<b>Total</b>	<b>456,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>456,775</b>	<b>493,311</b>

# Remuneration Report

Name and Post	Salary	Taxable Expenses	Compensation for loss of office	Any other remuneration	Total Remuneration 2017/18	Total Remuneration 2016/17
	£	£	£	£	£	£
<b>Councillors with Joint Board Responsibilities</b>						
<b>J Cairney</b> Convener of Lanarkshire Valuation Joint Board (To 4 May 2017)	1,967 (Full Year Equivalent 21,157)	-	-	-	1,967 (Full Year Equivalent 21,157)	21,118
<b>L Hamilton</b> Depute Convener Lanarkshire Valuation Joint Board (From 26 June 2017)	15,366 (Full Year Equivalent 20,099)	-	-	-	15,366 (Full Year Equivalent 20,099)	n/a
<b>Total</b>	<b>17,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,333</b>	<b>21,118</b>

The council is reimbursed by Lanarkshire Valuation Joint Board for the additional remuneration that the council paid to the member for being a Depute Convener (equivalent to Vice-Convener) of such a Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Convener/Depute Convener roles:

- Recharge to Lanarkshire Valuation Joint Board in 2017/2018 – £2,812 (2016/2017 – £4,225)

# Remuneration Report

## Pension Rights

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

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased to take account of any increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits built up are calculated using pensionable pay each scheme year, rather than final salary. All benefits built up prior to this date are protected.

From 1 April 2009, a five-tier contribution system was introduced with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership. Under The Local Government Pension Scheme (Scotland) Regulations 2014, the earnings ranges used to determine annual contribution rates are to be increased each year by any increase applied to pensions under the Pensions (Increase) Act 1971. In accordance with this the salary bands for 2017/2018 were updated by the Consumer Prices Index (CPI) increase for 2017/2018

The member contribution rates and tiers for 2017/2018 are shown below along with those that applied in 2016/2017:

<b>Pensionable Pay</b>	<b>Contribution rate 2017/18</b>	<b>Pensionable Pay</b>	<b>Contribution rate 2016/17</b>
On earnings up to and including £20,700	5.5%	On earnings up to and including £20,500	5.5%
On earnings above £20,700 and up to £25,300	7.25%	On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,300 and up to £34,700	8.5%	On earnings above £25,000 and up to £34,400	8.5%
On earnings above £34,700 and up to £46,300	9.5%	On earnings above £34,400 and up to £45,800	9.5%
On earnings above £46,300	12%	On earnings above £45,800	12%

From April 2015, if a person works part-time their contribution is based on their part-time pay. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49th of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service and prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

The value of the benefits has been calculated without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation

In those cases where members have transferred pension entitlements from previous employments, the pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment. It also reflects both employer and employee contributions.

# Remuneration Report

**Table 5 – Pension Benefits : Senior Employees**

The Pension entitlement of Senior Employees for the year to 31 March 2018 are shown in the table below, together with the contribution made by the council to each senior employees' pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title	Accrued Pension Benefits to March 2018 £000	Movement in accrued pension benefits since 31 March 2017 £000	Pension Contribution made by council 2017/18 £	Pension Contribution made by council 2016/17 £
<b>L Freeland</b> Chief Executive	Pension Lump Sum 87 180	4 2	34,197	33,240
<b>T McDaid</b> Executive Director of Education Resources	Pension Lump Sum 35 71	3 -	24,411	5,486
<b>M McGlynn</b> Executive Director of Community and Enterprise Resources	Pension Lump Sum 53 97	5 2	24,754	24,158
<b>V De Souza</b> Executive Director of Health and Social Care (Note 1)	Pension Lump Sum 40 60	39 60	24,754	12,458
<b>P Manning</b> Executive Director of Finance and Corporate Resources	Pension Lump Sum 49 83	4 2	25,805	25,165
<b>D Lowe</b> Executive Director of Housing and Technical Resources	Pension Lump Sum 47 81	4 2	24,754	24,158
<b>L Purdie</b> Chief Social Work Officer	Pension Lump Sum 3 -	2 -	15,500	12,642
<b>2016/17 senior officers where post holders are no longer in post</b>	n/a	n/a	n/a	34,040
<b>Total</b>			<b>174,175</b>	<b>171,347</b>

All Senior Employees shown in the table above are members of the Local Government Pension Scheme (LGPS). Where employees have joined the council but not transferred previous employment pension benefits into the Strathclyde Pension Fund the pension figures shown relate only to their current appointment, otherwise the figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service including payments for election duties.

**Note 1** During 2017/2018 Ms De Souza transferred in pension benefits accrued with another Pension Fund from her previous service with another Local Authority.

# Remuneration Report

**Table 6 – Pension Benefits: Senior Councillors**

The Pension entitlement of Senior Councillors who contribute to the pension scheme for the year to 31 March 2018 are shown in the table below, together with the contribution made by the council to each senior councillors' pension during the year.

Name and Post Title	Accrued Pension Benefits to March 2018 £000	Movement in accrued pension benefits since 31 March 2017 £000	Pension Contribution made by council 2017/18 £	Pension Contribution made by council 2016/17 £
<b>A Allison</b> Opposition Leader Conservative (From 28 June 2017)	Pension Lump Sum 1 -	1 -	3,281	n/a
<b>J Anderson</b> Community and Enterprise Resources Committee Chair (From 18 May 2017)	Pension Lump Sum 4 2	1 -	4,320	n/a
<b>J Bradley</b> Cambuslang and Rutherglen Area Committee Chair (From 18 May 2017 to 21 December 2017) Social Work Resources Committee Chair (From 22 December 2017)	Pension Lump Sum 1 -	1 -	3,688	n/a
<b>W Brogan</b> Opposition Leader Labour (From 18 May 2017 to 16 August 2017) Depute Opposition Leader Labour (From 117 August 2017 to 04 February 2018) Opposition Leader Labour (From 05 February 2018)	Pension Lump Sum 4 1	1 -	4,021	n/a
<b>J Burns</b> Depute Leader (To 3 May 2017)	Pension Lump Sum 1 -	1 -	447	n/a
<b>S Callaghan</b> Social Work Resources Committee Chair (From 18 May 2017 to 21 December 2017)	Pension Lump Sum 1 -	- -	2,961	n/a
<b>M Chalmers</b> Depute Leader (From 18 May 2017)	Pension Lump Sum 1 -	1 -	4,320	n/a
<b>P Craig</b> Business Manager Majority Party and Hamilton Area Committee Chair (From 18 May 2017 to 29 August 2017) Business Manager Majority Party (From 30 August 2017)	Pension Lump Sum 4 1	1 -	4,500	n/a

# Remuneration Report

Name and Post Title	Accrued Pension Benefits to March 2018 £000	Movement in accrued pension benefits since 31 March 2017 £000	Pension Contribution made by council 2017/18 £	Pension Contribution made by council 2016/17 £
<b>M Devlin</b> Business Manager – Opposition (From 17 August 2017)	Pension Lump Sum 2	–	2,426	n/a
<b>M Donnelly</b> Hamilton Area Committee Chair (From 30 August 2017)	Pension Lump Sum 1	–	2,287	n/a
<b>A Falconer</b> Social Work Resources Committee Chair (To 3 May 2017)	Pension Lump Sum 2	–	447	4,934
<b>A Fulton</b> Planning Committee Chair (From 18 May 2017)	Pension Lump Sum 1	–	4,320	n/a
<b>R Lockhart</b> Clydesdale Area Committee Chair (From 18 May 2017)	Pension Lump Sum 1	–	3,399	n/a
<b>K Loudon</b> Education Resources Committee Chair (From 18 May 2017)	Pension Lump Sum 1	–	4,320	n/a
<b>I McAllan</b> Provost (From 18 May 2017)	Pension Lump Sum 1	–	4,981	n/a
<b>C McClymont</b> Clydesdale Area Committee Chair (To 3 May 2017)	Pension Lump Sum 2	–	352	3,882
<b>A McInnes</b> Housing and Technical Resources Committee Chair (To 3 May 2017)	Pension Lump Sum 7 9	–	447	4,934
<b>D McLachlan</b> Business Manager – Opposition (From 18 May 2017 to 16 August 2017) Opposition Leader Labour (From 17 August 2017 to 4 February 2018)	Pension Lump Sum 4	–	3,309	–
<b>J McNamee</b> Hamilton Area Committee Chair (To 4 May 2017)	Pension Lump Sum 3 1	–	363	3,882

# Remuneration Report

Name and Post Title	Accrued Pension Benefits to March 2018 £000	Movement in accrued pension benefits since 31 March 2017 £000	Pension Contribution made by council 2017/18 £	Pension Contribution made by council 2016/17 £
<b>G Miller</b> Finance and Corporate Resources Committee Chair (From 18 May 2017)	Pension Lump Sum 2	-	4,320	n/a
<b>J Ross</b> Leader of the council (From 18 May 2017)	Pension Lump Sum 1	-	6,641	n/a
<b>D Shearer</b> Licensing Committee Chair (From 18 May 2017)	Pension Lump Sum 5 7	-	3,399	n/a
<b>C Stevenson</b> Depute Provost (From 18 May 2017)	Pension Lump Sum 1	1	4,136	n/a
<b>J Stewart</b> Community Services Committee Chair (To 3 May 2017)	Pension Lump Sum 4 1	-	447	4,934
<b>D Watson</b> Business Manager of the Majority Opposition Group (To 3 May 2017) East Kilbride Area Committee Chair (From 18 May 2017)	Pension Lump Sum 4 2	1	3,751	3,882
<b>Total</b>			<b>76,883</b>	<b>26,448</b>
<b>Councillors with Joint Board Responsibilities</b>				
<b>L Hamilton</b> Depute Convenor Lanarkshire Valuation Joint Board (From 26 June 2017)	Pension Lump Sum 2	-	2,966	n/a
<b>Total</b>			<b>79,849</b>	<b>26,448</b>

All senior Councillors shown in the table above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service and not just their current appointment.

The council is reimbursed by the Joint Board for the additional pension contributions paid by the council for the Depute Convenor (equivalent of Vice-Convenor) of such a Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Depute Convenor roles:  
Recharge to Lanarkshire Valuation Joint Board in 2017/2018 – £425 (2016/2017 – £0)



# Remuneration Report

Councillor John Ross

Leader of the Council

Date: 18 September 2018

Signature:

A handwritten signature in black ink, appearing to be 'J Ross', written over a light grey background.

Lindsay Freeland

Chief Executive

Date: 18 September 2018

Signature:

A handwritten signature in black ink, appearing to be 'L Freeland', written over a light grey background.





# Expenditure and Funding Analysis

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis Statement is to demonstrate to council tax and rent payers how the funding available to the council (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the council in accordance with generally

accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 41.

	Restated 2016/17	2017/18	
	Net Expenditure Chargeable to the General Fund and HRA Balance £000	Net Expenditure Chargeable to the General Fund and HRA Balance £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
	(Note 4) Adjustments between the Funding and Accounting Basis £000	(Note 4) Adjustments between the Funding and Accounting Basis £000	
Community and Enterprise Resources	9,901	22,207	144,434
Education Resources	23,045	10,709	301,147
Finance and Corporate Resources	1,305	4,429	37,464
Housing and Technical Resources			
– Housing Revenue Account (HRA)	6,125	97,618	96,245
– Housing Other	2,587	3,947	26,962
Social Work Resources	4,398	11,548	151,272
Joint Boards	–	–	2,363
Corporate Items	(881)	917	1,344
Non-Distributed Costs – Non Operational Assets (HRA)	(97)	48	48
<b>Net Cost of Services</b>	<b>46,383</b>	<b>151,423</b>	<b>761,279</b>
Other Income and Expenditure	(22,541)	(16,548)	(639,405)
<b>(Surplus) or Deficit</b>	<b>23,842</b>	<b>134,875</b>	<b>121,874</b>

	General Fund	HRA	Total General Fund and HRA	General Fund	HRA	Total General Fund and HRA
<b>Opening General Fund and HRA Balance</b>	<b>(32,967)</b>	<b>(12,545)</b>	<b>(45,512)</b>	<b>(56,941)</b>	<b>(10,251)</b>	<b>(67,192)</b>
Less/plus Surplus or Deficit on General Fund	(20,027)	2,294	(17,733)	(11,628)	(1,373)	(13,001)
Transfers to/from Other Reserves	(3,947)	–	(3,947)	(2,471)	–	(2,471)
<b>Closing General Fund and HRA Balance</b>	<b>(56,941)</b>	<b>(10,251)</b>	<b>(67,192)</b>	<b>(71,040)</b>	<b>(11,624)</b>	<b>(82,664)</b>

**Note 1** The 2016/2017 figures have been restated to separate out the Corporate Items expenditure and income from the Finance and Corporate Resources and Other (Income) and Expenditure lines to reflect the 2017/2018 management reports.

**Note 2** In 2017/2018, the Benefits and Revenues and Customer Support Services transferred to Finance and Corporate Resources from Housing and Technical Resources - Housing Other.



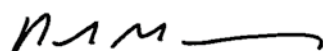
# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

- The first category of reserves are usable reserves, that is those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017		Note	31 March 2018
£000			£000
2,897,410	Property, Plant and Equipment	19	2,941,122
3,826	Heritage Assets	20	3,826
288	Intangible Assets	20	240
2,210	Long Term Debtors		2,084
<b>2,903,734</b>	<b>Non Current Assets</b>		<b>2,947,272</b>
–	Short Term Investments		–
4,269	Inventories		3,357
68,646	Short Term Debtors	22	61,975
1,056	Current Intangible – Carbon Reduction Allowances		1,519
2,621	Assets Held for Sale	20	571
2,965	Cash and Cash Equivalents (see cash flow notes)		36,058
<b>79,557</b>	<b>Current Assets</b>		<b>103,480</b>
(33,318)	Short Term Borrowing	30	(31,053)
(106,966)	Short Term Creditors	23	(135,273)
(820)	Carbon Reduction Commitment Liability		(705)
(6,756)	Other Short Term Liabilities (PPP/Finance Lease)	26	(7,213)
(578)	Provisions	24	(823)
(3,136)	Receipts in Advance	25	(1,753)
<b>(151,574)</b>	<b>Current Liabilities</b>		<b>(176,820)</b>
(759)	Long Term Provisions	24	(757)
(904,164)	Long Term Borrowing	30	(881,783)
(216,138)	Other Long Term Liabilities (PPP/Finance Lease)	26	(208,925)
(710,537)	Other Long Term Liabilities (Pension)	28	(337,276)
<b>(1,831,598)</b>	<b>Long Term Liabilities</b>		<b>(1,428,741)</b>
<b>1,000,119</b>	<b>Net Assets</b>		<b>1,445,191</b>
98,042	Usable reserves		112,641
902,077	Unusable Reserves		1,332,550
<b>1,000,119</b>	<b>Total Reserves</b>		<b>1,445,191</b>

The notes on pages 47 to 93 form part of the financial statements. The unaudited accounts were authorised for issue on 27 June 2018, and the audited accounts were authorised for issue on 18 September 2018.



Paul Manning  
Executive Director (Finance and Corporate Resources)  
18 September 2018

# Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from

the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Revenue Statutory Funds							Total Usable Reserves £000	(Note 11) Unusable Reserves £000	Total Council Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	Capital Receipts Reserve £000				
<b>Balance at 1 April 2017</b>	<b>56,941</b>	<b>10,251</b>	<b>5,910</b>	<b>3,333</b>	<b>14,821</b>	<b>6,786</b>	<b>98,042</b>	<b>902,077</b>	<b>1,000,119</b>	
<b>Movement in reserves during 2017/18</b>	<b>(22,101)</b>	<b>(99,773)</b>	-	-	-	-	<b>(121,874)</b>	<b>566,946</b>	<b>445,072</b>	
<b>Total Comprehensive Expenditure and Income</b>	<b>33,729</b>	<b>101,146</b>	-	-	-	<b>1,598</b>	<b>136,473</b>	<b>(136,473)</b>	-	
Adjustments between accounting basis and funding basis under regulations ( <b>note 7</b> )	<b>11,628</b>	<b>1,373</b>	-	-	-	<b>1,598</b>	<b>14,599</b>	<b>430,473</b>	<b>445,072</b>	
<b>Net Increase/(Decrease) before Transfers to Reserves</b>	<b>2,471</b>	-	<b>1,322</b>	<b>1,183</b>	<b>(3,376)</b>	<b>(1,600)</b>	-	-	-	
Transfers to/(from) Reserves										
<b>Increase/(Decrease) in Year</b>	<b>14,099</b>	<b>1,373</b>	<b>1,322</b>	<b>1,183</b>	<b>(3,376)</b>	<b>(2)</b>	<b>14,599</b>	<b>430,473</b>	<b>445,072</b>	
<b>Balance at 31 March 2018 carried forward</b>	<b>71,040</b>	<b>11,624</b>	<b>7,232</b>	<b>4,516</b>	<b>11,445</b>	<b>6,784</b>	<b>112,641</b>	<b>1,332,550</b>	<b>1,445,191</b>	

# Movement in Reserves Statement

	Revenue Statutory Funds							Total Usable Reserves £000	Total Council Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	Capital Receipts Reserve £000	(Note 11) Unusable Reserves £000		
Balance at 1 April 2016	32,967	12,545	5,142	3,645	15,153	4,600	74,052	1,049,989	1,124,041
Movement in reserves during 2016/17	5,634	(11,743)	-	-	-	-	(6,109)	(117,813)	(123,922)
Total Comprehensive Expenditure and Income	14,393	9,449	-	-	-	6,257	30,099	(30,099)	-
Adjustments between accounting basis and funding basis under regulations (note 7)	20,027	(2,294)	-	-	-	6,257	23,990	(147,912)	(123,922)
Net Increase/(Decrease) before Transfers to Reserves	3,947	-	768	(312)	(332)	(4,071)	-	-	-
Transfers to/(from) Reserves									
Increase/(Decrease) in Year	23,974	(2,294)	768	(312)	(332)	2,186	23,990	(147,912)	(123,922)
Balance at 31 March 2017 carried forward	56,941	10,251	5,910	3,333	14,821	6,786	98,042	902,077	1,000,119

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the council. Further analysis of movements is provided in the cash flow notes following the statement.

2016/17 £000		2017/18 £000
(6,109)	Net surplus/(deficit) on the provision of services	(121,874)
43,094	Adjust net surplus/deficit on the provision of services for non cash movements	176,544
(41,784)	Adjust for items included in the net surplus/deficit on the provision of services that are investing and financing activities	(39,227)
(4,799)	Net cash flows from Operating Activities	15,443
11,003	Investing Activities	48,731
(81,824)	Financing Activities	(31,081)
(75,620)	Net increase/(decrease) in cash and cash equivalents	33,093
78,585	Cash and cash equivalents at the beginning of the reporting period	2,965
<b>2,965</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>36,058</b>

## Cash Flow Statement Note – Non Cash Movements

The balance of non cash movements is made up of the following elements:

31 March 2017 £000		31 March 2018 £000
110,925	Depreciation, impairment and amortisation of assets	188,004
(1,825)	Movement in creditors	28,306
(20,163)	Movement in debtors	6,672
(561)	Movement in inventories	912
24,749	Movement in pension liability	49,051
(70,031)	Other non cash items charged to the net surplus / deficit on the provision of services	(96,401)
<b>43,094</b>	<b>Net cash flows from the provision of services for non cash movements</b>	<b>176,544</b>

## Cash Flow Statement Note – Operating Activities – Items Included in Net Surplus/(Deficit) on the Provision of Services That Are Investing and Financing Activities

The cash flows for these items activities include the following items:

2016/17 £000		2017/18 £000
665	Interest received	146
(42,449)	Interest paid	(39,373)
<b>(41,784)</b>	<b>Net cash flows from items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities</b>	<b>(39,227)</b>

# Cash Flow Statement

## Cash Flow Statement Note – Investing Activities

2016/17 £000		2017/18 £000
(62,561)	Purchase of property, plant and equipment and intangible assets	(38,040)
–	Purchase of short term investments	–
62,440	Proceeds from the sale of property, plant and equipment and intangible assets	86,632
11,000	Proceeds from short-term investments	–
124	Other receipts from investing activities	139
<b>11,003</b>	<b>Net cash flows from investing activities</b>	<b>48,731</b>

## Cash Flow Statement Note – Financing Activities

2016/17 £000		2017/18 £000
–	Cash receipts of short-term and long-term borrowing	–
(6,520)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(6,756)
(75,304)	Repayments of short-term and long-term borrowing	(24,325)
<b>(81,824)</b>	<b>Net cash flows from financing activities</b>	<b>(31,081)</b>

## Cash Flow Statement Note – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2017 £000		31 March 2018 £000
104	Cash held by officers	101
(2,539)	Bank current accounts	971
5,400	Short-term deposits	34,986
<b>2,965</b>	<b>Total cash and cash equivalents</b>	<b>36,058</b>

The credit figures shown against Bank Accounts in 2017 relate to balances in the financial ledger. This is due to timing differences in posting transactions in the ledger. Actual balances held at bank are not in an overdraft position.

# Notes to the Financial Statements

## Note 1 Accounting Standards Issued But Not Yet Adopted

The Accounting Code of Practice requires the council to disclose information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted.

For this disclosure, the standards introduced by the 2018/2019 Code, which are required to be applied by 1 April 2018 are:

- **IFRS9 Financial Instruments**  
Introduces changes to the classification and measurement of financial assets and a new Expected Credit Loss Model for impairing financial assets.
- **IFRS15 Revenue from Contracts with Customers including amendments to IFRS15 and Clarifications to IFRS15 Revenue from Contracts with Customers**  
Sets out new requirements for the recognition of revenue.
- **Amendments to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**  
Applies to deferred tax assets related to debt instruments measured at fair value
- **Amendments to IAS7 Statement of Cash Flows: Disclosure Initiative**  
Introduces additional disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities

Adoption of the standards by the council on 1 April 2018 is not expected to have a significant impact on the financial statements.

## Note 2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Strathclyde Pension Fund, to provide the council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £224.388m. However, the assumptions interact in complex ways. During 2017/2018, the council's actuaries advised that the net pensions liability had decreased by £299.434m as a result of the return on fixed assets and estimates being corrected through experience and by £122.878m attributable to the updating of the demographic and financial assumptions.
Arrears	At 31 March 2018, the council has a balance of sundry debtors of £17.310m. A review of balances suggested that an allowance for doubtful debts of £5.173m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £0.517m to be set aside as an allowance.



# Notes to the Financial Statements

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £24.826m for each year that useful lives were reduced.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## Note 3 Material Items of Expenditure and Income

Where material items of expenditure and income are not disclosed on the face of the Consolidated Expenditure Income Statement, or contained within other notes, the Code requires disclosure of the nature and amounts of these items. Material items of expenditure and income are detailed below:

Item	Nature	Amount £000
Housing Benefit Paid	Benefit paid to support customers on low income with housing rent costs	88,791
Housing Benefit Received	Benefit received to support customers on low income with housing rent costs	83,350

# Notes to the Financial Statements

## Note 4 Notes to the Expenditure and Funding Analysis Statement Adjustments Between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement

	2017/18			Total Adjustments between Funding and Accounting Basis £000
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	
Community and Enterprise Resources	19,848	6,493	(4,134)	22,207
Education Resources	32,475	1,269	(23,035)	10,709
Finance and Corporate Resources	682	3,690	57	4,429
Housing and Technical Resources				
- Housing Revenue Account	105,309	1,394	(9,085)	97,618
- Housing Other	3,027	841	79	3,947
Social Work Resources	1,485	10,144	(81)	11,548
Joint Boards	-	-	-	-
Corporate Items	52	1,257	(392)	917
Non-Distributed Costs - Non Operational Assets (HRA)	-	-	48	48
<b>Net Cost of Services</b>	<b>162,878</b>	<b>25,088</b>	<b>(36,543)</b>	<b>151,423</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,845)	23,963	30,334	(16,548)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services</b>	<b>92,033</b>	<b>49,051</b>	<b>(6,209)</b>	<b>134,875</b>

	Restated 2016/17			Total Adjustments between Funding and Accounting Basis £000
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	
Community and Enterprise Resources	13,973	995	(5,067)	9,901
Education Resources	50,230	(2,493)	(24,692)	23,045
Finance and Corporate Resources	661	707	(63)	1,305
Housing and Technical Resources				
- Housing Revenue Account	14,898	478	(9,251)	6,125
- Housing Other	2,031	722	(166)	2,587
Social Work Resources	598	4,297	(497)	4,398
Joint Boards	-	-	-	-
Corporate Items	131	684	(1,696)	(881)
Non-Distributed Costs - Non Operational Assets (HRA)	-	-	(97)	(97)
<b>Net Cost of Services</b>	<b>82,522</b>	<b>5,390</b>	<b>(41,529)</b>	<b>46,383</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(77,244)	19,359	35,344	(22,541)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services</b>	<b>5,278</b>	<b>24,749</b>	<b>(6,185)</b>	<b>23,842</b>

# Notes to the Financial Statements

## Note a – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing and other contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Note b – Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## Note c – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable /receivable to be recognised under statute:

- For Services, this represents the accrual made for the cost of holiday leave entitlements earned by employees but not taken before the year end which employees can carry into the next financial year. These require to be included in the Net Cost of Services under generally accepted accounting practices, however, are not chargeable to the General Fund.
- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## Note 5 Reconciliation of Adjustments Between Funding and Accounting Basis Shown in the Expenditure and Funding Analysis (EFA) Statement to Those Shown in the Movement in Reserves Statement (MIRS)

2016/17 £000		2017/18 £000
23,842	Adjustments between Funding and Accounting Basis as per EFA	134,875
16,304	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve (Note 7)	7,771
(10,047)	Use of Capital Receipts Reserve to finance capital expenditure (Note 7)	(6,173)
<b>30,099</b>	<b>Adjustments between Funding and Accounting Basis as per MIRS</b>	<b>136,473</b>

# Notes to the Financial Statements

## Note 6 Expenditure and Income Analysed by Nature

The council's expenditure and income is analysed as follows:

	Community and Enterprise	Education	Finance and Corporate	Housing Revenue Account	Housing and Technical	Social Work	Joint Boards	Corporate Items	Other Non Resource Lines	2017/18 Total	2016/17 Total
<b>Expenditure</b>											
Employee Benefits Expenses	69,939	218,595	37,694	8,178	8,723	92,580	-	1,289	-	436,998	385,608
Other Services Expenses	82,215	67,037	99,942	36,888	32,945	129,285	2,363	766	(3)	451,438	467,483
Support Services Recharges	-	-	-	5,033	-	-	-	-	-	5,033	4,407
Depreciation, Amortisation, Impairment	19,848	32,475	683	130,433	3,028	1,486	-	-	51	188,004	110,925
Interest Payments	-	-	-	-	-	-	-	-	57,766	57,766	58,916
Pension Net Interest Expense	-	-	-	-	-	-	-	-	18,864	18,864	16,260
Loss on the Disposal of Assets	-	-	-	-	-	-	-	-	222	222	-
<b>Total Expenditure</b>	<b>172,002</b>	<b>318,107</b>	<b>138,319</b>	<b>180,532</b>	<b>44,696</b>	<b>223,351</b>	<b>2,363</b>	<b>2,055</b>	<b>76,900</b>	<b>1,158,325</b>	<b>1,043,599</b>

	Community and Enterprise	Education	Finance and Corporate	Housing Revenue Account	Housing and Technical	Social Work	Joint Boards	Corporate Items	Other Non Resource Lines	2017/18 Total	2016/17 Total
<b>Income</b>											
Fees and Charges and Other Service Income	24,385	3,685	97,730	84,287	17,349	66,958	-	711	-	295,105	290,930
Surplus on Trading Operations	-	-	-	-	-	-	-	-	267	267	1,711
Interest and Investment Income	-	-	-	-	-	-	-	-	308	308	357
Gain on the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	2,433
Income from Council Tax	-	-	-	-	-	-	-	-	123,719	123,719	115,570
Government Grants and Contributions	3,183	13,275	3,125	-	385	5,121	-	-	591,963	617,052	626,489
<b>Total Income</b>	<b>27,568</b>	<b>16,960</b>	<b>100,855</b>	<b>84,287</b>	<b>17,734</b>	<b>72,079</b>	<b>-</b>	<b>711</b>	<b>716,257</b>	<b>1,036,451</b>	<b>1,037,490</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>144,434</b>	<b>301,147</b>	<b>37,464</b>	<b>96,245</b>	<b>26,962</b>	<b>151,272</b>	<b>2,363</b>	<b>1,344</b>	<b>(639,357)</b>	<b>121,874</b>	<b>6,109</b>



# Notes to the Financial Statements

## Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### General Fund

The General Fund is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### Housing Revenue Account

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing in accordance with the Local Government and Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the council's landlord function.

### Repairs and Renewals Fund

The Repairs and Renewals Fund comprises a combination of balances brought forward from previous years adjusted for any utilisation of funds and contribution to the Fund in year. The funds will be used to deal with repairing or renewing council assets.

### Insurance Fund

The Insurance Fund is held as a provision against unpaid claims. Council Services contribute to the Fund which meets the cost of property damage, public liability, employee liability, vehicle fleet and other claims. The council holds insurance cover to meet any large claims, the premium for which is charged to the Fund. Actuarial reviews are required on a regular basis and for South Lanarkshire this will occur every 3 years. A review took place during 2017.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.



# Notes to the Financial Statements

2017/18	Usable Reserves					Total £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
■ Pensions Costs (transferred to (or from) the Pensions Reserve	46,848	2,203	-	-	-	49,051
■ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(281)	(79)	-	-	-	(360)
■ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	903	3	-	-	-	906
■ Reversal of entries included in the surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	51,666	137,575	-	-	-	189,241
<b>Total Adjustments to Revenue Resources</b>	<b>99,136</b>	<b>139,702</b>	-	-	-	<b>238,838</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(1,598)	(6,173)	-	-	-	7,771
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(20,107)	(5,193)	-	-	-	(25,300)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(1,671)	(19,932)	-	-	-	(21,603)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(23,376)</b>	<b>(31,298)</b>	-	-	-	<b>(46,903)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(6,173)
Application of capital grants to finance capital expenditure	(42,031)	(7,258)	-	-	-	(49,289)
<b>Total Adjustments to Capital Resources</b>	<b>(42,031)</b>	<b>(7,258)</b>	-	-	-	<b>(55,462)</b>
<b>Total Adjustments</b>	<b>33,729</b>	<b>101,146</b>	-	-	-	<b>136,473</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(22,101)</b>	<b>(99,773)</b>	-	-	-	<b>(121,874)</b>
<b>Net Increase/(Decrease) before transfers to/(from) Reserves</b>	11,628	1,373	-	-	-	14,599
<b>Transfers to/(from) Reserves</b>	2,471	-	1,322	1,183	(3,376)	(1,600)
<b>Increase/(Decrease) in year</b>	<b>14,099</b>	<b>1,373</b>	<b>1,322</b>	<b>1,183</b>	<b>(3,376)</b>	<b>(2)</b>

# Notes to the Financial Statements

## 2016/17 Comparative Figures

	Usable Reserves					Total £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
■ Pensions Costs (transferred to (or from) the Pensions Reserve	23,570	1,179	-	-	-	24,749
■ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(280)	(80)	-	-	-	(360)
■ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	723	(28)	-	-	-	695
■ Reversal of entries included in the surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	63,560	54,716	-	-	-	118,276
<b>Total Adjustments to Revenue Resources</b>	<b>87,573</b>	<b>55,787</b>	-	-	-	<b>143,360</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(6,300)	(10,004)	-	-	-	16,304
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(13,528)	(4,230)	-	-	-	(17,758)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(3,409)	(24,172)	-	-	-	(27,581)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(23,237)</b>	<b>(38,406)</b>	-	-	-	<b>16,304 (45,339)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(10,047) (10,047)
Application of capital grants to finance capital expenditure	(49,943)	(7,932)	-	-	-	(57,875)
<b>Total Adjustments to Capital Resources</b>	<b>(49,943)</b>	<b>(7,932)</b>	-	-	-	<b>(10,047) (67,922)</b>
<b>Total Adjustments</b>	<b>14,393</b>	<b>9,449</b>	-	-	-	<b>6,257 30,099</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>5,634</b>	<b>(11,743)</b>	-	-	-	<b>(6,109)</b>
<b>Net Increase/(Decrease) before transfers to/(from) Reserves</b>	<b>20,027</b>	<b>(2,294)</b>	-	-	-	<b>6,257 23,990</b>
<b>Transfers to/(from) Reserves</b>	<b>3,947</b>	-	<b>768</b>	<b>(312)</b>	<b>(332)</b>	<b>(4,071) -</b>
<b>Increase/(Decrease) in year</b>	<b>23,974</b>	<b>(2,294)</b>	<b>768</b>	<b>(312)</b>	<b>(332)</b>	<b>2,186 23,990</b>

# Notes to the Financial Statements

## Note 8 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2016/17 £000		2017/18 £000
(2,433)	(Gains)/losses on the disposal of non current assets	222
<b>(2,433)</b>	<b>Total</b>	<b>222</b>

## Note 9 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
58,916	Interest payable and similar charges	57,766
16,260	Pensions interest cost and expected return on pensions assets	18,864
(357)	Interest receivable and similar income	(308)
(1,711)	Gains on trading operations (Note 14)	(267)
<b>73,108</b>	<b>Total</b>	<b>76,055</b>

## Note 10 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

2016/17 £000		2017/18 £000
(115,570)	Council tax income	(123,719)
(303,113)	National non domestic rates	(287,862)
(250,867)	Non-ringfenced government grants	(254,812)
(57,875)	Capital grants and contributions	(49,289)
<b>(727,425)</b>	<b>Total</b>	<b>(715,682)</b>

## Note 11 Balance Sheet – Unusable Reserves

Unusable Reserves are those that the council is not able to utilise to provide services. These reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council.

The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former represents the gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The reserve arising from accounting for financial instruments is the Financial Instruments Adjustment Account. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the council.

The Pensions Reserve arises from IAS19 Accounting Disclosures for Retirement Benefits and recognises the council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the council's share of the Pension Fund liability chargeable to the CIES.

The Accumulated Absences Reserve arises from IAS19 accounting disclosures for Short Term Accumulated Benefits and recognises the council's liability for compensated absences (annual leave) earned by staff but not taken in the year. The Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Reserve.



# Notes to the Financial Statements

2017/2018

	Unusable Reserves				Accumulating Compensated Absences Adjustment Account £000	2017/18 Total Unusable Reserves
	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000		
<b>Opening Balance</b>	<b>736,759</b>	<b>896,904</b>	<b>(6,370)</b>	<b>(710,537)</b>	<b>(14,679)</b>	<b>902,077</b>
Movement in Year	122,058	(64,300)	360	373,261	(906)	430,473
<b>Closing Balance</b>	<b>858,817</b>	<b>832,604</b>	<b>(6,010)</b>	<b>(337,276)</b>	<b>(15,585)</b>	<b>1,332,550</b>
Other Comprehensive Income and Expenditure	144,634	-	-	422,312	-	566,946
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>						
Charges for Depreciation and Impairment of Non Current Assets	-	(79,175)	-	-	-	(79,175)
Revaluation Losses on Property Plant and Equipment	-	(108,690)	-	-	-	(108,690)
Amortisation of Intangible Assets	-	(139)	-	-	-	(139)
Non Current Assets Written Off on Disposal or Sale	-	(4,627)	-	-	-	(4,627)
Difference Between Fair Value and Historic Cost Depreciation	(19,210)	19,210	-	-	-	-
Accumulated Gains on Assets Sold or Scrapped	(3,366)	-	-	-	-	(3,366)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	6,173	-	-	-	6,173
Capital Grants and Contributions	-	49,289	-	-	-	49,289
Statutory Charge for the Repayment of Debt	-	25,300	-	-	-	25,300
Statutory Provision for Financing of Capital Investment	-	6,756	-	-	-	6,756
Capital Expenditure Charged Against the General Fund and HRA Balances	-	21,603	-	-	-	21,603
Premiums to be Charged Against the General Fund and HRA Balances	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(94,948)	-	(94,948)
Employer's Pension Contributions Payable in Year	-	-	-	45,897	-	45,897
Amounts Accrued at the End of the Financial Year	-	-	-	-	(906)	(906)
<b>Total Movement in Year</b>	<b>122,058</b>	<b>(64,300)</b>	<b>360</b>	<b>373,261</b>	<b>(906)</b>	<b>430,473</b>

# Notes to the Financial Statements

## 2016/17 Comparative Figures

	Unusable Reserves				Accumulating Compensated Absences Adjustment Account £000	2016/17 Total Unusable Reserves
	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000		
<b>Opening Balance</b>	<b>655,971</b>	<b>875,123</b>	<b>(6,730)</b>	<b>(460,391)</b>	<b>(13,984)</b>	<b>1,049,989</b>
Movement in Year	80,788	21,781	360	(250,146)	(695)	(147,912)
<b>Closing Balance</b>	<b>736,759</b>	<b>896,904</b>	<b>(6,370)</b>	<b>(710,537)</b>	<b>(14,679)</b>	<b>902,077</b>
Other Comprehensive Income and Expenditure	107,584	-	-	(225,397)	-	(117,813)
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>						
Charges for Depreciation and Impairment of Non Current Assets	-	(106,799)	-	-	-	(106,799)
Revaluation Losses on Property Plant and Equipment	-	(3,961)	-	-	-	(3,961)
Amortisation of Intangible Assets	-	(165)	-	-	-	(165)
Non Current Assets Written Off on Disposal or Sale	-	(9,387)	-	-	-	(9,387)
Difference Between Fair Value and Historic Cost Depreciation	(22,312)	22,312	-	-	-	-
Accumulated Gains on Assets Sold or Scrapped	(4,484)	-	-	-	-	(4,484)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	10,047	-	-	-	10,047
Capital Grants and Contributions	-	57,875	-	-	-	57,875
Statutory Charge for the Repayment of Debt	-	6,520	-	-	-	6,520
Statutory Provision for Financing of Capital Investment	-	17,758	-	-	-	17,758
Capital Expenditure Charged Against the General Fund and HRA Balances	-	27,581	-	-	-	27,581
Premiums to be Charged Against the General Fund and HRA Balances	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(70,661)	-	(70,661)
Employer's Pension Contributions Payable in Year	-	-	-	45,912	-	45,912
Amounts Accrued at the End of the Financial Year	-	-	-	-	(695)	(695)
<b>Total Movement in Year</b>	<b>80,788</b>	<b>21,781</b>	<b>360</b>	<b>(250,146)</b>	<b>(695)</b>	<b>(147,912)</b>

# Notes to the Financial Statements

## Note 12 Members' Allowances

The council paid the following amounts to Members of the council during the year.

	2017/18 £	2016/17 £
Salaries	949,501	1,012,278
Mileage Allowance	40,539	35,564
Expenses	3,565	3,626
<b>Total</b>	<b>993,605</b>	<b>1,051,468</b>

## Note 13 External Audit Costs

The council has incurred the following external audit costs:

	2017/18 £000	2016/17 £000
Fees payable to Audit Scotland for external audit services	482	490
<b>Total</b>	<b>482</b>	<b>490</b>

The council incurred these costs in relation to the audit of the Annual Accounts, the certification of grant claims and a contribution towards Audit Scotland's national work programme. Fees payable in respect of other services provided by the appointed auditor were £nil (2016/2017: £nil)

## Note 14 Trading Operations

The Local Government in Scotland Act 2003 created a requirement to maintain statutory trading accounts and report on the performance of significant Trading Operations. Those Trading Operations who trade externally have a statutory requirement to break even over a 3 year period.

The council established 5 Trading Operations – Facilities Management, Fleet Services, Grounds Maintenance, Roads and Property Services. During 2017/2018, as a result of ongoing review work, the Executive Committee approved a change in the status of 2 of the 5 Trading Operations: Facilities Management and Grounds Maintenance. The purpose of the change was to improve service delivery and centralise the control and budget for these services under a single operational manager. As a result Facilities Management and Grounds Maintenance are no longer considered to be trading operations. Only Property Services trades externally and is therefore the only one of the Trading Operations required to breakeven over a 3 year period.

The 3 remaining Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement. The Trading Operations recharge Resources of the council and any surplus generated against these recharges is shown against the Resource in the Net Cost of Services. Any income generated externally from the Property Services Trading Operation is credited to the Other Operating Expenditure line.

To prevent private sector companies being disadvantaged, a charge for interest is included to prevent the overstatement of the Trading Operations' surplus.

The table below shows the net surplus / (deficit) for the year, the reallocation of the surplus from internal recharges and the interest charge.

	2017/18 £000	2016/17 £000	2015/16 £000	3 Year Cumulative £000
Facilities Management	–	2,565	1,296	–
Fleet Services	1,345	1,005	116	–
Grounds Maintenance	–	2,260	269	–
Roads	3,538	2,858	1,921	–
Property Services	385	3,226	3,130	6,741
<b>Total Net Surplus/(Deficit)</b>	<b>5,268</b>	<b>11,914</b>	<b>6,732</b>	<b>–</b>
<b>Recharge to Net Cost of Services</b>	<b>(5,001)</b>	<b>(10,203)</b>	<b>(4,841)</b>	<b>–</b>
<b>Net Surplus Credited to Other Operating Expenditure</b>	<b>267</b>	<b>1,711</b>	<b>1,891</b>	<b>–</b>
Interest Charge	(3)	(12)	(54)	–
	<b>264</b>	<b>1,699</b>	<b>1,837</b>	<b>–</b>

## Note 15 Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

### Central Government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 6.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/2018 is shown in Note 12. During 2017/2018, works and services to the value of £4.773m were commissioned from companies in which 15 members had an interest (2016/2017 – £2.788m). Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £3.153m were paid to voluntary organisations in which 48 members had an interest (2016/2017 - £9.522m). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the [Register of Members' Interest](#) which can be found on the council's website. As these payments relate to payments ledgered in the financial year there are no outstanding balances to be disclosed.

### Officers

During 2017/2018, no senior officer of the council declared an interest in any organisation outwith those controlled or significantly influenced by the council. In addition, no senior officer declared an interest of close family members in any organisations outwith those controlled or significantly influenced by the council.

During 2016/2017, no senior officer of the council declared an interest in any organisation outwith those controlled or significantly influenced by the council.

### Receipts and Payments Between the Council and Entities Controlled or Significantly Influenced by the Council

	2017/18 Receipts £000	2017/18 Payments £000	2016/17 Receipts £000	2016/17 Payments £000
Lanarkshire Valuation Joint Board	485	1,813	512	1,843
South Lanarkshire Health and Social Care Partnership	158,619	116,793	153,124	116,775
<b>Total Joint Boards</b>	<b>159,104</b>	<b>118,606</b>	<b>153,636</b>	<b>118,618</b>
Strathclyde Partnership for Transport	878	12,092	183	11,760
South Lanarkshire Leisure and Culture Limited	2,881	18,926	2,928	19,358
Routes to Work South	-	1,732	-	933
Regen FX Youth Trust	22	501	22	600
Clyde Valley Learning and Development Partnership Joint Committee	28	5	28	5
SEEMIS Group LLP	75	250	75	274
Community Justice Authority	-	-	5,281	-
Common Good	53	81	53	91
	<b>163,041</b>	<b>152,193</b>	<b>162,206</b>	<b>151,639</b>

# Notes to the Financial Statements

The amounts due (to) / from related parties are detailed below:

	2017/18 £000	2016/17 £000
Strathclyde Partnership for Transport	1,024	853
South Lanarkshire Leisure and Culture Limited	1,016	616
Community Justice Authority	–	132
Routes to Work South	(28)	–
South Lanarkshire Health and Social Care Partnership	(701)	–

## Note 16 Leases

### Council as Lessee

#### Finance Leases

The council currently has obligations in relation to Glasgow Southern Orbital infrastructure and secondary schools. These are classed as PPP/PFI finance leases and are reported under Note 26 – Public Private Partnerships and Similar Contracts.

#### Operating Leases

The council has entered into a number of operating leases and details are provided across the asset categories of Vehicles, Property, Plant and Equipment, and Land and Buildings.

Vehicles, Plant and Equipment – the council uses vehicles, computers, photocopying equipment and items of plant financed under the terms of an operating lease. The amount paid under these arrangements in 2017/2018 was £5.268m (2016/2017 £5.497m).

Land and Buildings – the council leases a number of properties, including Our Lady of Lourdes Primary School, which have been accounted for as operating leases. The rentals payable in 2017/2018 were £3.526m (2016/2017 £3.614m).

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	7,815	7,511
Later than one year and not later than five years	18,852	16,780
Later than five years	27,864	29,123
<b>Total</b>	<b>54,531</b>	<b>53,414</b>

The sub lease payments receivable in future years are:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	292	351
Later than one year and not later than five years	892	841
Later than five years	349	505
<b>Total</b>	<b>1,533</b>	<b>1,697</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2017/18 £000	2016/17 £000
Minimum lease payments	8,794	9,111
Sublease payments receivable	(348)	(353)
<b>Total</b>	<b>8,446</b>	<b>8,758</b>

# Notes to the Financial Statements

## Council as Lessor

### Operating Leases

The council leases out property under operating leases. The purpose of the Lease Portfolio is principally Socio Economic – by supporting the wider corporate objectives of the council as stated in the Council Plan, Connect 2017-22, through strategic influence, control, occupational use and management of lease agreements. In particular, but not exclusively, to ‘support the local Economic Development by providing the right conditions for growth, improving skills and employability’.

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	4,183	4,595
Later than one year and not later than five years	11,248	11,150
Later than five years	122,864	123,980
<b>Total</b>	<b>138,295</b>	<b>139,725</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/2018 no contingent rents were receivable by the council (2016/2017 £0.015m).

## Note 17 Grant income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2017/2018:

	2017/18 £000	2016/17 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	123,719	115,570
Non Ring Fenced Government Grants	254,812	250,867
Non Domestic Rate Redistribution	287,862	303,113
<b>Total</b>	<b>666,393</b>	<b>669,550</b>
<b>Credited to Services</b>		
Scottish Government	19,158	8,966
European Grant Funding	3,681	2,407
Skills Development Scotland	310	414
Central Government	636	840
Lottery	29	141
Creative Scotland	460	626
NHS	82	409
Other Grants	733	831
<b>Total</b>	<b>25,089</b>	<b>14,634</b>

## Note 18 Events After the Balance Sheet Date

The audited Annual Accounts were authorised for approval by the Executive Director (Finance and Corporate Resources) on 18 September 2018. There were no events that occurred between 1 April 2018 and the date that the Accounts were authorised for approval that would have an impact on the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# Notes to the Financial Statements

## Note 19 Property, Plant and Equipment

### Movements on Balances Movements in 2017/2018:

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Construction £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets included in Property, Plant and Equipment £000
At 1 April 2017	1,004,078	1,548,230	239,894	371,857	1,453	8,860	42,320	42,320	3,216,692	392,772
Additions	28,199	3,232	13,178	17,471	221	-	30,585	30,585	92,886	519
Revaluation increases/(decreases) recognised in the Revaluation Reserve	91,527	17,896	-	-	402	(139)	-	-	109,686	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1)	(11,383)	(199,660)	-	4	(125)	-	-	(211,165)	-
Derecognition – Disposals	(7,142)	(4,094)	(7,751)	-	-	-	-	-	(18,987)	-
Assets reclassified from Held for Sale	-	-	-	-	-	1,268	-	-	1,268	-
Other movements in Cost or Valuation	732	39,555	3,425	1,104	76	(240)	(44,652)	(44,652)	-	145
<b>At 31 March 2018</b>	<b>1,117,393</b>	<b>1,593,436</b>	<b>49,086</b>	<b>390,432</b>	<b>2,156</b>	<b>9,624</b>	<b>28,253</b>	<b>28,253</b>	<b>3,190,380</b>	<b>393,436</b>

# Notes to the Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets included in Property, Plant and Equipment £000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2017	-	71,811	129,733	117,699	5	34	-	319,282	19,402
Depreciation charge	26,518	36,875	4,745	11,024	2	11	-	79,175	8,960
Depreciation written out to the Revaluation Reserve	(26,596)	(8,352)	-	-	-	-	-	(34,948)	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(6,198)	(96,276)	-	-	(1)	-	(102,475)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – Disposals	-	(4,011)	(7,735)	-	-	-	-	(11,746)	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	(30)	-	(30)	-
Other movements in Depreciation and Impairment	78	(76)	-	-	-	(2)	-	-	-
<b>At 31 March 2018</b>	<b>-</b>	<b>90,049</b>	<b>30,467</b>	<b>128,723</b>	<b>7</b>	<b>12</b>	<b>-</b>	<b>249,258</b>	<b>28,362</b>
<b>Net Book Value</b>									
<b>At 31 March 2018</b>	<b>1,117,393</b>	<b>1,503,387</b>	<b>18,619</b>	<b>261,709</b>	<b>2,149</b>	<b>9,612</b>	<b>28,253</b>	<b>2,941,122</b>	<b>365,074</b>
<b>At 31 March 2017</b>	<b>1,004,078</b>	<b>1,476,419</b>	<b>110,161</b>	<b>254,158</b>	<b>1,448</b>	<b>8,826</b>	<b>42,320</b>	<b>2,897,410</b>	<b>373,370</b>



# Notes to the Financial Statements

## Comparative Movements in 2016/2017:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Construction Assets £000	Assets Under Plant and Equipment £000	Total Property, Plant and Equipment £000	PFI assets included in Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 2016	912,930	1,536,119	223,993	336,228	1,088	9,104	37,464	37,464	3,056,926	392,772
Additions	32,459	4,698	15,163	35,629	73	-	37,313	37,313	125,335	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	69,450	510	-	-	130	(240)	-	-	69,850	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(15,400)	-	-	159	67	-	-	(15,174)	-
Derecognition – Disposals	(10,761)	(7,848)	(114)	-	-	(35)	(625)	(625)	(19,383)	-
Assets reclassified from Held for Sale	-	(552)	-	-	-	(310)	-	-	(862)	-
Other movements in Cost or Valuation	-	30,703	852	-	3	274	(31,832)	(31,832)	-	-
<b>At 31 March 2017</b>	<b>1,004,078</b>	<b>1,548,230</b>	<b>239,894</b>	<b>371,857</b>	<b>1,453</b>	<b>8,860</b>	<b>42,320</b>	<b>42,320</b>	<b>3,216,692</b>	<b>392,772</b>

# Notes to the Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets included in Property, Plant and Equipment £000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2016	-	54,264	106,808	107,344	4	38	-	268,458	11,100
Depreciation charge	23,963	49,435	23,026	10,355	1	10	-	106,790	8,957
Depreciation written out to the Revaluation Reserve	(23,963)	(13,694)	-	-	-	(31)	-	(37,688)	(655)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(12,276)	-	-	-	-	-	(12,276)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – Disposals	-	(5,730)	(109)	-	-	(6)	-	(5,845)	-
Eliminated on reclassification to Assets Held for Sale	-	(150)	-	-	-	(7)	-	(157)	-
Other movements in Depreciation and Impairment	-	(38)	8	-	-	30	-	-	-
<b>At 31 March 2017</b>	<b>-</b>	<b>71,811</b>	<b>129,733</b>	<b>117,699</b>	<b>5</b>	<b>34</b>	<b>-</b>	<b>319,282</b>	<b>19,402</b>
<b>Net Book Value</b>									
<b>At 31 March 2017</b>	<b>1,004,078</b>	<b>1,476,419</b>	<b>110,161</b>	<b>254,158</b>	<b>1,448</b>	<b>8,826</b>	<b>42,320</b>	<b>2,897,410</b>	<b>373,370</b>
<b>At 31 March 2016</b>	<b>912,930</b>	<b>1,481,855</b>	<b>117,185</b>	<b>228,884</b>	<b>1,084</b>	<b>9,066</b>	<b>37,464</b>	<b>2,788,468</b>	<b>381,672</b>

# Notes to the Financial Statements

## Capital Commitments

At 31 March 2018, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment for housing and non-housing projects in 2018/2019 and future years. The major commitments for both Housing and General Services are as follows:

<b>Housing Projects</b>	<b>£000</b>	<b>Non-Housing Projects</b>	<b>£000</b>
Housing Investment projects including Heating Projects, Windows and Doors and External Fabric Upgrades	6,568	Clyde Gateway	1,619
New Build Housing	19,108	Loch Primary School	1,540
		St John's Primary School	681
		Hallside Primary School	1,864
		Tinto Primary School	1,059
		Underbank PS	3,978
		Kirklandpark Primary School	335
		Crawford Primary School	595
		Walston Primary School	4,143
		St Patricks Primary School	1,439
		Early Learning Unit	5,818

## Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active secondhand market or latest list prices adjusted for the condition of the asset.

Vehicles, plant and equipment, despite being valued in the Balance Sheet at current costs are not included in the five year revaluation programme as any changes in valuation are considered to be immaterial. Council dwellings are revalued every year.

The significant assumptions applied in estimating the fair values are:

- All valuations are prepared in accordance with the current edition of the RICS Valuation Standards.
- All valuations are provided by a Valuer directly employed by South Lanarkshire Council and are accordingly defined as internal valuations.

## Valuation Assumptions

Unless the Appointed Valuer is advised or reports to the contrary, the following valuation assumptions shall apply to all asset valuations provided under this service:

- It is assumed that the Local Authority shall continue to provide the services to which the assets relate.
- It is assumed that the property valued, is not at the date of valuation, affected by any mining subsidence and will not be affected in the future;
- It is assumed that the site is stable and will not occasion any extraordinary costs with regard to mining subsidence;
- It is assumed that the title to the subject contains no onerous burdens and restrictive conditions and that it has not been ascertained what minerals, rights of support and compensation is attached to the land nor whether rights of use and re-entry have been reserved;
- It is assumed that the property and its value are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by inspection of any register and that its condition, use, or intended use was, is or will be lawful;
- It is assumed that the property has the necessary statutory consents for the current buildings and use and that there are no policies or proposals by statutory authorities that could impact positively or adversely on the value;
- No investigation shall be undertaken or information provided regarding the use of hazardous or deleterious materials or techniques in the construction of the property. It is assumed that no such materials or techniques have been used;
- No investigation shall be undertaken or information provided regarding the presence of contamination or hazardous substances in the property (including the site) and neighbouring properties. It is assumed that no such contamination or hazardous substances are present;
- No environmental assessment shall be carried out or information provided on the presence of naturally occurring radon gas. It is assumed that no radon gas is present in the property;
- It is assumed that adequate repairs and maintenance is being undertaken; and
- Unless otherwise stated, the date of valuation shall be 1st April of the specified financial year.

# Notes to the Financial Statements

## Revaluation Programme

The table below shows the progress of the council's programme for the revaluation of Property, Plant and Equipment that ensures that all its PPE assets required to be measured at fair value are revalued at least every five years. The measurement basis used for determining the gross carrying amount, and the significant assumptions applied in estimating the fair values are disclosed above and in Note 34 Accounting Policies under Section P 'Property, Plant and Equipment'.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Asset £000	Assets under Construction £000	Total £000
Carried at historical cost	-	-	18,619	261,709	2,149	-	28,253	310,730
Valued at fair value								
2017/18	1,117,393	191,877	-	-	-	225	-	1,309,495
2016/17	-	243,768	-	-	-	2,611	-	246,379
2015/16	-	411,589	-	-	-	4,906	-	416,495
2014/15	-	580,655	-	-	-	1,603	-	582,258
2013/14	-	37,745	-	-	-	267	-	38,012
5 years ago and greater	-	37,753	-	-	-	-	-	37,753
<b>Total Cost or Valuation</b>	<b>1,117,393</b>	<b>1,503,387</b>	<b>18,619</b>	<b>261,709</b>	<b>2,149</b>	<b>9,612</b>	<b>28,253</b>	<b>2,941,122</b>

## Note 20 Other Assets – Intangible, Heritage and Assets Held for Sale

	Intangible Assets		Heritage Assets		Assets Held for Sale	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Cost or Valuation</b>						
<b>Balance at 1 April</b>	<b>948</b>	<b>1,221</b>	<b>3,826</b>	<b>3,098</b>	<b>2,628</b>	<b>3,992</b>
Additions	91	111	-	-	-	17
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	728	-	(682)
Revaluation increases/(decreases) in the CIES	-	-	-	-	-	(1,222)
Derecognition - Disposals	-	(384)	-	-	(757)	(339)
Assets reclassified (to)/from Assets Held for sale	-	-	-	-	(1,268)	862
<b>Balance at 31 March</b>	<b>1,039</b>	<b>948</b>	<b>3,826</b>	<b>3,826</b>	<b>603</b>	<b>2,628</b>
<b>Accumulated Depreciation</b>						
<b>Balance at 1 April</b>	<b>660</b>	<b>879</b>	-	-	<b>7</b>	<b>6</b>
Depreciation charge	139	165	-	-	-	9
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on Provision of Services	-	-	-	-	-	(159)
Depreciations - Disposals	-	(384)	-	-	(5)	(6)
Eliminated on reclassification to Assets held for sale	-	-	-	-	30	157
<b>Balance at 31 March</b>	<b>799</b>	<b>660</b>	-	-	<b>32</b>	<b>7</b>
<b>Net book value at 31 March</b>	<b>240</b>	<b>288</b>	<b>3,826</b>	<b>3,826</b>	<b>571</b>	<b>2,621</b>

# Notes to the Financial Statements

## Note 21 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	General Fund 2017/18 £000	HRA 2017/18 £000	Total 2017/18 £000	General Fund 2016/17 £000	HRA 2016/17 £000	Total 2016/17 £000
<b>Opening Capital Financing Requirement</b>	<b>1,046,105</b>	<b>224,897</b>	<b>1,271,002</b>	<b>1,038,029</b>	<b>227,416</b>	<b>1,265,445</b>
<b>Capital Investment</b>						
Property, Plant and Equipment	55,549	37,338	92,887	81,408	43,943	125,351
Intangible Assets	91	–	91	111	–	111
Decrease in PPP Finance Lease Liability	(6,756)	–	(6,756)	(6,520)	–	(6,520)
<b>Sources of Finance</b>						
Capital Receipts	–	(6,173)	(6,173)	(43)	(10,004)	(10,047)
Government Grants and Other Contributions	(42,036)	(7,393)	(49,429)	(49,943)	(8,056)	(57,999)
Sums set aside from revenue:						
▪ Direct Revenue Contributions	(1,671)	(19,932)	(21,603)	(3,409)	(24,172)	(27,581)
▪ Loans Fund Principal	(20,107)	(5,193)	(25,300)	(13,528)	(4,230)	(17,758)
<b>Closing Capital Financing Requirement</b>	<b>1,031,175</b>	<b>223,544</b>	<b>1,254,719</b>	<b>1,046,105</b>	<b>224,897</b>	<b>1,271,002</b>
<b>Explanation of movements in year</b>						
Increase in Underlying Need to Borrow	11,933	3,840	15,773	28,124	1,711	29,835
Loans Fund Repayments	(20,107)	(5,193)	(25,300)	(13,528)	(4,230)	(17,758)
Assets Acquired Under PFI/PPP Contracts	(6,756)	–	(6,756)	(6,520)	–	(6,520)
Increase/(Decrease) in Capital Financing Requirement	<b>(14,930)</b>	<b>(1,353)</b>	<b>(16,283)</b>	<b>8,076</b>	<b>(2,519)</b>	<b>5,557</b>

# Notes to the Financial Statements

## Note 22 Short Term Debtors

2017/18	Gross £000	Provision for bad/ doubtful debt £000	Net £000
Central government bodies	23,759	(2)	23,757
Other local authorities	4,682	(171)	4,511
NHS bodies	738	(5)	733
Public corporations and trading funds	243	(57)	186
Other entities and individuals	126,811	(94,023)	32,788
<b>Total</b>	<b>156,233</b>	<b>(94,258)</b>	<b>61,975</b>

2016/17	Gross £000	Provision for bad/ doubtful debt £000	Net £000
Central government bodies	20,904	–	20,904
Other local authorities	1,615	(140)	1,475
NHS bodies	351	(16)	335
Public corporations and trading funds	568	(47)	521
Other entities and individuals	134,089	(88,678)	45,411
<b>Total</b>	<b>157,527</b>	<b>(88,881)</b>	<b>68,646</b>

## Note 23 Short Term Creditors

	2017/18 £000	2016/17 £000
Central government bodies	16,329	10,141
Other local authorities	1,022	576
NHS bodies	1,552	1,011
Public corporations and trading funds	31	238
Other entities and individuals	116,339	95,000
<b>Total</b>	<b>135,273</b>	<b>106,966</b>

# Notes to the Financial Statements

## Note 24 Provisions

	Injury and damage compensation claims (1) £000	Other provisions (2) £000	Total £000
Balance at 1 April 2017	759	578	1,337
Additional provisions made in 2017/18	–	823	823
Amounts used in 2017/18	(2)	(578)	(580)
Unused amounts reversed in 2017/18	–	–	–
Unwinding of discounting in 2017/18	–	–	–
<b>Balance at 31 March 2018</b>	<b>757</b>	<b>823</b>	<b>1,580</b>

The above provisions can be further analysed into Short Term and Long Term as follows:

	Injury and damage compensation claims (1) £000	Other provisions (2) £000	Total £000
Short Term	–	823	823
Long Term	757	–	757
<b>Balance at 31 March 2018</b>	<b>757</b>	<b>823</b>	<b>1,580</b>

- (1) The majority of this amount relates to a long-term provision in respect of ongoing compensation claims. The council believes that the amount provided accurately represents the best estimate of the amounts due.
- (2) The majority of this amount relates to provisions in respect of orders for bespoke adaptations.

## Note 25 Receipts in Advance

The council has received a number of grants and contributions that have yet to be recognised as income. This is because they have conditions attached to them which requires the monies or property to be returned to the giver if these conditions are not met. These monies are committed to spend in 2018/2019.

The balances at 31 March 2018 are as follows:

	31 March 2018 £000	31 March 2017 £000
<b>Revenue Grants and Contributions</b>		
Creative Scotland	–	18
Clyde Gateway	85	85
Department for Works and Pensions	–	1,410
National Health Service	66	48
Scottish Coal	511	572
Scottish Government	201	164
Wind Turbine Construction Compensation (Various)	760	760
Home Office	58	–
Other	72	79
	<b>1,753</b>	<b>3,136</b>

# Notes to the Financial Statements

## Note 26 Public Private Partnerships and Similar Contracts

The council entered the PPP agreement in June 2006 for the provision of 17 new build schools (which includes 2 named Additional Support Needs schools as well as the major refurbishment of Stonelaw High School and Hamilton Grammar. The Unitary Charge is index linked with the inflation rate in the January of the preceding financial year used to agree the charge for the new financial year. The agreement will last 30 years and will end in 2039/2040.

The unitary charge includes the repayment of construction costs, interest and service charges and the projected payments due under the agreement, based on assumed RPI of 2.5% per annum.

The council entered the PPP agreement in July 2006 for the Design, Build, Finance and Operate Contract which covered both the Glasgow Southern Orbital and the M77 Extension with a contract value of £130m. The agreement will last 30 years and will end in 2035/2036.

Payments remaining to be made under PFI contracts for both Schools and Glasgow Southern Orbital as at 31 March 2018 (assuming an inflation rate of 2.5% for Schools PPP and excluding any estimation of availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Contingent rents £000	Total £000
Payable in 2018/19	9,736	7,213	11,391	5,808	34,148
Payable within 2 to 5 years	45,731	29,792	41,618	28,193	145,334
Payable within 6 to 10 years	78,440	36,727	43,238	44,630	203,035
Payable within 11 to 15 years	91,935	44,712	33,170	59,866	229,683
Payable within 16 to 20 years	79,504	72,618	17,653	89,957	259,732
Payable within 21 to 29 years	27,163	25,076	1,358	30,914	84,511
<b>Total</b>	<b>332,509</b>	<b>216,138</b>	<b>148,428</b>	<b>259,368</b>	<b>956,443</b>

The impact of a 1% movement in inflation would mean a movement of £0.095m and £0.238m on the Payments for Services charge and Contingent Rentals respectively at 2018/2019 prices for 1 year.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows

	2017/18 £000	2016/17 £000
Balance outstanding at start of year	222,894	229,414
Payments during the year	(6,756)	(6,520)
Capital expenditure incurred in the year	–	–
Reduction in liability for prepaid assets	–	–
Balance outstanding at year-end	<b>216,138</b>	<b>222,894</b>

## Note 27 Pensions Schemes Accounted For as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2018, the council's own contributions equate to approximately 5.25%.

In 2017/2018, the council paid £21.511m to Teachers' Pensions in respect of teachers' retirement benefits, representing 17.2% pensionable pay. The figures for 2016/2017 were £20.897m and 17.2%.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 28.





# Notes to the Financial Statements

## Note 28 Defined Benefit Pension Schemes

### Participation in Pension Schemes

The post employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS), and is administered in the West of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

### Benefits

- It is a defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- A new Career Average Related Earnings (CARE) pension scheme has been introduced from 1 April 2015. The pension accrual rate guarantees a pension that is built up at a rate of 1/49<sup>th</sup> of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's pension account and at the end of each financial year the total in the member's pension account is adjusted in line with the cost of living to ensure it retains its purchasing power.
- For pension contributions from 2009 to 2015, the pension is based on 1/60<sup>th</sup> of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable pay and years of pensionable service.
- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004. The scheme's retirement age is the normal age for the state pension. Pensions are increased annually in line with changes to the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

### Governance

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of Elected Members of Glasgow City Council. Employing authorities (including South Lanarkshire Council) are represented at the Strathclyde Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as South Lanarkshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

### Principal Risks

- The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

### Discretionary Post-employment Benefits

- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

# Notes to the Financial Statements

## Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the council's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the council in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

The following transactions have been made in the accounting statements in 2017/2018 and the prior year 2016/2017.

	31 March 2018 £000	31 March 2017 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
Service Cost comprising:		
▪ current service cost	75,121	53,937
▪ past service costs (including curtailments)	963	464
▪ unfunded benefits	–	–
Financing and Investment Income and Expenditure		
▪ net interest expense	18,864	16,260
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>94,948</b>	<b>70,661</b>
Other Post Employment Benefits Charged to the CIES:		
Re-measurement of the net defined liability comprising:		
▪ Expected return on pension fund assets	(37,764)	(307,991)
▪ Actuarial (gains) or losses arising on changes in demographic assumptions	47	–
▪ Actuarial losses arising on changes in financial assumptions	(122,925)	528,854
▪ Actuarial losses arising on changes in other experiences	(261,670)	4,534
<b>Total Post-employment Benefit charged to the CIES</b>	<b>(327,364)</b>	<b>296,058</b>
Net charge to the Surplus/Deficit on the Provision of Services brought forward	94,948	70,661
<b>Movement in Reserves Statement (MIRS)</b>		
▪ Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(49,051)	(24,749)
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>45,897</b>	<b>45,912</b>

# Notes to the Financial Statements

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plan is as follows:

	<b>31 March 2018 £000</b>	<b>31 March 2017 £000</b>
Present value of the defined benefit obligation*	(2,349,397)	(2,634,315)
Fair value of pension fund assets	2,012,121	1,923,778
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(337,276)</b>	<b>(710,537)</b>
*Unfunded liabilities included in the figure for present value of liabilities		
▪ unfunded liabilities for Pension Fund	(60,887)	(61,544)
▪ teachers' unfunded pensions	(83,106)	(85,546)
▪ unfunded liabilities prior to 1996 local government reorganisation	(21,462)	(22,901)

A reconciliation of South Lanarkshire Council's share of the present value of Strathclyde Pension Fund's defined benefit obligation (liability) is as follows:

	<b>2017/18 £000</b>	<b>2016/17 £000</b>
<b>Opening balance at 1 April</b>	<b>(2,634,315)</b>	<b>(2,022,656)</b>
Current service cost	(75,121)	(53,937)
Interest cost	(68,889)	(70,920)
Contributions by Pension Fund participants	(11,719)	(11,772)
Re-measurement gains and (losses)		
▪ Actuarial losses arising on changes in demographic assumptions	(47)	–
▪ Actuarial losses arising on changes in financial assumptions	122,925	(528,854)
▪ Actuarial losses arising on changes in other experiences	261,670	(4,534)
Past service costs (including curtailments)	(963)	(464)
Settlements		
Benefits paid	57,062	58,822
<b>Closing balance at 31 March</b>	<b>(2,349,397)</b>	<b>(2,634,315)</b>

A reconciliation of the movements in South Lanarkshire Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	<b>2017/18 £000</b>	<b>2016/17 £000</b>
<b>Opening fair value of pension fund assets</b>	<b>1,923,778</b>	<b>1,562,265</b>
Interest Income	50,025	54,660
Re-measurement gains and (losses)		
▪ Expected rate of return on pension fund assets	37,764	307,991
▪ Actuarial gains and (losses)	–	–
The effect of changes in foreign exchange rates	–	–
Contributions from employers	45,897	45,912
Contributions from employees into the scheme	11,719	11,772
Benefits Paid	(57,062)	(58,822)
<b>Closing balance at 31 March</b>	<b>2,012,121</b>	<b>1,923,778</b>

# Notes to the Financial Statements

## Analysis of Pension Fund's Assets

South Lanarkshire Council's share of the Pension Fund's assets at 31 March 2018 comprised:

	31 March 2018			31 March 2017		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Cash and cash equivalents	103,582	99,827	203,409	69,263	3,197	72,460
Equity Instruments	464,154	1,217	465,371	705,954	366	706,320
Debt instruments	63,133	1	63,134	–	17	17
Real Estate	–	182,178	182,178	–	232,042	232,042
Derivatives	41	–	41	161	256	417
Private Equity	–	240,440	240,440	–	158,613	158,613
Investment Funds	660,469	197,079	857,548	22,336	731,573	753,909
<b>Total Assets</b>	<b>1,291,379</b>	<b>720,742</b>	<b>2,012,121</b>	<b>797,714</b>	<b>1,126,064</b>	<b>1,923,778</b>

## Basis for Estimating Assets and Liabilities

The council's share of the net obligations of The Strathclyde Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on.

The Fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2017. The significant assumptions used by the actuary are shown in the table below. Note 2 includes a sensitivity analysis for the pension obligation based on reasonably possible changes of these assumptions occurring at the reporting date.

	2017/18 £000	2016/17 £000
Long-term expected rate of return on assets in the Fund		
▪ Equity investments	2.7%	2.6%
▪ Bonds	2.7%	2.6%
▪ Property	2.7%	2.6%
▪ Cash	2.7%	2.6%
Mortality Assumptions (years):		
▪ Men	21.4	22.1
▪ Women	23.7	23.6
Longevity at 65 for future pensioners (years):		
▪ Men	23.4	24.8
▪ Women	25.8	26.2
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	3.6%	4.4%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting Fund liabilities	2.7%	2.6%
Take-up option to convert annual pension into retirement lump sum	50.0%	50.0%



# Notes to the Financial Statements

## **Asset and Liability Matching (ALM) Strategy**

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy [ALM] as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. The Fund invests in equities, bonds, properties and in cash.

## **Impact on the Authority's Cash Flow**

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2017/2018. Following the completion of the triennial valuation as at 31 March 2017, employees contributions have been set at 19.3% for the next three years (2018/2019 to 2020/2021).

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The total contributions expected to be made by the council to Strathclyde Pension Fund in the year to 31 March 2019 is £37.658 million.

The assumed weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

## **Note 29 Contingent Assets and Liabilities**

As at 31 March 2018 the council has the following material contingent liabilities:

### **Holiday Pay**

Following an EU ruling which determined that holiday pay must correspond to normal pay, including commission or other variable elements of pay such as overtime payments, a number of claims have been raised against the council. Approximately 1,500 cases remain live. This is an area of employment law which is still changing. Further guidance is expected in due course from current cases as to how Tribunals will approach calculation of the sums due, particularly in terms of the reference period to be used where pay fluctuates. At present, no liability can be quantified until further clarity is provided.

### **Legal Action**

The council is involved in an ongoing legal action with a Limited Company in relation to a food safety issue. A court ruling has been made in relation to the proceedings. Costs incurred to date by the Council, in relation to the proceedings, have been reflected in the financial statements. The value of the Council's additional liability cannot be quantified with any certainty at this time.

### **Historical Childhood Abuse**

The council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) Scotland Act 2017. At this stage the extent of the council's potential liability, if any, is unknown.



# Notes to the Financial Statements

## Note 30 Financial instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	31 March 2018		31 March 2017			
	Long Term £000	Current £000	Total £000	Long Term £000	Current £000	Total £000
<b>Borrowings</b>						
Financial liabilities at amortised cost	881,783	31,053	912,836	904,164	33,318	937,482
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
<b>Total borrowings</b>	<b>881,783</b>	<b>31,053</b>	<b>912,836</b>	<b>904,164</b>	<b>33,318</b>	<b>937,482</b>
<b>Investments</b>						
Loans and receivables	-	44,834	44,834	-	15,321	15,321
Treasury Bills	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
<b>Total investments</b>	<b>-</b>	<b>44,834</b>	<b>44,834</b>	<b>-</b>	<b>15,321</b>	<b>15,321</b>
<b>Other Long Term Liabilities</b>						
PPP and finance lease liabilities	208,925	7,213	216,138	216,138	6,756	222,894
<b>Total Other Long Term Liabilities</b>	<b>208,925</b>	<b>7,213</b>	<b>216,138</b>	<b>216,138</b>	<b>6,756</b>	<b>222,894</b>

# Notes to the Financial Statements

## Income, Expense, Gains and Losses

	2017/18				2016/17			
	Financial Liabilities		Financial Assets		Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Assets and Liabilities at Fair Value through Profit and Loss £000
	Total £000	Total £000	Total £000	Total £000	Total £000	Total £000	Total £000	Total £000
Interest expense	(40,004)	-	-	-	(40,004)	-	-	-
Losses on de-recognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(40,004)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,004)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest income	-	152	-	-	152	179	-	179
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-
Gains on de-recognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>179</b>	<b>-</b>	<b>179</b>
Gains on revaluation	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of services after impairment	-	-	-	-	-	-	-	-
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loss for the year</b>	<b>(40,004)</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>(39,852)</b>	<b>179</b>	<b>-</b>	<b>(41,330)</b>

# Notes to the Financial Statements

## Fair Value of Financial Assets

Some of the council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

### Financial Assets Measured at Fair Value

Recurring Fair Value Measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	2017/18	2016/17
<b>Available for Sale Financial Assets</b>				
T-Bills	Level 1	Unadjusted quoted prices in active markets for identical T-Bills	-	-
<b>Total</b>			-	-

## Transfers Between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

## Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

## The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets 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 Public Works Loans Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For non PWLB loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding.

The fair values calculated are as follows:

	2017/18		2016/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
PWLB Debt	903,020	1,333,544	927,601	1,390,286
Non PWLB Debt	9,816	13,431	9,881	14,180
Short Term Borrowing	-	-	-	-
<b>Total Financial Liabilities</b>	<b>912,836</b>	<b>1,346,975</b>	<b>937,482</b>	<b>1,404,466</b>
<b>Other Liabilities</b>				
PPP/Finance Lease	216,138	289,981	222,894	459,577
<b>Total Other Liabilities</b>	<b>216,138</b>	<b>289,981</b>	<b>222,894</b>	<b>459,577</b>
<b>Financial Assets</b>				
Loans and Receivables	44,834	44,834	15,321	15,321
<b>Total Financial Assets</b>	<b>44,834</b>	<b>44,834</b>	<b>15,321</b>	<b>15,321</b>

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £1,333.544m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.



# Notes to the Financial Statements

However, the council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £903.020m would be valued at £1,167.491m. But, if the council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £430.524m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,333.544m.

## Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not Measured at Fair Value

31 March 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Total £000
<b>Financial Liabilities</b>				
PWLB Debt	–	1,333,544	–	1,333,544
Non PWLB Debt	–	13,431	–	13,431
Short Term Borrowing	–	–	–	–
<b>Other Liabilities</b>				
PPP/Finance Lease	–	289,981	–	289,981
<b>Total Liabilities</b>		<b>1,636,956</b>	–	<b>1,636,956</b>
<b>Financial Assets</b>				
Loans and Receivables	44,834	–	–	44,834
<b>Total Assets</b>	<b>44,834</b>	–	–	<b>44,834</b>

31 March 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Total £000
<b>Financial Liabilities</b>				
PWLB Debt	–	1,390,286	–	1,390,286
Non PWLB Debt	–	14,180	–	14,180
Short Term Borrowing	–	–	–	–
<b>Other Liabilities</b>				
PPP/Finance Lease	–	459,577	–	459,577
<b>Total Liabilities</b>	–	<b>1,864,043</b>	–	<b>1,864,043</b>
<b>Financial Assets</b>				
Loans and Receivables	15,321	–	–	15,321
<b>Total Assets</b>	<b>15,321</b>	–	–	<b>15,321</b>

## Note 31 Disclosure of Nature and Extent of Risks Arising From Financial Instruments

### Key Risks

The council's activities expose it to a variety of financial risks:

- 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
- refinancing 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 and stock market movements.

# Notes to the Financial Statements

## Overall Procedures for Managing Risk

The procedures for risk management are set out 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 and the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the council to manage risk in the following ways:

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties;
- 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 of the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year

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

These policies are implemented by a central treasury team. The council maintains written principles 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).

## Nature and Extent of Risks – Credit Risk

### Credit Risk

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

The council manages this risk by ensuring that investments are placed with the Debt Management Office, other local authorities or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

The table below summarises the nominal value of the council's investment portfolio at the end of 31 March 2018 into the relative credit ratings.

Counterparty / Country	Long Term Rating (Fitch)	Support Rating (Fitch)	Balance Invested as at 31 March 2018					Total
			Up to 1 month £000	Greater than 1 month and up to 3 months £000	Greater than 3 month and up to 6 months £000	Greater than 6 month and up to 9 months £000	Greater than 9 month and up to 12 months £000	
UK Government (Debt Management Office)	AAA	NR*	4,180	–	–	–	–	4,180
<b>Total UK Government</b>			<b>4,180</b>	–	–	–	–	<b>4,180</b>
UK Local Authorities	AAA	NR*	30,806	–	–	–	–	30,806
<b>Total UK Local Authorities</b>			<b>30,806</b>	–	–	–	–	<b>30,806</b>
Bank of Scotland	A+	5	10,002	–	–	–	–	10,002
Royal Bank of Scotland	BBB+	5	(154)	–	–	–	–	(154)
<b>Total UK Banks</b>			<b>9,848</b>	–	–	–	–	<b>9,848</b>
<b>Total</b>			<b>44,834</b>	–	–	–	–	<b>44,834</b>

\* NR = Not Rated

The Ratings are as at the 31 March 2018 and are intended to provide an indication of credit risk. These are not necessarily the ratings of institutions at the time deposits were placed.

# Notes to the Financial Statements

The Ratings above are from Fitch ratings. The Long Term Rating is the benchmark measure of probability of default. The Support Rating is an opinion of potential support from a sovereign state or parent.

The following analysis summarises the council's potential maximum exposure to credit risk on the level of default on debtors.

	2017/18 £000	Bad Debt Provision £000	2016/17 £000	Bad Debt Provision £000
Debtors	47,977	5,174	63,500	4,345

The Debtors figure above does not include debtors for Council Tax, Community Charge, Non Domestic Rates, and Council House Rents as these are not considered to be financial assets.

Of the gross Debtors figure included in the note, £17.310m Revenue (2016/17 £13.264m) is considered to be past its date for payment. The past due amount can be analysed by age as follows:

	2017/18 £000	2016/17 £000
Less than three months	10,496	6,510
Three to six months	980	899
Six months to one year	1,361	1,346
More than one year	4,473	4,509
	<b>17,310</b>	<b>13,264</b>

## Nature and Extent of Risks – Liquidity Risk

### Liquidity Risk

As the council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. There may be a risk that the council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The approved prudential indicator limits for the maturity structure of debt, and the council's approved treasury and investment strategies address the main risks, and the central Treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs.
- The maturity analysis of financial liabilities is as follows:

	2017/18 £000	2016/17 £000
Less than one year	31,053	33,318
Between one and two years	30,590	22,381
Between two and five years	89,744	90,345
More than five years	761,449	791,438
	<b>912,836</b>	<b>937,482</b>

# Notes to the Financial Statements

All trade and other payables are due to be paid in less than one year.

## Nature and Extent of Risks – 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.

For instance, a rise in interest rates would have the following effects:

- **borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- **borrowings at fixed rates** – the fair value of the liabilities borrowings will fall
- **investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- **investments at fixed rates** – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement unless the investments have been designated at fair value through the Comprehensive Income and Expenditure Statement.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central Treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

A sensitivity analysis has been carried out to assess the financial effect of a 1% variance in interest rates as suggested in the Code Guidance Notes 2017/2018.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	95
Increase in interest receivable on variable rate investments	(724)
Impact on Comprehensive Income and Expenditure Statement	(629)
Share of overall impact credited to the HRA	(139)
Decrease in fair value of fixed rate investment assets	–
Impact on Comprehensive Income and Expenditure Statement	–
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure Statement)	(177,413)

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 does not invest in equity shares, and is therefore not exposed to losses arising from movements in the price of shares.



# Notes to the Financial Statements

## Note 33 Trust Funds

The council administers a total of 69 Trust Funds, all of which are historically significant and some of which are financially significant.

The most significant fund is the Loudon Bequest (shown within the Charitable section) which is used to finance holiday projects for elderly people. The balance of the fund as at 31 March 2018 was £0.833m.

The Educational Trusts consist mainly of school prize funds. The Charitable Trust Funds include charitable trusts held by the previous District Councils and are used to provide financial assistance to organisations and individuals who meet the terms set by the specific funds.

A report is made to the Finance and Corporate Resources Committee after the year end detailing the expenditure made from each fund and the balance remaining within the fund. The governance arrangements are considered and reviewed by the council.

These Trusts Funds do not represent assets of the council and as a result are not included in the council's Balance Sheet. The individual funds are the subject of a separate audit and audit opinion.

### Summary of Trust Funds

2016/17 (Restated) Total £000		Charitable £000	Educational £000	EK ITEC £000	2017/18 Total £000	Note
<b>Income and Expenditure Account</b>						
57	Income for Year	63	–	–	63	3
(68)	Expenditure for Year	(37)	(2)	–	(39)	
(11)	Surplus/(Deficit) to Balance Sheet	26	(2)	–	24	
<b>Balance sheet</b>						
Assets:						
Investments						
871	– General	844	–	–	844	
324	– South Lanarkshire Council	182	140	27	349	
1,195		1,026	140	27	1,193	
Liabilities:						
–	Accruals	–	–	–	–	
1,195	<b>Net Assets</b>	<b>1,026</b>	<b>140</b>	<b>27</b>	<b>1,193</b>	
Represented By:						
1,134	Capital Account as at 1/04/2017	1,003	112	–	1,115	
(19)	Movement During Year	(27)	–	–	(27)	1
1,115	Capital Account as at 31/03/2018	976	112	–	1,088	
91	Revenue Account as at 1/04/2017	24	30	27	81	
(11)	Movement During Year	26	(2)	–	24	2
80	Revenue Account as at 31/03/2018	50	28	27	105	
1,195	<b>Total Reserves</b>	<b>1,026</b>	<b>140</b>	<b>27</b>	<b>1,193</b>	

**Note 1** The movement on the Capital Account represents the net purchase and sale of investments on the Loudon Bequest during the year and a proportion of the deficit which could not be funded from revenue reserves.

**Note 2** The movement on the Revenue Account represents a surplus of £0.022m after deducting payments for bequests, trusts and prize funds from the receipt of interest on internally and externally invested funds.

**Note 3** The 2016/17 figures have been restated due to a minor adjustment relating to income of £0.003m.

# Notes to the Financial Statements

## Note 34 Accounting Policies

### A General Principles

The Annual Accounts summarise the council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

Also, within the Comprehensive Income and Expenditure Statement, whenever trading accounts are an integral part of the total costs of particular services, councils are required to consolidate these into the net cost of the service. Further, where a surplus/deficit has been achieved as a result of integral recharging or external recharging, the surplus/deficit should be reapportioned to services or held separately respectively. In relation to the council, this re-allocation has been completed for 2017/2018, as a year-end accounting adjustment only. It is worth noting that each Trading Operation will continue to work towards a surplus, the total of which will be budgeted as part of the council's overall funding arrangements for the current year and future financial strategies.

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

The accounting policies have been applied consistently.

### B Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a difference between the date supplies are received and their consumption, they are carried as stock on the council's Balance Sheet.

- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.
- The Corporate i-Procurement system operates across the council's service areas.
  - For all purchases made via the i-Procurement system, sundry creditors are now accrued on the basis of all goods and services received by 31 March 2018, regardless of value and materiality. During the financial year, period end accruals have also been made on a similar period by period basis.
  - For any residual purchases, not made via the i-Procurement System sundry creditors are accrued on the basis of payments made during the first 3 weeks following 31 March together with specific accruals in respect of further material items.
- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the council is acting as an agent for another party (for example in the collection of National Non Domestic Rates and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the council for the agency services rendered or the council incurs expenses directly on its own behalf in rendering the services.

### C Cash and Cash Equivalents

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

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

## D Charges to Revenue for Non-Current Assets

Services are debited or credited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service
- the reversal of a revaluation or impairment loss previously charged to the Surplus or Deficit on the Provision of Services.

The council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to contribute towards the reduction in its overall borrowing requirement through loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a statutory adjustment in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## E Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a debit / credit to the Accumulating Compensated Absences Account in the Movement in Reserves Statement.

In February 2018, the Scottish Government issued Financial Circular 2/2018 (replacing FC 3/2010), that amends the absences covered by the statutory mitigation. From 1 April 2020, the flexi and time in lieu absences are no longer covered by the statute and therefore cannot be reversed out. In addition, any reversals held in the Statutory Accumulated Absences Account Reserve require to be charged back to the Comprehensive Income and Expenditure Statement, by 31 March 2020.

The council has implemented both these changes in 2017/2018.

In terms of the teachers Statutory Accumulated Compensated Absences, the methodology for 2017/2018 reflects the changes to teachers' terms and conditions as per SCNT 11/26 (12 July 2011).

## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

## Post Employment Benefits

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

- The Local Government Pension Scheme (Strathclyde Pension Fund), administered by Glasgow City Council.
- Teachers Pension Scheme administered by the Scottish Pension Agency (Scottish Government).

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

## The Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on an average of high quality corporate bonds.
- The assets of the Strathclyde Pension Fund are included in the Balance Sheet at their fair value at current bid prices as required under IAS19, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.





# Notes to the Financial Statements

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

## Discretionary Benefits

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

## F Events After the Reporting Period

There are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue.

An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period, otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

## G Material Items of Income and Expenditure

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the financial statements, depending on how significant the items are to an understanding of the council's financial performance.

## H Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost.

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement in the year of repayment of the original debt in accordance with accounting regulations.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## I Financial Assets

Financial assets are classified into two types:

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

## Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, then at amortised cost. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

## Available-for-Sale Assets

Available for sale assets are assets that have a quoted market price and / or do not have fixed or determinable payments and are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

## J Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## K Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (for example, software licences) is capitalised when it is expected that it will bring benefits to the council for more than 12 months.

Intangible assets are measured initially at cost. Amounts are not revalued as the fair value of the assets held cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful life of these assets is deemed to be five years.

## L Interests in Companies and Other Entities

The council has material interests in companies and other entities that have the nature of associates and jointly controlled entities and require it to prepare group accounts. More information about these entities is detailed in the Group Accounts and Notes to the Group Accounts (pages 98-110).

## M Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The value of work in progress has been made at cost plus an appropriate proportion of overheads, with allowances for foreseeable losses.



# Notes to the Financial Statements

## N Leases

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

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

### The Council as Lessee

#### Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

### The Council as Lessor

#### Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

## O Overheads and Support Services

The 2016/2017 Code removed the requirement for councils to report on a total cost basis per the CIPFA Service Reporting Code of Practice. Councils are only required to reallocate overheads and support costs if this is how they treat/report these services in their management reports throughout the year.

The council reports these as services during the year and does not allocate them in the management reports, therefore the only overhead and support allocation will be to the Housing Revenue Account and Trading Operations, where appropriate.

## P Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset e.g. repairs and maintenance is charged as an expense when it is incurred.

## Measurement

Assets are initially measured at cost, comprising:

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

The council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- other land and buildings – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV)
- vehicles, plant and equipment – where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value
- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets - fair value based on market value in highest and best use.

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

Council Dwellings and non-operational lease portfolio are valued annually. The remainder of the land and property assets are valued through a five year rolling programme. The programme is prioritised by asset type to ensure consistency. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The values for land and property assets in the accounts are based upon certificates produced by the council valuer who is MRICS qualified (Member of Royal Institute of Chartered Surveyors) and issued in the name of the council's Executive Director of Housing and Technical Resources.

## Impairment or Revaluation Loss

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where indications of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

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

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

## Assets Held for Sale

Property, land and buildings are classified as 'Held for Sale' when the following criteria are met:

- The property is available for immediate sale in its present condition;
- The sale must be highly probable and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances, may extend the period to complete the sale beyond one year)

When these criteria are met, assets within the category 'Property, Plant and Equipment' will be reclassified to 'Assets Held for Sale'

## Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value costs to sell, the loss is taken to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit in Provision of Services.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (dwellings 40 years, other land and building 10 - 40 years).
- vehicles, plant and equipment – straight line allocation over the useful life of the asset (5 - 20 years).
- infrastructure – straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, if the component has a different useful life or depreciation method that differs significantly from the remainder of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Q Heritage Assets

South Lanarkshire Council's heritage assets comprise collections held within the Museum Service, Archives and Information Service and the Library Service. These collections reflect different aspects of our culture, identity and history.



# Notes to the Financial Statements

Heritage Assets, where the cost or value of the asset are known, are recognised on the balance sheet at valuation and no depreciation is charged on these assets. A de-minimis level of £10,000 has been applied. Assets which have a value of less than £10,000 will not be recorded on the Balance Sheet.

Heritage assets will only be revalued where there is specific evidence that a revaluation is required and where the costs of the revaluation do not outweigh the benefit to users of the Annual Accounts.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment – see page 91.

As a result of the cultural and education value of these assets, disposals of heritage assets tend to be rare. The proceeds of such disposals are accounted for in accordance with the council's general provisions relating to the disposal of property plant and equipment and disclosed separately in the Notes to the Accounts.

## **R Public Private Partnership (PPP) and Similar Contracts**

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passed to the PPP contractor. As the council is deemed to control the services that are provided under its PPP schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For Secondary Schools' Modernisation Programme – Public Private Partnership (PPP), the liability was written down by an initial capital contribution of £48.050m.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – there have been no lifecycle costs to date.

## **S Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### **Contingent Assets and Liabilities**

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

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Accounts.

## **T Reserves**

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

## Usable Reserves

The council has several reserve funds within this category. The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes. The Repairs and Renewals Fund provides for the upkeep of specific assets held by the council. The Capital Fund is used to meet the costs of capital investment and for the repayment of the principal element of borrowing.

## Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council. These reserves are explained in Note 11 on pages 55-57.

## U Revenue Expenditure Funded from Capital under Statute

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

## V VAT

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

## W Carbon Reduction Commitment Scheme

The council is required to participate in the Carbon Reduction commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the second year of its second phase which ends on 31 March 2019.

The council is required to purchase allowances, whether prospectively or retrospectively and surrender them on the basis of emissions i.e carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

The cost to the authority is recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

## Note 35 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 34, the council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- The council has entered into a Public Private Partnership (PPP) for the provision of secondary schools, their maintenance and related facilities. The annual unitary charge payable by the council in respect of this contract is allocated across the various expenditure headings based on a detailed financial model, in line with the assumptions made within the service provider's operating model.
- In assessing potential liabilities arising from legal claims against the council, legal opinion has been sought. The council has considered and assessed its exposure to potential liabilities and made provision where it is probable that an outflow of resources will occur and where the amount of liability can be reliably quantified. Where it is not possible to measure the liability or is not probable in the council's opinion that there will be a liability to meet, the contingent liability is disclosed in Note 29. This includes legal cases in respect of employee holiday pay and a legal dispute with a company regarding a food issue. These cases continue to be monitored for potential liabilities that require to be recognised, including any developments up to the point of signing the Accounts.
- The accounts have been prepared on a going concern basis as it is expected that despite the uncertainty around future finance settlements, that the council's process of delivering efficiency savings will provide sufficient resources to finance future liabilities.
- Assets held at current value are revalued on a 5 year rolling basis. The council asserts that at any point in time, the carrying amount does not differ materially from that which would be determined using current value.

# Supplementary Statement No 1

## Housing Revenue Account Income and Expenditure Statement

This statement reflects the statutory requirement to account for local authority housing provision, as defined in the Housing (Scotland) Act 1987.

It shows the elements of expenditure incurred in the management and investment of the council's housing stock and the funding of this by rents, and other income.

The council has a duty to cover any deficit, and any accumulated surplus is carried forward to future years for use in the management and investment of its council housing stock.

### Housing Revenue Account Income and Expenditure Statement

2016/17 £000	Expenditure	2017/18	
		£000	£000
22,867	Repairs and Maintenance	23,210	
19,227	Supervision and Management	19,024	
43,301	Depreciation and Impairment on Non-Current Assets	130,434	
820	Movement in the Allowance for Bad Debts	2,216	
4,906	Other Expenditure	5,648	
<b>91,121</b>	<b>Total Expenditure</b>		<b>180,532</b>
	<b>Income</b>		
(80,086)	Dwelling Rents	(81,398)	
(2,616)	Non-Dwelling Rents	(2,889)	
–	Housing Support Grants	–	
–	Other Income	–	
<b>(82,702)</b>	<b>Total Income</b>		<b>(84,287)</b>
<b>8,419</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>96,245</b>
(97)	HRA Share of Other Amounts included in the Whole Council Net Cost of Services but not Allocated to Specific Services		48
<b>8,322</b>	<b>Net Cost for HRA Services</b>		<b>96,293</b>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
1,410	Gain or Loss on the Disposal of Non-Current Assets		969
9,308	Interest Payable and Similar Charges		9,005
(67)	Interest and Investment Income		(45)
702	Pension Interest Cost and Expected Return on Pension Assets		809
(7,932)	Capital Grants and Contributions Receivable		(7,258)
<b>11,743</b>	<b>Deficit for the Year on HRA Services</b>		<b>99,773</b>

## Statement of Movement on the Housing Revenue Account Balance

2016/17 £000		Notes	2017/18	
			£000	£000
(12,545)	Balance on the HRA at the end of the Previous Year			(10,251)
11,743	Deficit for the Year on HRA Income and Expenditure Statement		99,773	
(9,449)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(101,146)	
2,294	Net (Increase)/Decrease Before Transfers to or from Reserves		(1,373)	
–	Transfers (to) or from Reserves		–	
(2,294)	(Increase)/Decrease in Year on the HRA			(1,373)
<b>(10,251)</b>	<b>Balance on the HRA at the end of the Current Year</b>			<b>(11,624)</b>

## Housing Revenue Account Disclosures

### 1. Adjustments between Accounting Basis and Funding Basis under Statute

2016/17 £000		2017/18 £000
(4,036)	Adjustment involving Revaluation Reserve	(2,979)
(43,301)	Charge for Depreciation and Impairment of Non Current Assets	(130,433)
(7,379)	Adjustment involving Capital Adjustment Account	(4,163)
7,932	Capital Grants and Contributions	7,258
4,230	Statutory Provision for the Financing of Capital Investment	5,193
24,172	Capital expenditure funded by the HRA	19,932
10,004	Adjustment involving Capital Receipts Reserve	6,173
80	Adjustment involving Financial Instrument Adjustment Account	79
(1,179)	Adjustments involving the Pension Reserve	(2,203)
28	Adjustments involving the Statutory Accumulated Compensated Absences Account	(3)
<b>(9,449)</b>	<b>Total</b>	<b>(101,146)</b>

### 2. Housing Stock

The council's housing stock at 31 March 2018 was 24,833 (24,940 at 31 March 2017) in the following categories:

2016/17 Number		2017/18 Number	Average Weekly Rent
11,567	Houses	11,471	£72.13
1,340	High Rise	1,339	£59.03
5,559	Tenements	5,559	£52.29
4,541	4 in a block	4,519	£64.63
1,933	Maisonettes	1,945	£53.32
<b>24,940</b>	<b>Total</b>	<b>24,833</b>	

### 3. Rent Arrears

Rent Arrears at 31 March 2018 were £4.599m (£4.180m at 31 March 2017).

### 4. Impairment of Debtors

In 2017/2018 an impairment of £7.044m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.850m from the provision in 2016/2017.

### 5. Exceptional or Prior Year Adjustments

There were no exceptional items or prior year adjustments not disclosed in the statement.

### 6. Void Rent Loss

The figures above include rent loss on void properties of £1.726m (£1.755m for 2016/2017).



# Supplementary Statement No 2

## National Non Domestic Rates Income Accounts Statement

National Non Domestic Rates (NNDR) income is collected by councils, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to councils along with the General Revenue Grant. The table below details the actual levels of NNDR collected by the council, and the overall increase/decrease between the rates collected and the amount that the council is entitled to receive under the National Pooling arrangement.

2016/17 £000		2017/18 £000	Note
322,614	Gross rates levied and contributions in lieu	355,069	1
	Less:		
(29,319)	Reliefs and other deductions	(27,192)	
–	Payments of interest	–	
(4,672)	Provision of bad and doubtful debts	(4,945)	
288,623	Net Non Domestic Rate Income	322,932	
–	Adjustment for years prior to the introduction of the pool	–	
288,623	Contribution to the National Non Domestic Rate pool	322,932	
14,490	Net contribution (to)/from National Non Domestic Rate pool	(35,070)	
303,113	Gross Non Domestic Rate Income to the Comprehensive Income and Expenditure Account	287,862	
–	Non Domestic Rate income retained by council (BRIS)	–	2
<b>303,113</b>	<b>Non Domestic Rate Income per the Comprehensive Income and Expenditure Statement</b>	<b>287,862</b>	

**Note 1** In 2017/2018, the gross rates levied amount of £355.069m (2016/2017: £322.614m) includes an amount of £170.724m (2016/2017: £162.846m) in relation to NDR Utilities which South Lanarkshire Council collected on behalf of the Scottish Government. This has resulted in a net contribution to the NDRI pool by the council of £35.070m.

**Note 2** The Business Rate Incentivisation Scheme (BRIS) permits the council to retain half of the NDR income, which exceeds the income target set by the Scottish Government. In 2017/2018, the council did not receive any additional funding from BRIS.

### Net Rateable Value Calculation

The amount paid for National Non Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £, which is determined each year by the Scottish Government. The National Non Domestic Rates poundage set by the Scottish Government for 2017/2018 was 46.6p (48.4p in 2016/2017).

Larger businesses will pay an additional 2.6p (2.6p in 2016/2017) which contributes towards the cost of the Small Business Bonus Scheme. The Small Business Bonus Scheme provides a discount of between 25% and 100% to businesses in Scotland with a combined rateable value of £35,000 or less.

	2017/18 £
Analyses of Rateable Values	
Rateable Value at 01/04/2017	744,327,185
Running Roll (Full Year Rateable Value)	(3,616,135)
Rateable Value at 31/03/2018	740,711,050
Less: Wholly Exempt	(3,489,410)
Net Rateable Value at 31/03/2018	737,221,640
South Lanarkshire Council's Rateable Values at 1 April 2017	
Commercial	148,204,770
Industrial and Freight Transport	58,969,490
Public Undertakings	467,073,625
Others	70,079,300
<b>Total</b>	<b>744,327,185</b>

## Council Tax Income Accounts Statement

Councils raise taxes from their residents through the Council Tax – which is a property tax linked to property values. Each dwelling in a council area is placed into one of 8 valuation bands (A to H). The council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more.

2016/17 £000		2017/18 £000
155,269	Gross Council Tax levied and contributions in lieu	163,463
1,378	Adjustments for prior years Council Tax	2,072
<u>156,647</u>		<u>165,535</u>
	Adjusted for:	
(19,273)	Council Tax Reduction	(19,288)
(18,422)	Other discounts and reductions	(18,929)
(3,382)	Provision for Non-collection	(3,599)
<u>115,570</u>	<b>Transfer to General Fund</b>	<u>123,719</u>

From 1 April 2013, the Council Tax Reduction Scheme replaced Council Tax Benefit, with the resultant decrease in Council Tax Income shown in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Council Tax Benefit grant and payments were previously disclosed as part of General Fund Housing in the Net Cost of Services.

### The calculation of the Council Tax Base 2017/18

	Number of dwellings	Number of exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Council Tax Reduction	Total dwellings	Ratio to Band D	Band D Equivalents
Band A (discount)	–	–	(107)	11	–	–	96	5/9	53
Band A	35,748	1,513	(62)	4,894	174	10,277	18,952	6/9	12,635
Band B	29,679	1,138	(14)	3,678	130	6,084	18,663	7/9	14,516
Band C	25,269	641	2	2,360	82	3,322	18,862	8/9	16,766
Band D	19,947	309	(39)	1,526	64	1,413	16,674	9/9	16,674
Band E	18,714	282	89	1,016	39	639	16,649	473/360	21,875
Band F	11,387	96	64	423	24	250	10,530	585/360	17,111
Band G	5,983	54	59	188	15	64	5,603	705/360	10,973
Band H	514	10	8	13	3	2	478	882/360	1,171
							Class 18 Dwellings		–
							<b>106,507</b>		<b>111,774</b>
							Provision for non-collection (2.875%)		3,213
							<b>Council Tax Base</b>		<b>108,561</b>

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to South Lanarkshire Council, the Band D charge for 2017/2018 was £1,101.

### South Lanarkshire Council £ per year for 2017/2018

Band A	£734.00	Band E	£1,446.59
Band B	£856.33	Band F	£1,789.13
Band C	£978.67	Band G	£2,156.12
Band D	£1,101.00	Band H	£2,697.45

# Group Accounts

## Expenditure and Funding Analysis

### Group Expenditure and Funding Analysis Statement

Restated 2016/17

	Net Exp chargeable to the General Fund and HRA Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Exp chargeable to the General Fund and HRA Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Community and Enterprise Resources	104,268	9,901	114,169	122,184	22,207	144,391
Education Resources	311,188	23,045	334,233	290,438	10,709	301,147
Finance and Corporate Resources	24,174	1,673	25,847	33,035	4,429	37,464
Housing and Technical Resources						
– Housing Revenue Account	2,294	6,125	8,419	(1,373)	97,618	96,245
– Housing Other	32,181	2,587	34,768	23,015	3,947	26,962
Social Work Resources	139,232	4,398	143,630	139,724	11,548	151,272
Joint Boards	2,393	–	2,393	2,363	–	2,363
Corporate Items	368	(881)	(513)	427	917	1,344
Non Distributed Costs – Non Operational Assets (HRA)	–	(97)	(97)	–	48	48
Common Good	2,360	–	2,360	1	–	1
<b>Net Cost of Services</b>	<b>618,458</b>	<b>46,751</b>	<b>665,209</b>	<b>609,814</b>	<b>151,423</b>	<b>761,237</b>
Other Income and Expenditure	(633,841)	(22,909)	(656,750)	(622,857)	(16,548)	(639,405)
<b>(Surplus) or Deficit</b>	<b>(15,383)</b>	<b>23,842</b>	<b>8,459</b>	<b>(13,043)</b>	<b>134,875</b>	<b>121,832</b>
Share of Associates	(2,357)	(3,656)	(6,013)	(11,127)	(2,861)	(13,988)
<b>Group (Surplus) or Deficit</b>	<b>(17,740)</b>	<b>20,186</b>	<b>2,446</b>	<b>(24,170)</b>	<b>132,014</b>	<b>107,844</b>

	General Fund Including Subsidiaries and HRA £m	General Fund Group Associates £m	Total Group General Fund Including HRA £m
General Fund Including Subsidiaries and HRA	(50,566)	(9,822)	(60,388)
General Fund Group Associates	(15,383)	(2,357)	(17,740)
Transfers to/from other Reserves	(3,947)	73	(3,874)
<b>Closing General Fund and HRA Balance</b>	<b>(69,896)</b>	<b>(12,106)</b>	<b>(82,002)</b>
Opening General Fund and HRA Balance	(69,896)	(12,106)	(82,002)
Less/plus Surplus or Deficit on General Fund (per column 1 of EFA)	(13,043)	(11,127)	(24,170)
<b>Total Group General Fund Including HRA</b>	<b>(85,410)</b>	<b>(23,233)</b>	<b>(108,643)</b>

# Group Accounts

## Group Comprehensive Income and Expenditure Statement

### Group Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises

taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and Movement in Reserves Statements.

	Restated 2016/17	2017/18	Net Expenditure/ (Income) £000	Net Expenditure/ (Income) £000
	<b>Gross Expenditure £000</b>	<b>Gross Expenditure £000</b>	<b>Gross Expenditure £000</b>	<b>Gross Expenditure/ (Income) £000</b>
Community and Enterprise Resources	137,828	172,560	172,560	144,391
Education Resources	342,259	318,107	318,107	301,147
Finance and Corporate Resources	35,815	138,319	138,319	37,464
Housing and Technical Resources				
– Housing Revenue Account	91,121	180,532	180,532	96,245
– Housing Other	148,845	44,696	44,696	26,962
Social Work Resources	210,085	223,351	223,351	151,272
Joint Boards	2,393	2,363	2,363	2,363
Corporate Items	1,203	2,055	2,055	1,344
Non Distributed Costs - Non Operational Assets (HRA)	(97)	48	48	48
Common Good	2,465	147	147	1
<b>Net Cost of Services</b>	<b>971,917</b>	<b>1,082,178</b>	<b>1,082,178</b>	<b>761,237</b>
Other Operating Expenditure (Note 8)	–	222	222	222
Financing and Investment Income and Expenditure (Note 9)	75,176	76,630	76,630	76,055
Taxation and Non-Specific Grant Income (Note 10)	–	–	–	(715,682)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>1,047,093</b>	<b>1,159,030</b>	<b>1,159,030</b>	<b>121,832</b>
Share of the (Surplus) or Deficit on the provision of services by associates				(13,988)
<b>Group (Surplus) or Deficit</b>	<b>2,446</b>			<b>107,844</b>
(Surplus) / Deficit on Revaluation of Fixed Assets	(107,586)			(144,856)
Remeasurement of the Net Defined Benefit Liability / (Asset)	225,397			(422,312)
Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures	9,001			(20,292)
<b>Other Comprehensive Income and Expenditure</b>	<b>126,812</b>			<b>(587,460)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>129,258</b>			<b>(479,616)</b>

# Group Accounts

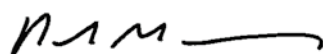
## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

It also reflects the council's share of the investments or liabilities and reserves of its subsidiaries and associates.

Single Entity 31 March 2017 £000	Restated Group 31 March 2017 £000		Single Entity 31 March 2018 £000	Group Adjustments 31 March 2018 £000	Group 31 March 2018 £000
2,897,410	2,900,227	Property, Plant and Equipment	2,941,122	3,008	2,944,130
3,826	3,826	Heritage Assets	3,826	-	3,826
288	288	Intangible Assets	240	-	240
-	30,558	Investments in associates and joint ventures	-	53,705	53,705
2,210	2,210	Long Term Debtors	2,084	-	2,084
<b>2,903,734</b>	<b>2,937,109</b>	<b>Non Current Assets</b>	<b>2,947,272</b>	<b>56,713</b>	<b>3,003,985</b>
-	-	Short Term Investments	-	-	-
4,269	4,269	Inventories	3,357	-	3,357
68,646	68,768	Short Term Debtors	61,975	792	62,767
1,056	1,056	Current Intangible – Carbon Reduction Allowances	1,519	-	1,519
2,621	2,621	Assets held for sale	571	-	571
2,965	3,572	Cash and Cash Equivalents	36,058	473	36,531
<b>79,557</b>	<b>80,286</b>	<b>Current Assets</b>	<b>103,480</b>	<b>1,265</b>	<b>104,745</b>
(33,318)	(33,318)	Short Term Borrowing	(31,053)	-	(31,053)
(106,966)	(106,552)	Short Term Creditors	(135,273)	(2)	(135,275)
(820)	(820)	Carbon Reduction Commitment Liability	(705)	-	(705)
(6,756)	(6,756)	Other Short Term Liabilities (PPP/Finance Leases)	(7,213)	-	(7,213)
(578)	(578)	Provisions	(823)	-	(823)
(3,136)	(3,136)	Receipts in Advance	(1,753)	-	(1,753)
<b>(151,574)</b>	<b>(151,160)</b>	<b>Current Liabilities</b>	<b>(176,820)</b>	<b>(2)</b>	<b>(176,822)</b>
-	(36)	Long Term Creditors	-	(30)	(30)
(759)	(759)	Long Term Provisions	(757)	(53)	(810)
(904,164)	(904,164)	Long Term Borrowing	(881,783)	-	(881,783)
-	(11,523)	Liabilities in associates and joint ventures	-	(390)	(390)
(216,138)	(216,138)	Other Long Term Liabilities (PPP/Finance Leases)	(208,925)	-	(208,925)
(710,537)	(710,537)	Other Long Term Liabilities (Pensions)	(337,276)	-	(337,276)
<b>(1,831,598)</b>	<b>(1,843,157)</b>	<b>Long Term Liabilities</b>	<b>(1,428,741)</b>	<b>(473)</b>	<b>(1,429,214)</b>
<b>1,000,119</b>	<b>1,023,078</b>	<b>Net Assets</b>	<b>1,445,191</b>	<b>57,503</b>	<b>1,502,694</b>
98,042	98,042	Usable Reserves	112,641	-	112,641
902,077	902,077	Unusable Reserves	1,332,550	-	1,332,550
-	22,959	Group Reserves	-	57,503	57,503
<b>1,000,119</b>	<b>1,023,078</b>	<b>Total Reserves</b>	<b>1,445,191</b>	<b>57,503</b>	<b>1,502,694</b>

The notes on pages 105 to 110 form part of the group financial statements. The unaudited accounts were authorised for issue on 27 June 2018, and the audited accounts were authorised for issue on 18 September 2018.



Paul Manning  
Executive Director (Finance and Corporate Resources)  
18 September 2018

# Group Accounts

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to

the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. The statement also includes the council's share of the reserves of its subsidiaries and associates.

	Revenue Statutory Funds							Total Council's Usable Reserves £000	Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Unusable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	Capital Receipts Reserve £000	Total Council's Usable Reserves £000				
Balance at 1 April 2017	56,941	10,251	5,910	3,333	14,821	6,786	98,042	902,077	14,810	8,149	1,023,078
<u>Movement in reserves during 2017/18</u>	(22,101)	(99,773)	-	-	-	-	(121,874)	566,946	14,030	20,514	479,616
Total Comprehensive Expenditure and Income	33,729	101,146	-	-	-	1,598	136,473	(136,473)	(2,846)	2,846	-
Adjustments between accounting basis and funding basis under regulations	-	-	-	-	-	-	-	-	-	-	-
Adjustments for Changes in Associates	-	-	-	-	-	-	-	-	-	-	-
Net Increase/(Decrease) before Transfers to Reserves	11,628	1,373	-	-	-	1,598	14,599	430,473	11,184	23,360	479,616
Transfers to/(from) Reserves	2,471	-	1,322	1,183	(3,376)	(1,600)	-	-	-	-	-
Increase/(Decrease) in Year	14,099	1,373	1,322	1,183	(3,376)	(2)	14,599	430,473	11,184	23,360	479,616
Balance at 31 March 2018 carried forward	71,040	11,624	7,232	4,516	11,445	6,784	112,641	1,332,550	25,994	31,509	1,502,694

# Group Accounts

## Group Movement in Reserves Statement

	Revenue Statutory Funds										Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Usable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	Capital Receipts Reserve £000	Total Council's Usable Reserves £000	Total Council's Usable Reserves £000	Total Council's Usable Reserves £000	Total Council Reserves £000	Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Usable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
<b>Restated Balance at 1 April 2016</b>	32,967	12,545	5,142	3,645	15,153	4,600	74,052	1,049,989	1,124,041	14,876	13,278	1,152,195	
<b>Movement in reserves during 2016/17</b>													
<b>Total Comprehensive Expenditure and Income</b>	5,634	(11,743)	-	-	-	-	(6,109)	(117,813)	(123,922)	3,663	(8,999)	(129,258)	
Adjustments between accounting basis and funding basis under regulations	14,393	9,449	-	-	-	6,257	30,099	(30,099)	-	(3,656)	3,656	-	
Adjustments for Changes in Associates	-	-	-	-	-	-	-	-	-	-	141	141	
<b>Net Increase/(Decrease) before Transfers to Reserves</b>	20,027	(2,294)	-	-	-	6,257	23,990	(147,912)	(123,922)	7	(5,202)	(129,117)	
Transfers to/(from) Reserves	3,947	-	768	(312)	(332)	(4,071)	-	-	-	(73)	73	-	
<b>Increase/(Decrease) in Year</b>	23,974	(2,294)	768	(312)	(332)	2,186	23,990	(147,912)	(123,922)	(66)	(5,129)	(129,117)	
<b>Balance at 31 March 2017 carried forward</b>	56,941	10,251	5,910	3,333	14,821	6,786	98,042	902,077	1,000,119	14,810	8,149	1,023,078	

# Group Accounts

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Group.

2016/17 £000		2017/18 £000
(8,459)	Net surplus/(deficit) on the provision of services	(121,832)
45,488	Adjust net surplus/ (deficit) on the provision of services for non cash movements	176,370
(41,783)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(39,227)
(4,754)	Net cash flows from Operating Activities	15,311
11,003	Investing Activities	48,729
(81,824)	Financing Activities	(31,081)
(75,575)	Net increase/(decrease) in cash and cash equivalents	32,959
79,147	Cash and cash equivalents at the beginning of the reporting period	3,572
<b>3,572</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>36,531</b>

## Group Cash Flow Notes

### Group Cash Flow Statement Note – Non-Cash Movements

2016/17 £000		2017/18 £000
113,287	Depreciation, impairment and amortisation of assets	188,038
(2,257)	Movement in creditors	28,796
(19,699)	Movement in debtors	5,974
(561)	Movement in inventories	912
24,749	Movement in pension liability	49,051
(70,031)	Other non-cash items charged to the net surplus/deficit on the provision of services	(96,401)
<b>45,488</b>	<b>Net cash flows from the provision of services for non-cash movements</b>	<b>176,370</b>

### Group Cash Flow Statement Note – Operating Activities

The cash flows for operating activities includes the following items:

2016/17 £000		2017/18 £000
666	Interest received	146
(42,449)	Interest paid	(39,373)
<b>(41,783)</b>	<b>Net cash flows from the provision of services for non-cash movements</b>	<b>(39,227)</b>



# Group Accounts

## Group Cash Flow Statement

### Group Cash Flow Statement Note – Investing Activities

2016/17 £000		2017/18 £000
(62,561)	Purchase of property, plant and equipment and intangible assets	(38,042)
–	– Purchase of short term investments	–
62,440	Proceeds from the sale of property, plant and equipment and intangible assets	86,632
11,000	Proceeds from short term investments	–
124	Other receipts from investing activities	139
<b>11,003</b>	<b>Net cash flow from investing activities</b>	<b>48,729</b>

### Group Cash Flow Statement Note – Financing Activities

2016/17 £000		2017/18 £000
(6,520)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(6,756)
(75,304)	Repayments of short term and long term borrowing	(24,325)
<b>(81,824)</b>	<b>Net cash flows from financing activities</b>	<b>(31,081)</b>

### Group Cash Flow Statement Note – Cash and Cash Equivalents

2016/17 £000		2017/18 £000
104	Cash held by officers	101
(1,932)	Bank current accounts	1,444
5,400	Short term deposits with building societies	34,986
<b>3,572</b>	<b>Total cash and cash equivalents</b>	<b>36,531</b>

The group cash flow statement represents the single entity cash flow for South Lanarkshire Council adjusted for its subsidiaries, Routes to Work South and Common Good.

The adjusted figures are as follows:

	South Lanarkshire Council £000	Routes to Work South £000	Common Good £000	Total £000
Net surplus/(deficit) on provision of service	(121,874)	43	(1)	(121,832)
Adjust net surplus/(deficit) on the provision of services for non-cash movements	176,544	(175)	1	176,370
Adjust for items included in the net surplus/ (deficit) that are investing and financing activities	(39,227)	–	–	(39,227)
Net Cash Flows from Opening Activities	15,443	(132)	–	15,311
Investing Activities	48,731	(2)	–	48,729
Financing Activities	(31,081)	–	–	(31,081)
Net increase/decrease in cash and cash equivalents	33,093	(134)	–	32,959
Cash and cash equivalents at beginning of reporting period	2,965	607	–	3,572
Cash and cash equivalents at end of reporting period	36,058	473	–	36,531

# Group Accounts

## Notes to Group Financial Statements

### Note 1 Notes to the Expenditure and Funding Analysis Statement – Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement

	2017/18			
	Adjustments for Capital Purposes £000	Adjustments for Pension Purposes £000	Other Adjustments £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	19,848	6,493	(4,134)	22,207
Education Resources	32,475	1,269	(23,035)	10,709
Finance and Corporate Resources	682	3,690	57	4,429
Housing and Technical Resources				
- Housing Revenue Account	105,309	1,394	(9,085)	97,618
- Housing Other	3,027	841	79	3,947
Social Work Resources	1,485	10,144	(81)	11,548
Joint Board	–	–	–	–
Corporate Items	52	1,257	(392)	917
Non Distributed Costs - Non Operational Assets (HRA)	–	–	48	48
<b>Net Cost of Services</b>	<b>162,878</b>	<b>25,088</b>	<b>(36,543)</b>	<b>151,423</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,845)	23,963	30,334	(16,548)
<b>Surplus or Deficit</b>	<b>92,033</b>	<b>49,051</b>	<b>(6,209)</b>	<b>134,875</b>
Share of (Surplus) or Deficit on the Provision of Services by Associates	(3,634)	(2,149)	2,922	(2,861)
<b>Difference between General Fund surplus or deficit and Comprehensive Surplus or Deficit on the Provision of Services</b>	<b>88,399</b>	<b>46,902</b>	<b>(3,287)</b>	<b>132,014</b>
	Restated 2016/17			
	Adjustments for Capital Purposes £000	Adjustments for Pension Purposes £000	Other Adjustments £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	13,973	995	(5,067)	9,901
Education Resources	50,230	(2,493)	(24,692)	23,045
Finance and Corporate Resources	661	707	(63)	1,305
Housing and Technical Resources				
- Housing Revenue Account	14,898	478	(9,251)	6,125
- Housing Other	2,031	722	(166)	2,587
Social Work Resources	598	4,297	(497)	4,398
Joint Board	–	–	–	–
Corporate Items	131	684	(1,696)	(881)
Non Distributed Costs - Non Operational Assets (HRA)	–	–	(97)	(97)
<b>Net Cost of Services</b>	<b>82,522</b>	<b>5,390</b>	<b>(41,529)</b>	<b>46,383</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(77,244)	19,359	35,344	(22,541)
<b>Surplus or Deficit</b>	<b>5,278</b>	<b>24,749</b>	<b>(6,185)</b>	<b>23,842</b>
Share of (Surplus) or Deficit on the Provision of Services by Associates	(4,072)	1,979	(1,563)	(3,656)
<b>Difference between General Fund surplus or deficit and Comprehensive Surplus or Deficit on the Provision of Services</b>	<b>1,206</b>	<b>26,728</b>	<b>(7,748)</b>	<b>20,186</b>

# Group Accounts

## Notes to Group Financial Statements

### Note 2 Expenditure and Income Analysed by Nature (Group)

The council's expenditure and income is analysed as follows:

	2017/2018 £000	2016/2017 £000
<b>Expenditure</b>		
Employee Benefits Expenses	438,353	386,914
Other Services Expenses	452,381	468,231
Support Services Recharges	5,033	4,407
Depreciation, Amortisation, Impairment	188,091	113,290
Interest Payments	57,766	58,916
Pensions Interest Cost and Expected Return on Pension Assets	18,864	16,260
Loss on Disposal of Assets	222	-
<b>Total Expenditure</b>	<b>1,160,710</b>	<b>1,048,018</b>
<b>Income</b>		
Fees and Charges and Other Service Income	297,531	292,999
Surplus on Trading Operations	267	1,711
Interest and Investment Income	308	357
Gain on the Disposal of Assets	-	2,433
Income from Council Tax	123,719	115,570
Government Grants and Contributions	617,053	626,489
<b>Total Income</b>	<b>1,038,878</b>	<b>1,039,559</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>121,832</b>	<b>8,459</b>

### Note 3 Investments / Liabilities in Associates and Joint Boards

The group's share of the net asset / liabilities by associate and joint board is shown below:

Investments in associates and joint boards	31 March 2018 £000	31 March 2017 £000
Strathclyde Passenger for Transport	47,746	27,265
Strathclyde Concessionary Travel Scheme	215	233
South Lanarkshire Integration Joint Board	4,140	3,060
South Lanarkshire Leisure and Culture Trust	1,604	-
<b>Total</b>	<b>53,705</b>	<b>30,558</b>

Liabilities in associates and joint boards	31 March 2018 £000	31 March 2017 £000
South Lanarkshire Leisure and Culture Trust	-	(8,223)
Lanarkshire Valuation Joint Board	(390)	(3,300)
	(390)	(11,523)

The main reason for the large movement in figures between 31 March 2017 and 31 March 2018 is our share of the associates and joint boards actuarial gain on the pension defined net asset/liability.

# Group accounts

## Notes to Group Financial Statements

### Note 4 Disclosure of Interests in Other Entities

The council has adopted the recommendations of the Code in the United Kingdom 2017/2018, as supported by the International Financial Reporting Standard (IFRS), which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

A full set of Group Accounts, in addition to the council's accounts, has been prepared which incorporates material balances from identified associates and joint ventures.

The Financial Statements in the Group Accounts are prepared in accordance with the Accounting Policies set out in the Accounting Policies on pages 86-93.

### Note 5 Financial Impact of Consolidation

By including the group entities (details of which are provided below), the effect on the Group Balance Sheet is an increase in both Reserves and Net Assets of £57.503m. This represents the council's share of the net assets in these entities.

### Note 6 Group Entities

The Group Accounts consolidate the results of the council with eight other entities – Common Good Fund, four joint boards, South Lanarkshire Leisure and Culture Limited, Routes to Work South and Clyde Valley Learning and Development Partnership Joint Committee.

The joint boards are:

- Strathclyde Passenger Transport Authority
- Strathclyde Concessionary Travel Scheme Joint Board and
- Lanarkshire Valuation Joint Board
- South Lanarkshire Integration Joint Board.

South Lanarkshire Council holds no shares in the bodies governed by these Boards.

The joint boards have a wide range of functions to discharge, and members of each Board are elected councillors and are appointed by the councils in proportions specified in the legislation.

Under accounting standards guidance, South Lanarkshire Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in the bodies' governing Boards.

The Boards are included within the Group Accounts even when our interest in these bodies is less than the 20% that is normally presumed to represent significant influence.

Further details on each of the Boards and the Trust are provided below:

### Common Good Fund

The Common Good Fund is for the benefit of the geographical areas of the former burghs and is administered by the council. The council's share of the year-end net asset of £3.730m is included in the Group Balance Sheet.

The Common Good Account is included within the council's core financial statements Note 32.

### Strathclyde Passenger Transport Authority

Strathclyde Passenger Transport Authority is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the former Strathclyde area of the West of Scotland. The accounting period for the Board is the twelve months to 31 March 2018.

In 2017/2018, South Lanarkshire Council contributed 14.53% of the entity's estimated running costs.

This body has been included as an associate in the council's Group Accounts, with the council's share of the year-end net asset of £47.746m included in the Group Balance Sheet.

Copies of the Board's accounts may be obtained from the Treasurer to Strathclyde Passenger Transport Authority, Strathclyde Passenger Transport Authority, Consort House, 12 West George Street, Glasgow G2 1HN. The accounts of the Authority are subject to audit.

### Strathclyde Concessionary Travel Scheme Joint Board

Strathclyde Concessionary Travel Scheme Joint Board comprises the 12 councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Board. The accounting period for the Board is the twelve months to 31 March 2018.

In 2017/2018, South Lanarkshire Council contributed 13.77% of the Board's estimated running costs.

This body has been included as an associate in the council's Group Accounts with the council's share of the year-end net assets of £0.215m included in the Group Balance Sheet.

Copies of the Board's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme Joint Board, Strathclyde Passenger Transport, Consort House, 12 West George Street, Glasgow G2 1HN. The accounts of the Board are subject to audit.

# Group Accounts

## Notes to Group Financial Statements

### Lanarkshire Valuation Joint Board

Lanarkshire Valuation Joint Board was formed in 1996 at local government re-organisation. The Board maintains the Electoral, Council Tax and Non-Domestic Rates registers for North and South Lanarkshire. The Board's running costs are met by the two member councils. Surpluses or deficits on the Board's operations are shared between the councils. The accounting period for the Board is the twelve months to 31 March 2018.

In 2017/2018, South Lanarkshire Council contributed 50% of the Board's estimated running costs. This body has been included as an associate in the Group Accounts, with the council's share of the year-end net liability of £0.390m included in the Group Balance Sheet.

The following additional disclosures are required under accounting regulations for Lanarkshire Valuation Joint Board because the council's share of the net assets of the Board exceeds 25%.

	2017/18 £000	2016/17 £000
Expenditure	4,212	4,199
Total Comprehensive Income and Expenditure	(5,413)	3,407
Fixed assets	5	5
Current assets	338	314
Liabilities due within one year	(62)	(49)
Liabilities due after one year	(1,060)	(6,869)
Capital and reserves	(779)	(6,599)
Contingent liabilities	-	-
Capital commitments	-	-

Copies of the Board's accounts may be obtained from the Treasurer to the Lanarkshire Valuation Joint Board, Floor 4, Council Offices, Almada Street, Hamilton ML3 0AB. The accounts of the Board are subject to audit.

### South Lanarkshire Integration Joint Board

South Lanarkshire Integration Joint Board was established by South Lanarkshire Council with NHS Lanarkshire to formally integrate health and social care provision within South Lanarkshire.

South Lanarkshire Council delegated resources of £116.793m or 24.57% of the Board's income in 2017/2018. This body has been included as a joint venture in the Group Accounts, with the council's 50% share of the year end net asset of £4.140m included in the Group Balance Sheet.

The following table details the main elements of South Lanarkshire Council's share of assets, liabilities and revenues of the Board.

	2017/18 £000	2016/17 £000
Expenditure	496,655	467,469
Total Comprehensive Income and Expenditure	2,159	6,119
Fixed assets	-	-
Current assets	8,278	6,119
Liabilities due within one year	-	-
Liabilities due after one year	-	-
Capital and reserves	8,278	6,119
Contingent liabilities	-	-
Capital commitments	-	-

### South Lanarkshire Leisure and Culture Limited

South Lanarkshire Leisure Limited was established as a Charitable Trust on 1 April 2002. The Trust became South Lanarkshire Leisure and Culture Limited in October 2010, when Cultural Services transferred from South Lanarkshire Council.

It provides the council with a full range of leisure and cultural services within the South Lanarkshire area.

The Trust is entirely independent of the council under law and for taxation purposes. The council has neither any shares in, nor ownership of the Trust. The Company is limited by guarantee, with each member's liability limited to £1 in the event of the Company being wound up. The accounting period for the trust is the twelve months to 31 March 2018.

South Lanarkshire Council has 33.33% representation on the Board of Directors, and in recognition of this representation, 33.33% share of the year-end net asset of £1.604m is included in the Group Balance Sheet. South Lanarkshire Leisure and Culture Limited is treated as an associate.

# Group Accounts

## Notes to Group Financial Statements

The accounts of the Trust are published separately and may be obtained from the Secretary, South Lanarkshire Leisure and Culture Limited, Council Office, Floor 1, North Stand, Cadzow Avenue, Hamilton, ML3 OLX. The accounts of the Trust are subject to audit.

The following additional disclosures are required under accounting regulations for South Lanarkshire Leisure and Culture Limited because the council's share of the net assets exceeds 25%.

	2017/18 £000	2016/17 £000
Expenditure	39,660	37,267
Total Comprehensive Income and Expenditure	29,478	(16,861)
Fixed assets	532	515
Long Term assets	3,473	-
Current assets	5,573	6,048
Liabilities due within one year	(4,769)	(4,953)
Liabilities due after one year	-	(26,279)
Capital and reserves	4,809	(24,669)
Contingent liabilities	-	-
Capital commitments	-	-

### Routes to Work South

Routes to Work South was established in 1998. Its main activity is supporting unemployed and workless residents of South Lanarkshire into employment, training or further education. Routes to Work South delivers services to the council and is funded by the council.

South Lanarkshire Council is the sole member of Routes to Work South. In recognition of this, Routes to Work South is included in the Group Financial Statements as a 100% subsidiary.

The accounts of Routes to Work South are published separately and may be obtained from the Secretary, Routes to Work South, 1-5 Main Street, Cambuslang, Glasgow G72 7EX.

The following additional disclosures are required under accounting regulations for Routes to Work South because the council's share of the net assets exceeds 25%.

	2017/18 £000	2016/17 £000
Expenditure	2,237	1,953
Total Comprehensive Income and Expenditure	43	10
Fixed assets	17	28
Long Term Assets	-	-
Current assets	1,293	729
Liabilities due within one year	(769)	(306)
Liabilities due after one year	(83)	(36)
Capital and reserves	458	415
Contingent liabilities	-	-
Capital commitments	-	-

### Clyde Valley Learning and Development Partnership

Clyde Valley Learning and Development Partnership is a Joint Committee established, with the backing of the Scottish Government's Efficiency and Reform Fund, to provide procurement of training activities to each of its member councils. South Lanarkshire Council is the lead authority for this project and its constituent membership totals 12.5%. This body has been included as an associate in the council's Group Accounts, however as the Partnerships net assets at 31 March 2018 are nil, there has been no financial impact on South Lanarkshire's Single Entity Accounts.

The accounts of Clyde Valley Learning and Development Partnership Joint Committee are published separately and may be obtained from the Treasurer, Finance and Corporate Resources, Floor 4, Almada Street, Hamilton, ML3 OAB. The accounts of the Joint Committee are subject to audit.

### Note 7 Non-Material Interest in Other Entities

The council also has an interest in

- Scotland Excel (previously Authorities Buying Consortium) is a Joint Committee established to serve the buying requirements of the councils within the former Strathclyde area. South Lanarkshire Council contributed 5.4% of Scotland Excel's estimated running costs in 2017/2018, but the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.



# Group Accounts

## Notes to Group Financial Statements

- West of Scotland European Forum is a Joint Forum established to develop positive links between the communities of the region and the institutions of the European Union. South Lanarkshire Council contributed 12.89% of the estimated running costs in 2017/2018, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- West of Scotland Archaeology Service is a Joint Service established to provide planning related archaeological advice to its 11 member councils. South Lanarkshire Council contributed 13.88% of the estimated running costs of the Joint Service in 2017/2018, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Continuing Education Gateway is a consortium of 10 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and educational guidance services. South Lanarkshire Council contributed 14.51% of the consortium's estimated running costs in 2017/2018, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Glasgow and the Clyde Valley Strategic Development Planning Authority was established to advise the member authorities on the structure plan. South Lanarkshire Council contributed 12.5% of the committee's estimated running costs in 2017/2018, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- SEEMIS Group LLP is a not-for-profit body whose principal activity is the provision of education related information technology solutions to its member councils. South Lanarkshire Council contributed 6.21% of the organisation's estimated running costs in 2017/2018, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Glasgow City Region – City Deal Cabinet was established on 20 January 2015. The purpose of the committee is to determine the Strategic Development Priorities for the Clyde Valley Region and to monitor and ensure delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal aims to deliver a £1.1 billion investment programme, including delivery of labour market and innovation programmes. South Lanarkshire Council contributed 17.5% of the organisation's running costs in 2017/2018, however, the financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- The Rural Development Trust is based in South Lanarkshire and works with local communities to deliver innovative solutions including resolving transport problems in rural areas and developing markets towns. The council supports the Rural Development Trust. The financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- Regen:FX Youth Trust was established as a Charitable Trust on 1 April 2007. It serves the council by developing and co-ordinating out of school diversion activities within the South Lanarkshire area. The Trust is entirely independent of the council under law and for taxation purposes. The council has neither any shares in, nor ownership of the Trust. The financial results have not been consolidated into the council's Group Accounts, as the amounts are not material.

## Independent auditor's report to the members of South Lanarkshire Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of South Lanarkshire Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance, the Council Tax Income Accounts Statement, the Non-domestic Rate Income Accounts Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Finance and Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Responsibilities of the Executive Director of Finance and Corporate Resources and South Lanarkshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Finance and Corporate Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director Finance and Corporate Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Risk and Audit Scrutiny Committee of South Lanarkshire Council is responsible for overseeing the financial reporting process.



## Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Other information in the annual accounts

The Executive Director of Finance and Corporate Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on other requirements

### Opinions on other prescribed matters

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

## Fiona Mitchell-Knight

### Fiona Mitchell-Knight FCA

Audit Director  
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18 September 2018

Much of the terminology used in this report is intended to be self-explanatory, however, the following additional definition and interpretation of terms may be helpful:

**1. Current Service Cost (Pensions)**

The increase in the current value of a defined benefit scheme's liabilities, expected to arise from employee service in the current financial year.

**2. Past Service Costs (Pensions)**

For a defined benefit scheme, the increase in the present value of the scheme's liabilities relating to employee service in prior years arising in the current financial year as a result of the introduction of, or improvement to, retirement benefits.

**3. Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the financial year of the scheme's liabilities because the benefits are one year closer to settlement.

**4. Actuarial Gains and Losses (Pensions)**

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

**5. Pension Scheme Liabilities**

The liabilities of a defined benefits pension scheme for outgoing due after the valuation date. The scheme's liabilities, measured using the 'projected unit method', reflect the benefits that the employer is committed to provide for service up to the valuation date.

**6. Pension Reserve**

The Pension Reserve recognises the council's share of the actuarial gains and losses in the Strathclyde Pension Fund and the change in the council's share of the net liability chargeable to the Comprehensive Income and Expenditure Statement.

**7. Asset**

An item having value to the council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefit to the council and the services it provides for a period of more than one year.

**8. Liability**

A liability is where the council owes payment to an individual or another organisation. A current liability is an amount which will become payable within the next financial year. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over the period of time.

**9. Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the council's control:  
or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**10. Capital Expenditure and Financing**

This is expenditure incurred in creating, acquiring or improving assets. Expenditure is normally financed by borrowing (with repayment over a period of years), income from the sale of existing assets, revenue funds or external grants and contributions.

**11. Capital Financed from Current Revenue**

This is expenditure incurred in creating, acquiring or improving assets where that expenditure is funded directly from the revenue account in the year in which it is incurred.

**12. Non-Current Assets**

Fixed Assets are created as a result of the capital expenditure incurred by the council. As such, they comprise buildings, property, vehicles, plant and machinery, and computer equipment etc.

**13. Property, Plant and Equipment**

These are assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year. These are further analysed in the Notes to the Accounts as follows:

- a) **Council Dwellings** - these are council houses
- b) **Other Land and Buildings**
- c) **Vehicles, Plant and Equipment**
- d) **Infrastructure Assets** - these are assets where there is no prospect of sale or alternative use e.g. roads, bridges, tunnels, water supply and drainage systems
- e) **Community Assets** - assets that the council intends to hold in perpetuity that have no determinable useful life and may have restrictions on their disposal e.g. open land and public parks.
- f) **Surplus Assets** - assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.
- g) **Assets Under Construction**

# Glossary of Terms



## 14. Heritage Assets

Heritage assets are assets that have cultural, environmental, or historical associations that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture, and it is this which distinguishes them from other assets e.g. museum artefacts.

## 15. Assets Held for Sale

These are assets where the carrying value of the asset will be realised through its sale rather than continued use.

## 16. Intangible Asset

These are assets which do not have a physical substance (e.g. IT software and licences).

## 17. Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

## 18. Impairment

A reduction in the value of a non-current asset to below its carrying value in the Balance Sheet.

## 19. Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less where applicable, any grants receivable towards the purchase or use of the asset.

## 20. Net Carrying Value

The amount at which non-current assets are included in the Balance Sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation.

## 21. Accrual

The concept that income and expenditure are recognised as they are earned or incurred, not as the money is paid or received.

## 22. Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates or when they will arise are uncertain.





If you need this information in another language or format, please contact us to discuss how we can best meet your needs.

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