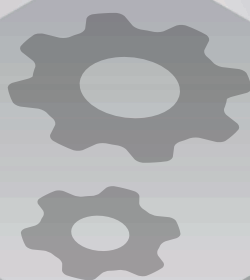


Annual Accounts

2019



SOUTH
LANARKSHIRE
COUNCIL

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Introduction by Council Leader

I am delighted to be able to offer this introduction to South Lanarkshire Council's 2018/2019 annual accounts.

Our council is committed to providing services on behalf of local people in an efficient and effective manner, and we are also committed to being open and transparent. This document brings those commitments neatly together.

The financial year covered by these accounts was the first in which the SNP administration was able to present its own budget, as the budget for the previous year had already been agreed before the local elections of May 2017.

It gives me great pleasure to report how we used that first budget to begin to deliver on our promises to local people. We met our obligations to set a balanced budget, but we were able to do much more than that, with the introduction of a number of new initiatives that particularly helped the young, older people and the most vulnerable.

For a start, we allocated funding to recruit an additional 65 teachers and classroom assistants for local schools. We also took account of changing demographics by introducing a two-year recruitment campaign for our nurseries and care of the elderly. By recruiting up to 100 Modern Apprentices in these two areas, we will build and train the workforce we will need for these two important areas.

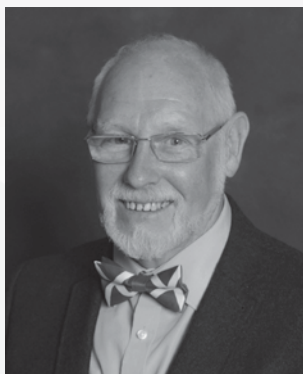
Our financial plans also introduced what is known as auto enrolment for pupils who are entitled to free school meals and clothing grants. This means that the council uses information that we already have available to us in order to automatically register the appropriate pupils without the need for any form-filling by their parents or guardians.

This not only made it much easier for young people to get the food and clothing they need, it also removed stigma from the process. In the first year of auto enrolment this resulted in a 20% increase in uptake in both free school meals and clothing grants, meaning 8,600 pupils received free school meals, and 12,100 received clothing grants.

Another of our new initiatives for 2018/2019 was the delivery of additional free breakfast clubs in our primary schools. By the end of that year we had 80 in place, with almost 50,000 more breakfasts being provided, and work has continued since then to deliver on our aim to have free breakfast clubs in all our primary schools.

We also piloted holiday lunch clubs at three primary schools and these were very popular, with 150 children getting a nutritious lunch and taking part in activities. We are rolling out these holiday clubs to more schools this year.

These types of projects show how we have been able to use our £684 million revenue budget to



John Ross
Council Leader

make a very real difference to the lives of our residents. More than half of that budget was spent on education, mostly in our schools, while almost a quarter of our spending was on Social Work services, such as elderly care. An ambitious capital programme will also see £126.478m invested in South Lanarkshire in 2018/2019 and 2019/2020.

Of course, financial pressures continue across the public sector and the 2018/2019 budget included a package of savings and efficiencies totalling £15.245m. However, the council has a strong track record of delivering these types of efficiencies while protecting key frontline work and continuing to deliver quality services.

This high level of performance was picked up by the Accounts Commission when it delivered a Best Value Assurance Report (BVAR) following an audit and review of South Lanarkshire Council which was carried out in late 2018.

The Commission said that the future would bring financial challenges but noted that our council demonstrated sound financial management, had good processes in place for long-term financial planning, and was well placed to address any issues that might arise. The report also noted our strong record of delivering large capital projects, such as our ambitious school modernisation programmes, on time and on budget.

The BVAR found a steady pace of improvement at the council, and highlighted our "effective leadership" and "clear strategic direction". The Commission also noted that we work well with public sector, business and academic partners to improve outcomes for our citizens.

It was very pleasing to see the council's efforts recognised in this way, but of course there is no room for complacency, and an action plan has been drawn up which picks up on the BVAR's recommendations and will seek further improvement.

South Lanarkshire is already a great place to live, visit and do business. However, we always aim for more, and that remains at the heart of our ambitious programme for our area and for our council.

Comment by Chief Executive

Welcome to South Lanarkshire Council's annual accounts for the financial year 2018/2019.

While this was another challenging year, I am pleased that the council was once again able to set a balanced budget, as these accounts show. We have been able to do this year after year because of our sound financial approach, which is based on good planning for both the short and long term.

Our financial plans for 2018/2019 once again included a number of efficiencies across the council, totalling £15.245m. However, we were able to implement these while still delivering quality services for our residents, and continuing to protect frontline services.

During 2018/2019 the largest part of our £684m revenue budget was once again spent on education. £350.142m was invested in this area, especially schools, while £159.994m was spent on Social Work services, with the balance funding the work carried out by Community and Enterprise Resources, Housing and Technical Resources, and Finance and Corporate Resources.

The council also introduced a range of new initiatives, including breakfast and holiday lunch clubs for pupils, as well as an increase in the school clothing grant. We addressed a growing school pupil roll by recruiting additional teachers and School Support Assistants, and recruited new Modern Apprentices in Early Years and Social Care. These initiatives were funded to continue into 2019/2020.

During the financial year covered by these annual accounts an ambitious £126.478m capital programme was also approved by the council for 2018/2019 and 2019/2020. Among other projects, this will continue our Roads Investment Programme and during 2019 we will complete our ambitious £850m primary schools modernisation programme.

With all 19 of our secondary schools already rebuilt and the last of our 129 primary schools nearing completion, this will mark a significant moment for the council and, more importantly, for the tens of thousands of young people who have been educated in some of the most modern classrooms anywhere in Britain.

The results of this long-term, ambitious investment are evident in improvements in exam results. In 2015/2016 61.6% of our school leavers had five or more awards at National 5 level or better, and 34% had five or more awards at Higher or better. Two years later these figures had improved to 63.8% and 36.7% respectively.

In addition, the latest School Leaver Initial Destination Results show 96.4% of young people who left South Lanarkshire schools in 2017/2018 went into a positive destination – that is, a job, further or higher education or other training. This was the fourth consecutive year the local rate was better than the Scottish average (94.4%).



Lindsay Freeland
Chief Executive

An additional £53.664m was invested in local housing through the Housing Capital Programme budget in 2018/2019 to increase the supply of affordable housing through the new council housing programme, as well as to continue upgrading existing housing stock and the surrounding environment.

We continue to support the growth of the local economy, by helping local businesses grow, encouraging investment in the area and supporting people through training and skills development into employment. Our own investments in South Lanarkshire include our Glasgow City Region City Deal projects, such as the Community Growth Areas in Newton, Hamilton, Larkhall and East Kilbride.

All our revenue and capital expenditure supports the council's objectives and values as set out in Connect, the Council Plan, and its vision "to improve the quality of life of everyone in South Lanarkshire". This vision and our objectives are closely aligned with the Community Plan, which is the Local Outcomes Improvement Plan we have agreed with our Community Planning partners.

Looking ahead, future budgets are expected to continue to be challenging. However, during 2018 the council underwent a Best Value Assurance Review on behalf of the Accounts Commission. It reported that South Lanarkshire Council was well-placed to meet these challenges and has a strong track record of delivering services and capital programmes on budget.

Our approach was most recently set out in the Financial Strategy that was adopted by the Executive Committee in August 2018. That document covers the period 2019 to 2022 but also includes a longer-term outlook covering the period to 2028/2029.

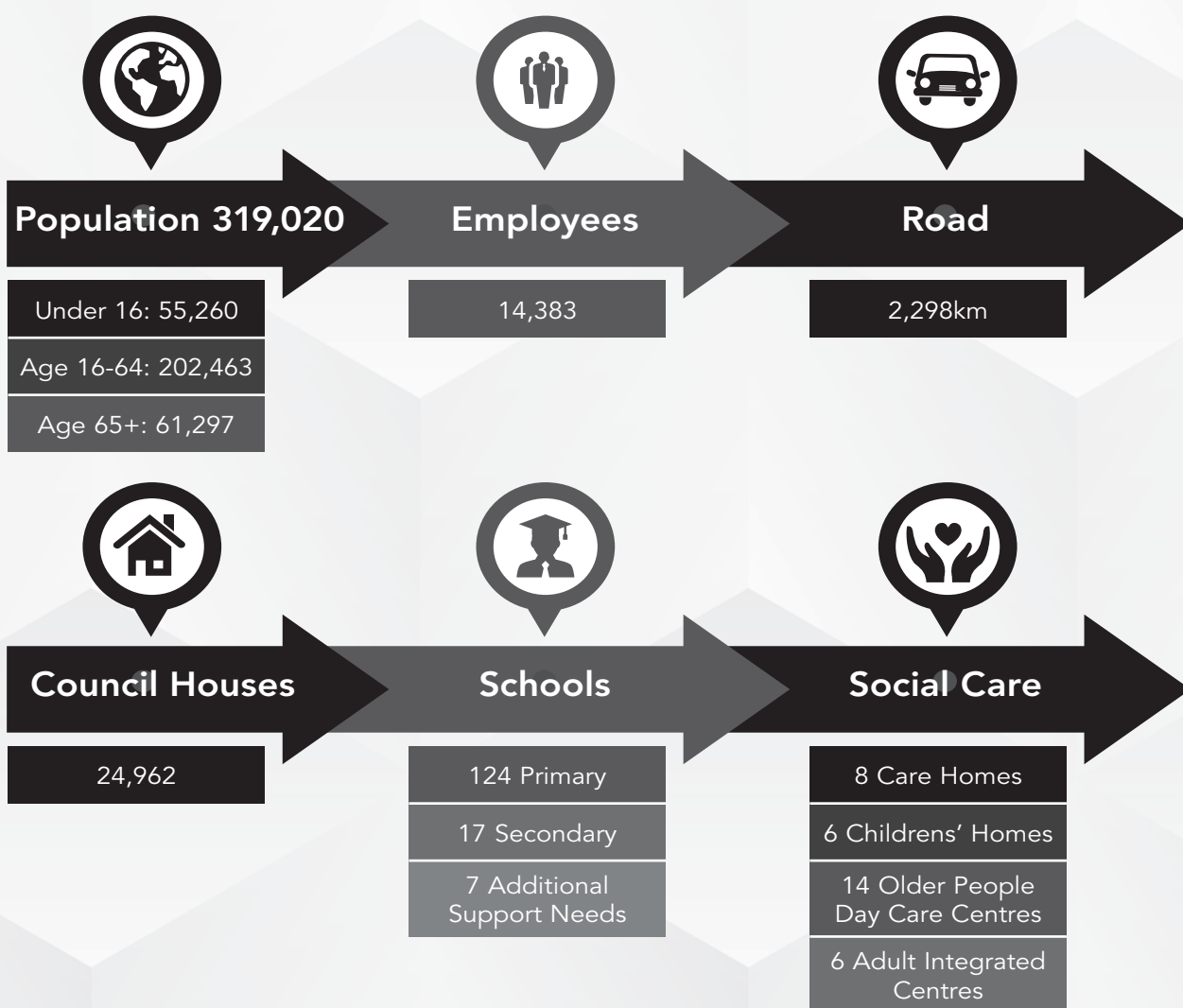
As with our previous financial strategies, this one provides a clear direction on the structure and management of the council's future finances. It explains how our financial framework will help us achieve our objectives and continue to provide the high quality services the people and communities of South Lanarkshire quite rightly expect.

Management Commentary

Introduction

The Management Commentary outlines the key messages in relation to the council's financial planning and performance for the year 2018/2019 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).



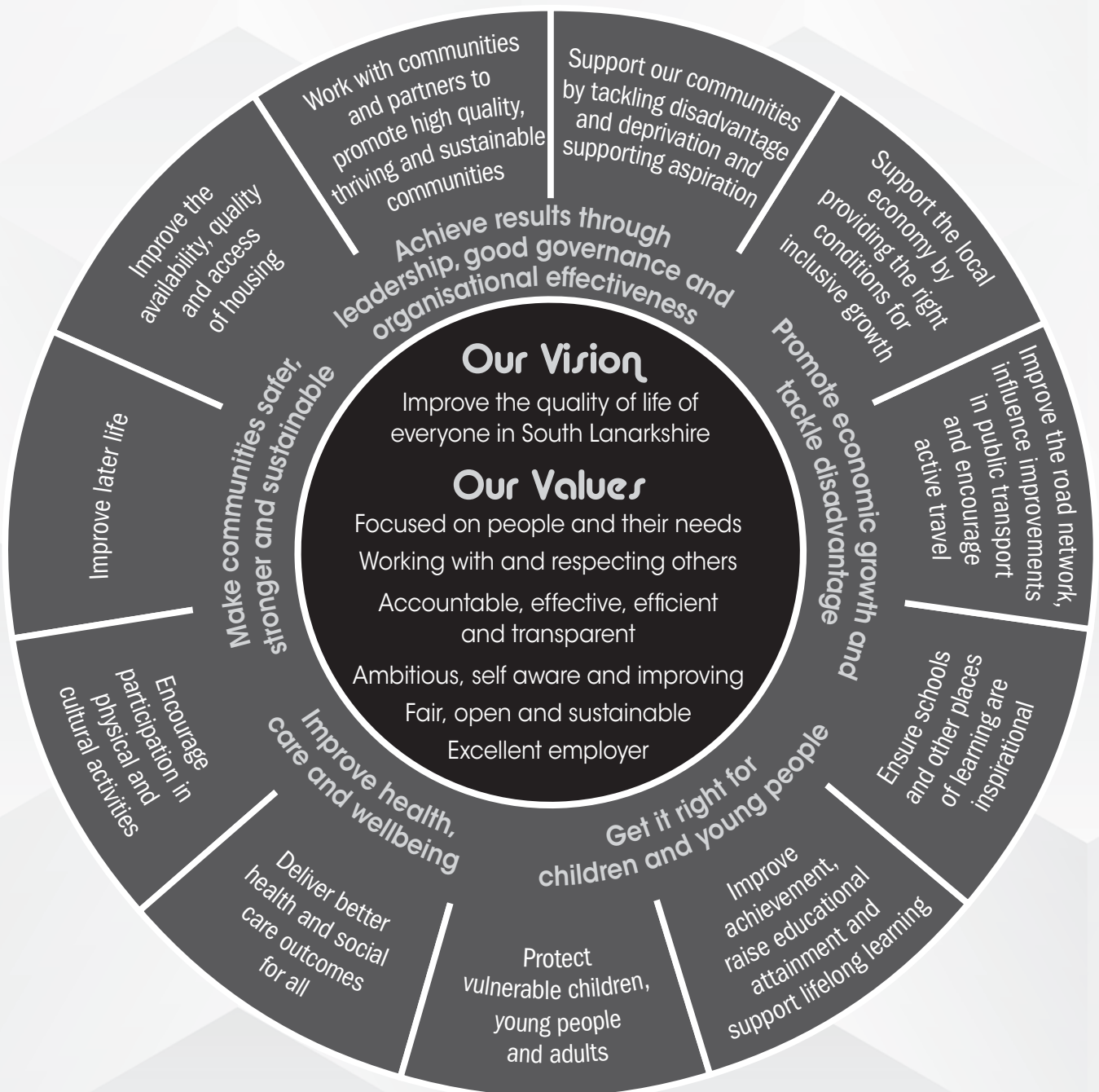
The council's current population is expected to increase by 1.5% in the 10 years from 2016 to 2026 and a further 0.1% in the years 2026 to 2037. The council is currently facing an aging population, with more than 18% of the current population being over the age of 65. This trend is expected to continue, with the increase in 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 Children's 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 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 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 14,383 employees (11,926.70 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 729 measures were identified within Resource Plans for 2018/2019. Of those 218 (30%) 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.

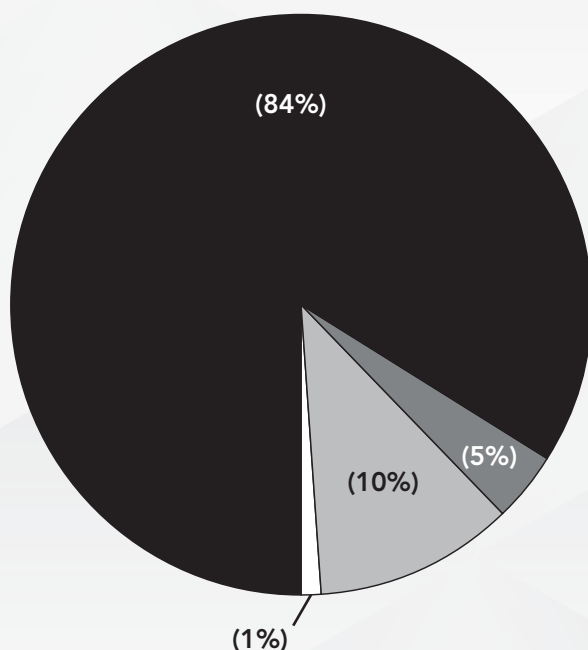
In addition, the Q4 outcome was reported to the Performance and Review Scrutiny Forum on 18 June 2019 and can be found here: [Connect 2017-2022 Quarter 4 Progress Report 2018/2019](#).

As at the end of Quarter 4 (31 March 2019), 183 (84%) measures had been achieved. This includes the implementation of the Roads Programme. Of the remaining measures,

10 experienced minor issues and 22 are included for information only or the statistics are not yet available in 2018/2019. There were 3 measures that were not achieved.

Of the 3 measures which were not achieved, 2 relate to the number of lost days through sickness absence. The council has introduced a number of supports for managers which include regular meetings to discuss and support long term absence cases, localised training sessions and also a review of short term absences. The council continues to take steps to improve the position. The third measure relates to meeting Care Inspectorate requirements for 2 registered services. A new Call System is in place and fully operational, therefore this requirement has now been met for the service. The other outstanding requirements relate to a particular service and improvement actions are currently being addressed.

IMPROVe Performance



- 183 measures achieved (84%)
- 10 measures experienced minor issues (5%)
- 22 measures included for information only (10%)
- 3 measures not achieved (1%)

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.

Management Commentary

Key Achievements in 2018/2019:

- Council-wide emissions reduced by 14% compared to the same period in 2014/2015
- Through Youth, Family and Community Learning over 10,600 hours of volunteering have been given to the community.
- As a result of business support interventions via grants, loans or advice to 1,791 businesses, 812 jobs were created or sustained and £13.090 million in additional sales were generated.
- 640 residents of all ages took part in participatory budget events to determine how local Participatory budgets will be used.
- Of the 3,258 young people who left school, the positive destination rate was 96.4%, which is above the national average (94.4%) for the 4th consecutive year.
- The MCR Pathways mentoring Programme is now being rolled out to secondary schools.
- Larkhall Academy is the first secondary school in South Lanarkshire, and one of the first in the country to receive the Digital Schools Award.
- Trinity High School was the first school in the UK to receive the National Nurturing Schools Programme Award for excellent work in improving the health outcomes of young people.
- A new information website, southlanarkshirereview.scot was launched on 27 March 2019 to provide daily updates for residents, businesses and visitors.
- Supported 216 children and young people in foster placements on a full time basis.
- Continue to support 1,042 people with a learning disability to live in their own communities.
- Supported 4,011 carers through our two carers organisations.

Best Value Audit

The Local Government in Scotland Act 2003 introduced a statutory duty to demonstrate Best Value. The controller of Audit presents a Best Value Assurance Report to the Accounts Commission at least once during the 5 year audit appointment for each council.

South Lanarkshire Council recently underwent a Best Value Review by Audit Scotland, their external auditors. The audit focused on the following key areas:

- Council's strategic direction
- Effectiveness of governance, decision making and scrutiny arrangements
- Overall assessment of outcomes and performance including public performance reporting
- How the Council plans its use of resources, including asset management and financial planning
- How the council delivers services through partnership and collaborative working
- Community engagement
- How effectively the council's self-assessment framework drives continuous improvement of service priorities.

The outcome of the audit was positive with the key messages being that the council has demonstrated a steady pace of improvement since the last report in 2009. The council benefits from effective leadership and clear strategic direction and demonstrates sound financial management delivering large scale capital projects and having good processes in place for long term financial planning. It was recognised that future financial plans are challenging but the council is well placed to address the projected funding gaps.

The council also demonstrated improved performance in many services, but other areas still require improvement. Whilst the council works well with partners, it is felt that the Community Planning Partnership Board needs to take a more active role in driving partnership working and the council also needs to improve its use of community engagement to shape the future delivery of services, which the council is addressing through the recently established Community Participation and Empowerment Team.

Areas of improvement were highlighted and the council will work on progressing and implementing these.

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

Management Commentary

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 2019/2020.
- Medium Term Revenue Budget Strategy to 2021/2022 and Longer Term Outlook to 2028/2029.
- Capital Programme 2019/2020 and long term strategy to 2027/2028
- The Treasury Management and Annual Investment Strategy 2019/2020 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.

Medium and Longer Term Revenue Budget Strategy

The council's Executive Committee approved the Medium Term Revenue Budget Strategy 2019/2020 to 2021/2022 and Longer Term Outlook to 2028/2029 on 15 August 2018. The purpose is to provide direction on the structure and management of the council's financial future and to detail the framework which underpins it. It explains how this will facilitate the achievement of the corporate objectives by detailing the financial implications of supporting corporate priorities.

The Strategy includes assumptions on the level of Scottish Government grant funding going forward as well as assumptions on pay pressures, inflation, demographics, economic conditions and ongoing commitments of the capital programme. There are difficulties in estimating how these costs will change over time and the Strategy is updated each year as more information becomes available. The estimated level of savings into 2021/2022 is in excess of £20m, increased to over £40m as a result of the use of one-off funding solutions in 2020/2021. The savings requirement is based on the council's best estimates and information available in terms of forward planning, however, it is acknowledged that changes could have an impact on the level of savings required.

To reflect the potential impact, scenario analysis is provided for the main components. For 2022/2023, the savings are estimated at a level of around £30m with the years beyond looking at £25m.

Over recent years, the council has had to make efficiencies in order to support and manage the shifting environment it operates in – economic and demographic changes being the most significant. Our young people and subsequent demand on Education provision and our aging population are both increasing. Moving forward, the Strategy shows that we will still be required to make savings to close the budget gap. A number of work streams will be considered to address this including:

- **Channel Shift** to further increase the use of self-service in line with the council's Digital Strategy
- **Service Reviews** where a focused root and branch analysis will be carried out to ensure Services are efficient and delivering value for money
- **Service Redesign** where changing demands might require a restructure of the service and its functions

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 (79%), Council Tax (18%) and the one-off use of reserves (3%).

The council's budget for 2018/2019 was approved by the council on 28 February 2018. The budget set for the year was £694.361m before adjusting for transfer of specific grants to Resources of £14.756m, resulting in a net budget of £679.605m. For 2018/2019, the council finished the year with a net Revenue Budget of £693.923m. 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.

Management Commentary

	Annual Budget £m	Actual Before Transfers £m	Variance Before Transfers £m	Actual After Transfers £m	Variance After Transfers £m
Community and Enterprise	110.587	109.809	0.778	111.014	(0.427)
Education	312.633	308.444	4.189	312.630	0.003
Finance and Corporate	34.239	34.127	0.112	34.205	0.034
Housing and Technical	16.647	16.898	(0.251)	18.038	(1.391)
Social Work	152.859	153.990	(1.131)	153.990	(1.131)
Joint Boards	2.363	2.363	0.000	2.363	0.000
CFCR	0.541	0.541	0.000	0.541	0.000
Loan Charges	57.505	48.802	8.703	51.643	5.862
Corporate Items	1.347	(0.340)	1.687	1.137	0.210
Transfers to Reserves	5.202	0.000	5.202	10.202	(5.000)
Total Expenditure	693.923	674.634	19.289	695.763	(1.840)

Council Tax	146.058	148.737	2.679	148.737	2.679
Less: Council Tax Reduction Scheme	(19.670)	(19.211)	0.459	(19.211)	0.459
Net Council Tax	126.388	129.526	3.138	129.526	3.138
General Revenue Grant	254.082	254.082	–	254.082	–
Non Domestic Rates	295.500	295.500	–	295.500	–
Transfers from Reserves	17.953	17.953	–	17.953	–
Total Income	693.923	697.061	3.138	697.061	3.138
(Surplus)/Deficit for Year	–	(22.427)	22.427	(1.298)	1.298

(Surplus)/Deficit for Year before transfers	(22.427)
Transfer to Specific Reserves	1.774
(Surplus)/Deficit for Year after transfers to Specific Reserves	(20.653)
Transfer to Earmarked General Fund	19.355
Uncommitted General Fund	(1.298)

Management Commentary

Reconciliation of Monitoring Position to Expenditure and Funding Analysis in Annual Accounts

	Actual Before Transfers £m	Move Trading Operations and Corporate Items £m	Remove Transfers from Reserves £m	Revised General Fund Position per EFA £m	Add: HRA Position £m	Total EFA per Annual Accounts £m
Community and Enterprise Resources	109.809	5.962	–	115.771	–	115.771
Education Resources	308.444	–	–	308.444	–	308.444
Finance and Corporate Resources	34.127	–	–	34.127	–	34.127
Housing Revenue Account	–	–	–	–	2.613	2.613
Housing and Technical Resources	16.898	2.748	–	19.646	–	19.646
Social Work Resources	153.990	–	–	153.990	–	153.990
Joint Boards	2.363	–	–	2.363	–	2.363
Corporate Items	–	(0.340)	–	(0.340)	–	(0.340)
Non Distributed Costs – HRA	–	–	–	–	–	–
Total Resources	625.631	8.370	–	634.001	2.613	636.614
Trading Operations	–	(8.710)	–	(8.710)	–	(8.710)
CFCR	0.541	–	0.719	1.260	–	1.260
Loan Charges	48.802	–	–	48.802	–	48.802
Corporate Items	(0.340)	0.340	–	–	–	–
Council Tax	(129.526)	–	–	(129.526)	–	(129.526)
General Revenue Grant	(254.082)	–	–	(254.082)	–	(254.082)
Non Domestic Rates	(295.500)	–	–	(295.500)	–	(295.500)
Transfer from Reserves	(17.953)	–	17.953	–	–	–
Other Income and Expenditure	(648.058)	(8.370)	18.672	(637.756)	–	(637.756)
(Surplus)/Deficit on Provision of Services	(22.427)	–	18.672	(3.755)	2.613	(1.142)

Management Commentary

At the end of 2018/2019, there was an underspend before Transfers to Reserves of £22.427m. Transfers to Reserves were made totalling £21.129m. The underspend, before transfers to reserves, arose for the following reasons:

- **Resources:** The 5 Council Resources reported an underspend of £3.697m before transfers to reserves. The main reasons for each Resource are as follows.
- **Community and Enterprise:** The net underspend position reflects underspends due to staff turnover, additional planning income and a refund from the waste contract, partially offset by an additional contribution to Leisure and under recoveries on the budgeted surplus in the Roads and Fleet Trading Operations.
- **Education Resources:** The underspend relates to the Pupil Equity Fund, where the funding received covers two financial years, and an underspend within the Early Years' Service reflecting the timing of recruitment for the 1,140 expansion. There are also underspends in utilities and rates which are offset in part by overspends in transport and demand led external placements.
- **Finance and Corporate:** The Resource underspend is due to the level of staff turnover experienced across the Services, a reduction in the cost of Housing Benefits overpayments, the reduced cost of Employability programmes and an underspend in the funding received for the provision of sanitary products in public places. These are partially offset by reduced expenditure on IT related projects and a reduction in income.
- **Housing and Technical:** The net overspend relates mainly to an under recovery against surplus by the Property Trading Operation due to the timing of works on a number of projects. This is partially offset by underspends on funding for Temporary Accommodation and Rapid Housing and also lower than anticipated bad debt.
- **Social Work:** The net overspend lies mainly within Children and Families for external residential places, foster places and kinship care payments, and Adults and Older People in employee costs. In addition, Adults and Older People have incurred additional expenditure on equipment, adaptations and technology as well as demand for respite and direct payments. These overspends

are partially offset by underspends in Performance and Support and Justice due to turnover of staff.

The variances for all services are detailed in the report presented to the Executive Committee on 26 June 2019: [2018/2019 Final Outturn and Annual Accounts](#).

- **Loan Charges:** The position at the end of the year is an underspend of £8.703m. This is an improved position of £2.803m on the probable position reported throughout the year. The overall underspend position reflects the timing of borrowing (delayed due to using cash balances) and the interest rates achieved. In addition, as part of the Stage 1 Budget Bill, the Finance Minister agreed to review the legislation to allow councils to vary Loans Fund repayments for advances made before 1 April 2016. The council carried out a detailed analysis of records against individual assets including schools and roads. Applying this approach to 2018/2019, resulted in an underspend of £2.841m.
- **Corporate Items** The final position is an underspend of £1.687m. As reported to Committee during the year, the underspend reflects budgets for Superannuation on Overtime, Rates, Utilities, Carbon Reduction and Pay Grade Restructure, which were not required in 2018/2019. In addition, the actual position includes income from Feed In Tariffs and Renewable Heating Initiatives and also the repayment by Resources for 'spend to save' projects previously funded by the Central Energy Efficiency Fund (CEEF) which will be transferred to reserves for use in future years.
The underspend position also includes Interest on Revenue Balances (IORB) which was higher than anticipated reflecting higher than anticipated interest rates.
- **Council Tax** is over recovered by £2.679m as a result of increased property numbers and the collection of arrears income. In addition, the Council Tax Reduction Scheme was underspent by £0.459m reflecting a lower than anticipated demand during the year.

The total Transfers to Reserves of £21.129m includes transfers to the General Fund (£8.635m) to assist with the 2019/2020 and 2020/2021 strategies, arising from the underspends in loan charges and the over recovery of Council Tax and transfers of £5.202m in respect of the funding to be carried forward in relation to the

Management Commentary

Council's New Initiatives including Teachers and Classroom Support and Employability, where funding provided in 2018/2019 was for 2 years.

In addition, transfers to Reserves totalling £7.292m were made from Resources and the Corporate Items lines. This mainly relates to £0.488m for Waste, £3.048m for the Early Years and Pupil Equity Fund, £1.004m in respect of the Homelessness underspend and £1.025m in relation to the energy, utilities and spend to save payments. The balance relates to funding for a number of Resource projects to meet commitments in future years.

These approved transfers left an underspend of £1.298m to be transferred to the Uncommitted General Fund to be earmarked for use in future budget strategies.

The Movement in Reserves Statement on page 47 reconciles the financial position shown in the Comprehensive Income and Expenditure Statement (page 45) to the movement on the Council's Reserves (pages 57 and 62).

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 Reserve being carried forward to 2019/2020 is £82.785m. The balance comprises £47.478m in the Earmarked General Fund to meet specific Resource commitments and for use in the 2019/2020 and 2020/2021 budget strategies and £37.307m in the Uncommitted portion of the General Fund. Of the £37.307m, Elected Members approved that £24.264m be ring-fenced for use in future budget strategies, leaving a balance of £13.043m, equating to 1.87% of Annual Budgeted Net Expenditure (2019/2020).

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.

Housing Revenue Account

The Council's ring-fenced Housing Revenue Account (pages 100-101) shows a decrease in reserves of £2.613m for the year mainly due to expenditure on bad debt for Universal Credit, software development costs for the new housing management system and investment and maintenance of housing stock. This decreases the accumulated surplus to £9.011m, 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 purpose of the Expenditure and Funding Analysis (page 44) 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 2018/2019 on the Comprehensive Income and Expenditure Account. The total movement on the General Fund and HRA for 2018/2019 was a surplus of £9.132m compared to the deficit of £20.690m reported in the Comprehensive Income and Expenditure Statement.

The Balance Sheet

The Balance Sheet shows the position as at 31 March 2019 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 46) summarises the Assets and Liabilities as at 31 March 2019 and shows a net worth of £1,324.948m. This is a decrease of £120m from 2017/2018 and equates to an increase in Assets of £259m but a larger increase in the Liabilities of £379m. 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 £3,038m at the end of 2018/2019, representing an increase of £91m in the year due 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 £168m. This is mainly due to an increase in short term investments and cash and cash equivalents due to an increase in working capital and usable reserves. In addition, there were decreases in debtors and assets held for sale.

Management Commentary

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 2019 is £1,076m comprising (Long Term £1,036m and Short Term £40m). This represents an increase of £163m from the position at 31 March 2018. The increase in Borrowing is the result of long term borrowing being taken out in 2018/2019, partially offset by repayments of existing borrowing. Details of borrowing are shown in Note 33 on Financial Instruments (page 86).

Council's Pension Liability

The Net Pension Liability has increased by £209m to £547m from the 31 March 2018 position.

The corporate bond yields, which are applied to the pension obligations were lower than at the same point last year, resulting in an increase in the pension liability. This was partially offset by the return on assets being better than anticipated, resulting in a decrease to the overall liability. The net effect was an increase to the overall pension 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 2019.

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. There have been legal rulings in 2018/2019 in relation to Age Discrimination in pension benefits and Guaranteed Minimum Pensions that have resulted in an increase in the pension liability of the Council. Note 31: Defined Benefit Schemes on pages 78-83

provides more details on pensions including the impact of these recent decisions as well as the other factors affecting the pension liability such as assumptions about mortality, salary inflation, pension inflation and discount rates.

Net Worth

The Net Worth of the Council is shown across the Movement in Reserves. Noted on the Balance Sheet are Unusable Reserves of £1,207.040m and Usable Reserves of £117.908m, the former being maintained for accounting purposes only. The detail of these reserves is noted in the Movement in Reserves Statement on pages 47 with more detail provided in Note 13 (page 61) and the Accounting Policies (pages 93 to 100).

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	2018/2019 Estimate/ Target	2018/2019 Outcome	2017/2018 Estimate/ Target	2017/2018 Outcome
Debt/Long-term Borrowing				
Capital Financing Requirement (CFR) for the current year	£1,273m	£1,262m	£1,282m	£1,255m
External Debt Levels for the current year	£1,275m	£1,275m	£1,282m	£1,120m
Gross Borrowing (External Debt Levels excluding PPP Finance Lease Liability and accrued interest)	£1,066m	£1,066m	£1,066m	£904m
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	8.76%	8.25%	9.06%	8.85%
Housing Revenue Account	16.82%	16.77%	17.23%	16.95%

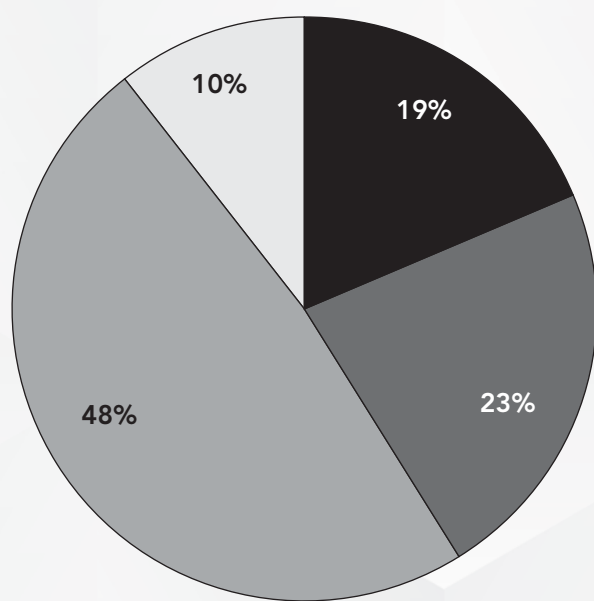
The ratio of financing costs to net revenue stream shows how much of the Council's income raised from Council Tax and grant received from the Scottish Government have been used to pay for costs associated with the Council's borrowing.

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 (£20.977m)
- Roads (£25.143m)
- Housing Revenue Account (£53.962m)
- Other (£11.660m)

General Service Programme: The General Services capital budget for 2018/2019 including movements that were reported during the year, was £66.819m.

The actual expenditure at 31 March 2019 was £57.780m, resulting in an underspend against the budget of £9.039m. For projects spending less than budget this year, this reflects the timing of spend and is not affecting operational delivery. The budget for this capital spend requires to be carried forward in to next financial year to complete projects, and the main projects which make up the £5.498m carry forward include: Roads improvement programme; Hamilton Information Technology Park; Vacant and Derelict Land Projects (Milton Brick Works, Carluke; Milburn Colliery Site, Larkhall and Glen Esk, East Kilbride); Ridgepark School Demolition, Black Mount Primary School; upgrades at Civic Centre, East Kilbride and Headquarters, Hamilton and the Care Homes project.

The General Services Programme has mainly been funded from a combination of grants from various funding bodies and partner organisations (£34.105m) and borrowing (£22.833m) with the remainder funded through contributions from the revenue account (£0.842m).

Housing Capital Programme: The Housing capital budget for 2018/2019 was £58.682m, including one-off funding of £5.018m. 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 2019 was £53.962m, which is £0.298m higher than budget due to good progress on projects. Additional one-off income was also received in 2018/2019 and it will be added to the overall programme and carried forward to contribute to future years Housing Programmes .

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 2018/2019 (Government Grant plus Council Tax Income) is 8.25%.

Management Commentary

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 2018/2019 that was presented to a meeting of the full council on 28 February 2018.

The outstanding liabilities on the PPP contracts are £208.925m, of which £7.478m is shown under current liabilities and £201.447m under long term liabilities. Details of the annual costs of these contracts are shown in Note 29 (page 77).

Financial Outlook including Risks and Uncertainties

Moving into 2019/2020, 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 2019/2020 budget was set on 27 February 2019 and took account of a savings package which aimed to minimise the impact on front-line service delivery.

The council's has faced over £166m in efficiency savings in the last 10 years, with a further £11m required to balance the budget in 2019/2020.

A new financial strategy for 2020/2021 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 medium term 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 significant budget shortfall for the coming years, and a continued need to make savings.

Brexit

The council recognises Brexit as a strategic risk and during 2018/2019 put in place preparations for an EU exit on 29 March 2019. Individual risk areas were also identified including people, financial, regulatory and procurement.

Project leads were identified spanning the key risk areas and an action plan was prepared to develop preparations. A key stage involved engagement with suppliers to establish their level of preparedness and supporting those employees impacted by the EU Settlement Scheme.

Regular reporting of preparations is taking place, and Resource committees were presented with Risk Registers reflecting both the risks presented by Brexit and the mitigating actions considered necessary.

In terms of wider resilience planning, the council and partners at local, regional and national levels have been heavily committed throughout 2018/2019 to assessing organisational and community impacts of EU exit. This included the facilitation of a Brexit risk workshop with the Community Planning Partnership Board. That work continues within an environment that still features significant uncertainty over the eventual outcome and associated impact.

The council will maintain engagement with resilience partners to address any emerging organisational or community risks associated with Brexit in consideration of existing and any revised UK Government or Scottish Government Brexit Planning Assumptions.

Uncertainty surrounding Brexit demands unprecedented flexibility on the part of the council and its resilience partners to be able to support national and local multi-agency co-ordination arrangements potentially at short notice.

The council's preparations for the UK's departure from the EU will be kept under close review during 2019/2020 with continuing reliance being placed on national guidance and preparations supplemented with local actions to ensure council services are well prepared.

Management Commentary

Other Key Developments

In addition to Brexit, 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 2020/2021 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 2019 before we know the council's 2020/2021 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.

However, it is hoped that the Scottish Government's commitment to return to 3 year grant settlements will provide the council with more certainty when preparing medium term financial plans.

- **Impact of Integration of Health and Social Care:** the Integration Joint Board has been established and it manages delivery of health and social care services. The Joint Board continues to face increasing pressures from an increasing and aging population and an increasing demand for service.
- **Implementation of National strategies:** including Early Years, Raising Attainment and Educational Leadership.
- **Glasgow City Region City Deal,** is a £1.13bn programme, 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 £23m.

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 2018/2019 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 £54.684m. This represents the council's share of the net assets in these entities. The Group Accounts, including details of associates are included in pages 105-117.

More Information

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



Paul Manning
Depute Chief Executive
and
Executive Director
(Finance and Corporate Resources)



Councillor John Ross
Leader of the Council

Annual Governance Statement

1. 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, facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A [Local Code of Corporate Governance](#) (referred to as the "Code" from here on) has been approved and adopted. The Code is reviewed and updated annually and is consistent with the seven core 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 the council has complied with the Code during 2018/2019 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts.

2. The purpose of the council

The [Council Plan, Connect 2017-22](#) sets out the council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire. A mid-term review of the plan, objectives and next steps will be completed during 2019.

The council is also a statutory Community Planning Partner and the [Community Plan 2017-2027](#) provides a common vision for the South Lanarkshire Community Planning Partnership and sets out how the partners aim to achieve that vision.

The council has set the framework for strong corporate governance by having a clear vision and values which are outlined in the diagram below:-

Our Vision

Improve the quality of life of everyone in South Lanarkshire

Our Values

Focused on people and their needs

Working with and respecting others

Accountable, effective, efficient
and transparent

Ambitious, self aware and improving

Fair, open and sustainable

Excellent employer

Annual Governance Statement

3. The purpose of the council's governance framework

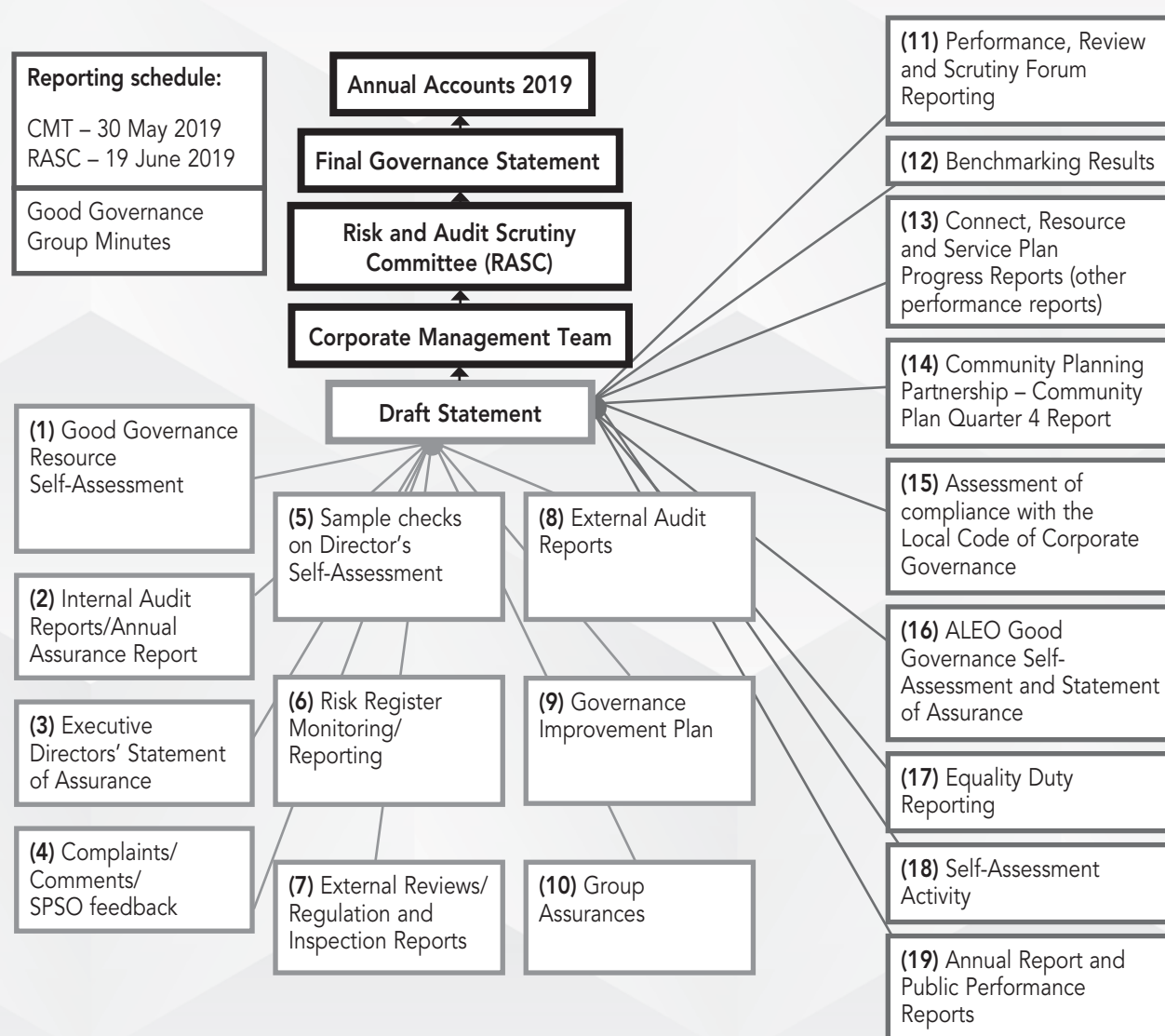
The governance framework comprises the culture, values, systems and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives 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 2019 and up to the date of approval of the Annual Report and Accounts.

4. How the council monitors and evaluates the effectiveness of its governance arrangements?

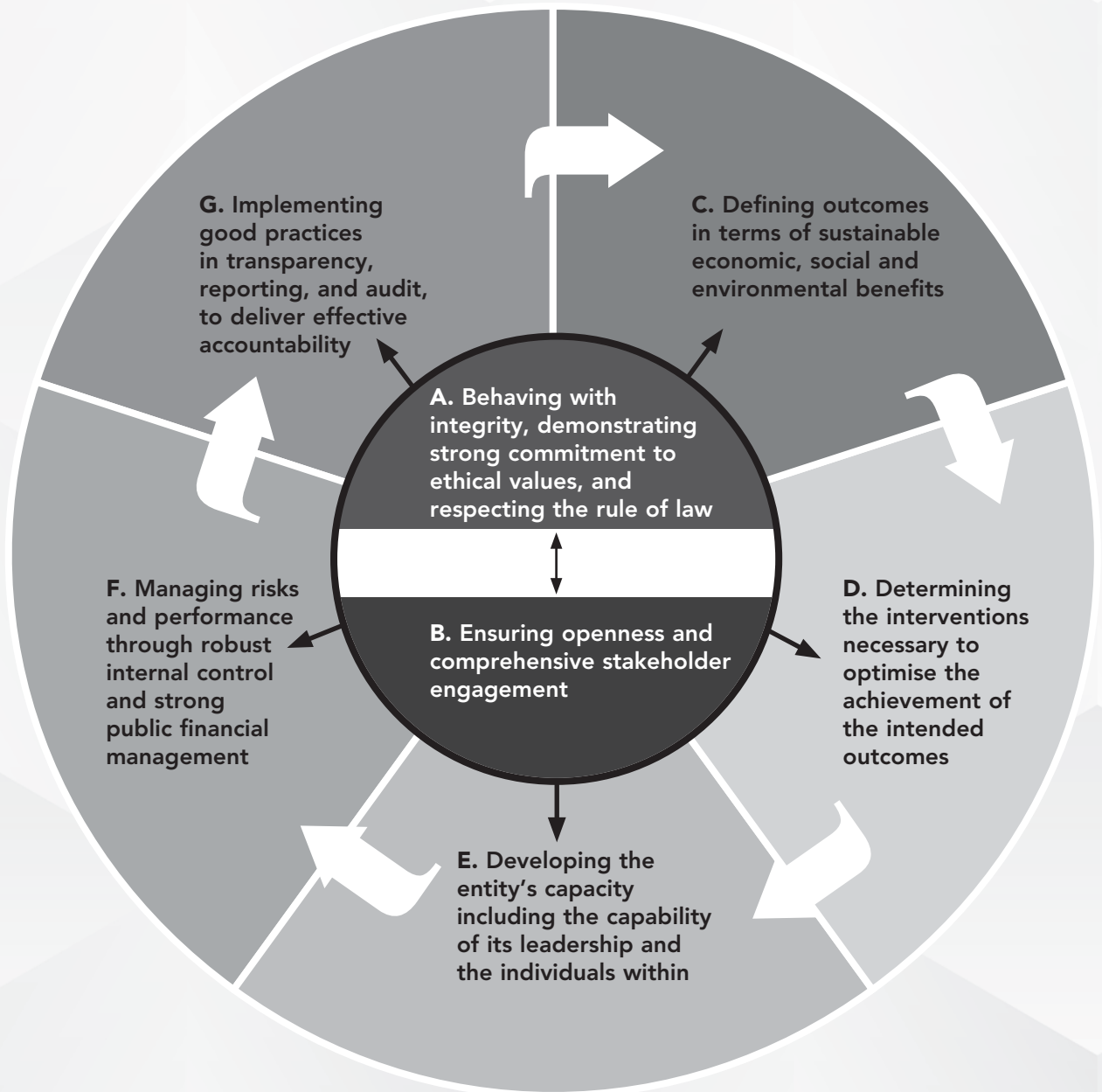
The council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review and underpin the statements made within this document are shown in the diagram below.



Annual Governance Statement

5. Key elements of the council's governance assurance framework

The council aims to achieve good standards of governance by adhering to the seven national principles below, which form the basis of the council's Code. These principles are used each year to evaluate governance arrangements and identify areas for improvement.



Annual Governance Statement

The following table demonstrates how the council has complied with these principles and provides assurance as to how they are met. Significant elements of the systems and processes that comprise the council's governance arrangements and important changes/developments are described. Links to the key council documents referred to below can be found in Section 2 of the Code.

Principle	How we do this:
<p>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Working with and respecting others</p>	<ul style="list-style-type: none"> • The council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes. • Training in the standards of behaviour required in line with the Code of Conduct for Councillors and the revised Local Code of Corporate Governance was delivered to all councillors. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct. A revised Code of Conduct for Councillors has been published and will be the subject of further training during 2019. • Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum. • The employee Code of Conduct which outlines standards of conduct and integrity was updated during March 2019 to reflect the revised Local Code of Corporate Governance. All breaches were investigated through the employee disciplinary process and the recommended actions taken. • To support integrity in decision making, the council has a number of committee procedural documents including decision making protocols, standing orders on procedures and contracts and financial regulations. All declarations of interest made by councillors at meetings were recorded and were available for public inspection. • There are a range of policies such as the Counter Fraud, Bribery and Corruption Policy Statement and Strategy, Fraud Response Plan, Whistleblowing for Third Parties and Confidential Reporting procedures that are used to support a culture of ethical behaviour amongst employees and councillors. These policies were revised during 2018 to ensure that they reflected best practice. • The council responded to all reported cases concerning employees of suspected unethical behaviour and non-compliance with the law/policy.

Annual Governance Statement

Principle	How we do this:
<p>Principle B: Ensuring openness and comprehensive stakeholder engagement</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs; Working with and respecting others</p>	<ul style="list-style-type: none"> • All committee and forum meetings (except the Standards and Procedures Advisory Forum) were open to the public and agendas, reports and minutes were published on the council's website and copies were available for public inspection. • A new Petitions Committee was introduced in June 2018 to consider matters raised through the council's petitions process and to help members of the public ensure that their views are heard. • A new Committee Management Information System which allows members of the public to register and be notified when committee and forum papers are published was introduced during September 2018. The system also facilitates the creation of online petitions to increase the potential reach of signatories. • To increase public engagement with the council, a new information website was launched during March 2019, and the council services website will be revised to include dedicated web pages for businesses. • The council has approved a new approach to community participation and empowerment including the establishment of a Community Participation and Empowerment Team to increase stakeholder engagement and involvement in decision making processes. • The first co-produced Community Planning Partnership Neighbourhood Plans with local residents for the three pilot areas aimed at improving outcomes and reducing inequalities were published. • The Community Engagement Co-ordination Group maintained an overview of partnership community engagement activity. The work of this group is underpinned by the Community Engagement Framework. • The council carried out 284 surveys and engagement activities with residents, employees and partners, and through the council's Citizens Panel to inform policy and service delivery. Further information on our surveys is published on the council's website. • To ensure inclusivity and help shape service delivery, the council co-ordinates regular engagement with targeted groups of people 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. A shared Lanarkshire British Sign Language Plan was developed with local Deafblind Communities and published in October 2018. • The Participation Requests and Community Asset Transfer processes support communities to engage with the council to improve local outcomes. • The new performance Spotlights have simplified how the council reports annually to the public on what has been achieved and the 20 public performance reports provide a comprehensive overview of service performance. These 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.

Annual Governance Statement

Principle	How we do this:
<p>Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs</p>	<ul style="list-style-type: none"> • The council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027/2028). This document is underpinned by a suite of Asset Management Plans which are aligned with the council's objectives and focus on creating an efficient, fit-for-purpose and sustainable core estate that delivers best value in terms of investment, running costs and environmental impact. • The Council Plan 2017-2022 and Community Plan 2017-2027 have clearly defined economic, social and environmental outcomes to be delivered during the period. • Annual Resource Plans which deliver the objectives of the Council Plan were reviewed and updated. These plans outline the outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the council and partnership plans. • The 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 developed using the principles of the United Nation's Sustainable Development Goals. • A new Sustainable Procurement Policy has been developed to ensure that sustainability principles are embedded in procurement processes and in recognition that our suppliers are important partners in the council's aim to become more sustainable. • Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2018/2019 and the council was recognised for good practice in a national SEA research publication. • A summary of the findings resulting from Equality Impact Assessments of the council's key decisions on service users, communities and businesses have been published on the council's website. • Strategic decisions of the council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.
<p>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Focused on people and their needs; Working with and respecting others</p>	<ul style="list-style-type: none"> • There is a standard approach to identifying savings across the council. The council's efficiency programme is overseen by the Senior Management Team and approved by councillors. • The Medium Term Financial Strategy 2019-2022 and Long-Term Outlook to 2028/2029 which are aligned with the council's objectives were updated during the year to reflect the latest internal and external influences. These plans set out the assumptions in terms of commitments, grant funding and efficiency requirements and demonstrate sound financial management and the ability to address future projected funding gaps. • The annual budget setting consultations took place with members of the public, councillors, trade unions and employees to inform savings proposals. The budget is open to scrutiny and amendment by councillors until the approval of the final budget. • The council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective. A review of how performance is reported will take place during 2019. • The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB). These services 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. • The council considers the specification and achievement of community benefits, which focus on the health, economic, social and environmental wellbeing of the South Lanarkshire area, when awarding contracts.

Annual Governance Statement

Principle	How we do this:
<p>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Excellent employer; Focused on people and their needs; Working with and respecting others</p>	<ul style="list-style-type: none"> • Senior Managers have overseen the annual scrutiny of the council's assets through the review of a suite of Asset Management Plans. The Corporate Asset Management Plan outlines priorities and provides an overview of how the council has performed in this area. • The council's Scheme of Delegation ensured that committees, officers and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role. • Training requirements were identified, and learning and development programmes were developed, and offered to all councillors. • The council continues to work with third party service providers and a range of partners to increase capacity to deliver its objectives. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal. The council's recent Best Value Assurance Report concluded that the "council works well with a range of public-sector, business and academic partners to improve outcomes for citizens". • Each Resource reviews Workforce Plans and related action plans to better understand workforce capacity issues, further challenges and opportunities to ensure that resources are in the right place, at the right time and people have the right skills. • The council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to council values and a Personal Development Plan. The council offers a range of training interventions to support employee development. • A revised approach to management and leadership development which aims to equip managers with the skills and knowledge to be more effective in their roles has been approved and will be relaunched during August 2019. • In terms of the 2017/2018 Local Government Benchmarking Framework results, the council is performing better than the Scottish Average levels for almost half of the indicators. The results were analysed and an action plan was developed and will be monitored by the Senior Management Team. • The council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and committee and learning from complaints which is integral to this process is also published on the council's website. • A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health.

Annual Governance Statement

Principle	How we do this:
<p>Principle F: Managing risks and performance through robust internal control and strong public financial management</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Ambitious, self-aware and improving</p>	<ul style="list-style-type: none"> • The council has put in place comprehensive arrangements for identifying and managing significant risks. There was regular compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans by the Risk Management Team, Council and Resource Risk Sponsors Groups. • The Risk Management Strategy which clearly defines roles and responsibilities for councillors and employees will be subject to a full review during 2019/2020. • An external review of the council's Insurance Fund concluded that the fund was sufficient to meet known liabilities and that no further increase to the balance of the fund was required. • The council's Internal Audit Service which complies with Public Sector Internal Audit Standards 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. Where improvements were required, action plans were developed and monitored and where necessary follow-up audit work completed. • 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. • The annual review of compliance with the council's Information Management Framework did not highlight any significant areas of concern. • The system of internal financial control is based upon the Financial Regulations which set out the rules to ensure robust internal control over the council's finances. Control is maintained through regular management information, management supervision and a structure of delegation and accountability. External Audit of the council's accounts is robust and a "clean audit certificate" was issued for 2017/2018. • 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 regularly to both managers and councillors. This includes areas of under-performance and the related improvement actions. • Guidance on Funding External Bodies and Following the Public Pound was developed to ensure a consistent approach across the council. • The council's Charitable Trust Funds are being modernised with new constitutions to ensure that the Trusts operate in a manner designed to benefit communities. • The Executive Director of Finance and Corporate Resources is a member of the council's Corporate Management Team and as such, is integral in all major decisions taken by the council, 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.

Annual Governance Statement

Principle	How we do this:
<p>Principle G: Fair, Open and Sustainable; Implementing good practices in transparency; reporting, and audit to deliver effective accountability</p> <p>Links to council's values: Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Working with and respecting others</p>	<ul style="list-style-type: none"> • The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Whilst there are no new significant issues to highlight in this statement, governance improvement actions have been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and committee. • The annual review of governance arrangements for the council's at Arm's Length Organisation (ALEO) and key external service providers has highlighted areas for improvement which are currently being progressed by the council and the respective organisations. • All Directors completed their annual Statement of Assurance and did not identify any compliance issues. • The council prepares and publishes an Annual Governance Statement which reflects on the adequacy and effectiveness of the council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated governance web page. • The annual review of the Local Code of Corporate Governance was completed and the revised Code was approved by committee and re-published. • Committee meetings were held in public and all agendas, reports and decisions were published (except those exempt under the Local Government (Scotland) Act 1973) on the council's website. • The Risk and Audit Scrutiny Committee considered the adequacy and effectiveness of the council's governance arrangements and internal control environment and approved the Annual Governance Statement and Accounts. • Outcomes from internal audit activity were reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee. • Outcomes from external audit activity were reported to the Risk and Audit Scrutiny Committee. • During 2018/2019, the council was subject to a Best Value Assurance Review. The report concluded that the "council performs very well, benefits from strong leadership, clear direction and displays many of the characteristics of best value". The report also makes recommendations for improvement and the council has responded by developing an action plan to deliver these. • The council's Managing Risks in Partnership Guidance has been reviewed and now includes the CIPFA/SOLACE Delivering Good Governance Guidance and a checklist on embedding the principles of good governance in partnerships.

Annual Governance Statement

6. Review of Effectiveness

The review of governance arrangements for 2018/2019 has also considered the following assurance outcomes:

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 2019. It is the Executive Director of Finance and Corporate Resources' opinion that reasonable assurance can be placed on its effectiveness.

Internal Assurance

It is the opinion of the council's Risk Management Service 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.

It is the opinion of the council's Audit and Compliance Manager that reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements.

7. Significant Governance Areas

The 2017/2018 Annual Governance Statement identified 21 areas for improvement. Details of these improvements and the actions taken can be found on the council's website; see the [Good Governance Action Plan](#). Of these actions, two measures were not delivered within the specified timescales. These measures with explanatory commentary are listed below:-

Measure	Comments/Action	Responsibility
Develop a Community Planning Participation and Engagement Strategy by 31 March 2019	<p>A draft document and graphic designs are now ready for public consultation. The newly established Community Participation and Empowerment Team are leading on the continued development of the Strategy using the public consultation process designed by the partners.</p> <p>The completed Strategy will ensure that appropriate links between policies, plans and strategies across the council/partnership are made.</p> <p>Following extensive public consultation, the final version of the Strategy will be presented to the Executive Committee for approval by December 2019.</p>	Community Participation and Empowerment Team Manager
Develop a three-year Communications Strategy document by September 2018, to be maintained through an annual refresh thereafter	Whilst there was a delay in preparing the strategy it was approved by the Corporate Management Team on 18 July 2019.	Head of Communications and Strategy

Annual Governance Statement

The following areas which outline the actions being taken to address them were identified through the 2018/2019 annual governance review:

No.	Areas identified in 2018/19	Action(s)	Lead Officer
1	Brexit Impact of the UK leaving the European Union on the council	The potential implications for the council in relation to: <ul style="list-style-type: none"> • Funding and finance; • Workforce and employment; • Procurement and trade; • Legislation; and • Support to local businesses. have been considered and the council will continue to closely monitor the situation with contingency arrangements being implemented where required.	Director of Finance and Corporate Resources
2	Best Value Assurance Review Changes to the council's governance and service delivery arrangements to deliver the improvement plan	During 2018/2019, the council were subject to a Best Value Assurance Review. The Assurance Report makes recommendations for improvement and the council has developed a plan to deliver these. During 2019/2020, the council will begin the process of implementing the improvement plan including working with Partners to deliver the actions that fall within the remit of the Community Planning Partnership.	Director of Finance and Corporate Resources
3	Mid-term review of committee procedural documents Changes to the council's governance arrangements in relation to committee decision making processes and procedures	A comprehensive review of the committee procedural documents has commenced. All councillors have been consulted and the process is being overseen by the Standards and Procedures Advisory Forum. The review will be concluded by December 2019.	Director of Finance and Corporate Resources
4	Participatory Budgeting 1% of the council's budget to be subject to Participatory Budgeting	By 2020/2021 all Scottish councils are required to commit 1% of their budget to Participatory Budgeting (with the "council budget" being defined as the council's Total Estimated Expenditure (TEE) less Assumed Council Tax Income both taken from the Government's Finance Settlement). Councillor's awareness sessions have been conducted and a report on Participatory Budgeting was presented to Executive Committee in May 2019. Further update reports will be submitted to committee.	Director of Finance and Corporate Resources
5	Financial Challenges Reduction in council funding, resulting in difficulties maintaining front line services	The council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand. The council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028/2029. The Budget Strategy for 2020/2021 will be updated and presented to councillors during autumn 2019.	Director of Finance and Corporate Resources

Annual Governance Statement

No.	Areas identified in 2018/19	Action(s)	Lead Officer
6	GDPR Compliance with the new General Data Protection Regulations (GDPR)	<p>GDPR came into effect on 25 May 2018. The council is progressing its GDPR action plan and has appointed a Data Protection Officer; approved an Information Security Policy; completed an information audit; and delivered internal and external training.</p> <p>The council is currently in the process of developing and implementing a new file plan system to provide a greater level of control over the management of all data held by the council. Stage One was completed December 2018 and Stage Two will be completed during 2019/2020.</p> <p>During 2019/2020 further actions to ensure compliance with GDPR will be undertaken:-</p> <ul style="list-style-type: none"> • Employee training on "How Data Protection Works"; and • Replacement of the current Privacy Policy with a Data Protection Policy 	Director of Finance and Corporate Resources
7	Integrated Joint Board – Health and Social Care The council will need to consider the implications from recent national reports and policy changes	<p>The Integrated Joint Board members and other relevant stakeholders will participate in workshops to consider the current position in relation to the recommendations/policy changes, identify gaps and agree areas for improvement.</p> <p>A new Strategic Commissioning Plan 2019-2022 has been approved by the IJB.</p> <p>Directions that set out the key actions to be delivered by the council during the year 2019/2020 were issued on 31 March 2019.</p>	Director, Health and Social Care, South Lanarkshire Health and Social Care Partnership
8	National expansion in early years education and childcare provision The council is likely to face challenges in acquiring the necessary physical assets and staffing levels to meet the commitments by 2020	<p>Strategic and operational plans are in place with key milestones identified in terms of infrastructure, financial, personnel, quality standards, training and recruitment and on consultation with partners and parents identified to deliver 1140 hours of early learning and childcare by August 2020.</p> <p>Regular reporting mechanisms are also in place with updates provided to committee including engagement with partner providers to increase private and third sector partnership.</p>	Director of Education Resources
9	Welfare Reform Impact of Welfare Reform on council services	<p>Regular update reports on Welfare Reform are provided to the Senior Management Team (SMT), committee and the Community Planning Partnership (CPP) Board to ensure effective partnership working. During the year, a Welfare Reform Workshop was held with Partners and Third Sector Organisations. As a result, the Welfare Reform information provided to the SMT and the CPP Board and the membership of the Welfare Reform Group is being reviewed.</p> <p>During 2019/2020, the council will be looking at the structures and services used to support those affected by Welfare Reform.</p>	Director of Finance and Corporate Resources

Annual Governance Statement

No.	Areas identified in 2018/19	Action(s)	Lead Officer
10	Child Poverty The council's contribution to meeting the national child poverty reduction targets as set out in the Child Poverty (Scotland) Act 2018 and the requirement to undertake new activity and a new approach to tackling child poverty	A Child Poverty Lead Officer Group was established to draft the first Child Poverty Action Report. The council, NHS Lanarkshire and South Lanarkshire Community Planning Partners have developed the first report for publication by 30 June 2019. Work is underway to deliver the Partnership's Child Poverty Action Plan for 2019/2020. Feedback on the Local Action Reports will be provided by the new Poverty and Inequality Commission during 2019/2020.	Director of Finance and Corporate Resources

8. Summary

The annual review of governance arrangements across the council and overall compliance with the council's Code demonstrate sufficient evidence that the Code's principles of Delivering Good Governance in Local Government operated effectively and that the council complies with its Code.

During 2019/2020, steps will be taken to address the significant governance areas highlighted in this statement to further enhance the council's governance arrangements and evidence our commitment to continuous improvement.

John Ross
Leader of the Council

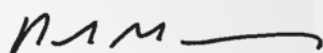
Signature:



Date: 18 September 2019

Paul Manning
Depute Chief Executive
and
Executive Director (Finance and Corporate Resources)

Signature:



Date: 18 September 2019

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 2019.



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:

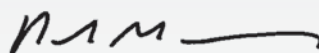
- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation.
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

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 2019.



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

Date: 18 September 2019

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/150 sets the amount of salary for Chief Officers and the Chief Executive of South Lanarkshire Council for 2018/2019 to 2020/2021.

Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183), as amended most recently by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2018 (SSI 2018/38). 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 2018/2019 the salary for the Leader of the Council is £39,655. 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 £29,742 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 £443,985 (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 2018/2019, the Council had 18 Senior Councillors and the salary paid to these councillors totalled £421,171. 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 Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

Audit Arrangements

All information disclosed in the tables numbered 1 to 8 in this Remuneration Report have 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 14 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 £	2018/19 Number of Employees	2017/18 Number of Employees
50,000 – 54,999	168	143
55,000 – 59,999	84	92
60,000 – 64,999	52	28
65,000 – 69,999	22	16
70,000 – 74,999	1	3
75,000 – 79,999	1	9
80,000 – 84,999	10	7
85,000 – 89,999	9	5
90,000 – 94,999	8	7
95,000 – 99,999	2	2
100,000 – 109,999 (Note 1)	–	–
110,000 – 114,999	–	1
115,000 – 124,999 (Note 1)	–	–
125,000 – 129,999	1	4
130,000 – 134,999	3	–
135,000 – 139,999	1	1
140,000 – 159,999 (Note 1)	–	–
160,000 – 164,999	1	–
165,000 – 174,999 (Note 1)	–	–
175,000 – 179,999	–	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

Table 2 - 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.

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											
							Cash Value £		Notional CAY Value £		Total £		Cash Value £		Notional CAY Value £		Total £	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£0 - £20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>£150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision	-	-	1	-	-	-	1	-	-	-	-	-	24,109	-	-	24,109	-	-
Total incl. Provisions	-	-	-	1	12	12	1	1	12	12	12	1	24,109	670,824	734,302	24,109	734,302	1,405,126

The total cost of exit packages shown for 2018/2019 totals £0.024m. This relates to a provision for an employee who will leave the Council in the coming year. As the employee will not leave until the coming year, no actual cash payments have been made in 2018/2019. 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. Again, as the employee has not yet left, there are none. These figures will be included in future years figures once the employee has left.

Remuneration Report

Disclosure of Remuneration

The table below provides details of the remuneration paid to the council's Senior Employees and Senior Councillors and to the Chief Executive of Routes to Work South which is a subsidiary of South Lanarkshire Council. Comparative figures for 2017/2018 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 2018/2019 is available on the council's website (www.southlanarkshire.gov.uk).

Table 3 - Senior Officers

Post	Salary / fees £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	2018/19 Total £	2017/18 Total £
L Freeland Chief Executive	162,383	-	-	-	162,383	177,188
T McDaidd Executive Director of Education Resources	129,833	-	-	-	129,833	126,479
M McGlynn Executive Director of Community and Enterprise Resources	131,635	-	-	-	131,635	128,457
V De Souza Executive Director of Health and Social Care (Note 1)	131,635	-	-	-	131,635	128,257
P Manning Executive Director of Finance and Corporate Resources	137,058	-	-	-	137,058	137,203
D Lowe Executive Director of Housing and Technical Resources	131,635	-	-	-	131,635	128,257
L Purdie Chief Social Work Officer	94,417	-	-	-	94,417	80,311
2017/18 senior officers where post holders are no longer in post	-	-	-	-	-	-
Total	918,596	-	-	-	918,596	906,152

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 Act 1989; 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 - Senior Employees of the Council's Subsidiary Bodies

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2018/19 £	Remuneration 2017/18 £	Total
S Barr Chief Executive of Routes to Work South	63,409	-	-	-	63,409	-	59,820

Table 5 - 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 2018/2019. 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 2018/19 £	Remuneration 2017/18 £	Total
A Allison Opposition Leader – Conservative (From 28 June 2017)	22,493	-	-	-	22,493	(Full Year Equivalent 22,404)	17,002
J Anderson Community and Enterprise Resources Committee Chair (From 18 May 2017)	25,793	-	-	-	25,793	(Full Year Equivalent 25,686)	22,382
J Bradley Cambuslang and Rutherglen Area Committee Chair (From 18 May 2017 to 21 December 2017)	-	-	-	-	-	(Full Year Equivalent 20,209)	12,072
Social Work Resources Committee Chair (From 22 December 2017)	25,793	-	-	-	25,793	(Full Year Equivalent 25,686)	7,038
W Brogan Opposition Leader – Labour (From 18 May 2017 to 16 August 2017) (From 05 February 2018 to 9 May 2018)	2,756 (Full Year Equivalent 25,793)	-	-	-	2,756 (Full Year Equivalent 25,793)	(Full Year Equivalent 25,686)	10,276
Depute Opposition Leader (From 17 August 2017 to 04 February 2018)	20,090 (Full Year Equivalent 22,493)	-	-	-	20,090 (Full Year Equivalent 22,493)	(Full Year Equivalent 22,404)	10,558
A Buchanan East Kilbride Area Committee Chair (From 21 November 2018)	7,283 Full Year Equivalent 20,293)	-	-	-	7,283 Full Year Equivalent 20,293)	n/a	n/a
M Chalmers Depute Leader of the Council (From 18 May 2017)	25,793	-	-	-	25,793	(Full Year Equivalent 25,686)	22,382

Remuneration Report

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2018/19 £	Remuneration 2017/18 £
P Craig Business Manager Majority Party and Hamilton Area Committee Chair (From 18 May 2017 to 29 August 2017)	–	–	–	–	–	8,256 (Full Year Equivalent 28,972)
Business Manager Majority Party (From 30 August 2017)	25,793	–	–	–	25,793	15,062 (Full Year Equivalent 25,686)
M Devlin Business Manager – Opposition (From 17 August 2017)	2,168 (Full Year Equivalent 20,293)	–	–	–	2,168 (Full Year Equivalent 20,293)	12,571 (Full Year Equivalent 20,209)
M Donnelly Hamilton Area Committee Chair (From 30 August 2017)	20,293	–	–	–	20,293	11,851 (Full Year Equivalent 20,209)
F Dryburgh Business Manager – Opposition (From 10 May 2018)	18,125 (Full Year Equivalent 20,293)	–	–	–	18,125 (Full Year Equivalent 20,293)	n/a
J Fagan Opposition Leader – Labour (From 10 May 2018)	23,037 (Full Year Equivalent 25,793)	–	–	–	23,037 (Full Year Equivalent 25,793)	n/a
A Fulton Planning Committee Chair (From 18 May 2017)	25,793	–	–	–	25,793	22,382 (Full Year Equivalent 25,686)
R Lockhart Clydesdale Area Committee Chair (From 18 May 2017)	20,293	–	–	–	20,293	17,610 (Full Year Equivalent 20,209)
K Loudon Education Resources Committee Chair (From 18 May 2017)	25,793	–	–	–	25,793	22,382 (Full Year Equivalent 25,686)
I McAllan Provost (From 18 May 2017)	29,742	–	–	–	29,742	25,809 (Full Year Equivalent 29,618)

Remuneration Report

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2018/19 £	Remuneration 2017/18 £
G Miller Finance and Corporate Resources Committee Chair (From 18 May 2017)	25,793	-	-	-	25,793	22,382 (Full Year Equivalent 25,686)
C Nugent Cambuslang and Rutherglen Area Committee Chair (From 22 December 2017)	20,293	-	-	-	20,293	5,538 (Full Year Equivalent 20,209)
J Ross Leader of the council (From 18 May 2017)	39,655	-	-	-	39,655	34,411 (Full Year Equivalent 39,491)
D Shearer Licensing Committee Chair (From 18 May 2017)	20,293	-	-	-	20,293	17,610 (Full Year Equivalent 20,209)
C Stevenson Depute Provost (From 18 May 2017)	24,693	-	-	-	24,693	21,428 (Full Year Equivalent 24,591)
D Watson Business Manager of the Majority Opposition Group (To 3 May 2017)	-	-	-	-	-	1,824 (Full Year Equivalent 20,209)
East Kilbride Area Committee Chair (From 18 May 2017 To 20 November 2018)	13,010 (Full Year Equivalent 20,293)	-	-	-	13,010 (Full Year Equivalent 20,293)	17,610 (Full Year Equivalent 20,209)
J Wilson Housing and Technical Resources Committee Chair (From 18 May 2017)	25,793	-	-	-	25,793	22,382 (Full Year Equivalent 25,686)
2017/18 senior councillors where post holders are no longer in post	n/a	n/a	n/a	n/a	n/a	75,957
Total	490,568	-	-	-	490,568	456,775

Remuneration Report

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2018/19 £	Remuneration 2017/18 £	Total
Councillors with Joint Board Responsibilities							
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board (From 26 June 2017)	20,183	-	-	-	20,183	(Full Year Equivalent) 20,099	15,366
2017/18 councillors with joint board responsibilities where post holders are no longer in post	n/a	n/a	n/a	n/a	n/a	n/a	1,967
Total	20,183	-	-	-	20,183		17,333

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

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

- Recharge to Lanarkshire Valuation Joint Board in 2018/2019 – £3,190 (2017/2018 – £2,812)

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 by the 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 2018/2019 were updated by the Consumer Prices Index (CPI) increase for 2018/2019.

The member contribution rates and tiers for 2018/2019 are shown below along with those that applied in 2017/2018:

Pensionable Pay	Contribution rate 2018/19	Pensionable Pay	Contribution rate 2017/18
On earnings up to and including £21,300	5.5%	On earnings up to and including £20,700	5.5%
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £20,700 and up to £25,300	7.25%
On earnings above £26,100 and up to £35,700	8.5%	On earnings above £25,300 and up to £34,700	8.5%
On earnings above £35,700 and up to £47,600	9.5%	On earnings above £34,700 and up to £46,300	9.5%
On earnings above £47,600	12%	On earnings above £46,300	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 6 – Pension Benefits : Senior Employees

The Pension entitlement of Senior Employees for the year to 31 March 2019 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 2019 £000	Movement in accrued pension benefits since 31 March 2018 £000	Pension Contribution made by council 2018/19 £	Pension Contribution made by council 2017/18 £
L Freeland Chief Executive	Pension Lump Sum	93 185	30,784	34,197
T McDauid Executive Director of Education Resources	Pension Lump Sum	38 71	25,058	24,411
M McGlynn Executive Director of Community and Enterprise Resources	Pension Lump Sum	56 100	25,405	24,754
V De Souza Executive Director of Health and Social Care (Note 1)	Pension Lump Sum	43 62	25,405	24,754
P Manning Executive Director of Finance and Corporate Resources	Pension Lump Sum	53 85	26,452	25,805
D Lowe Executive Director of Housing and Technical Resources	Pension Lump Sum	51 84	25,405	24,754
L Purdie Chief Social Work Officer	Pension Lump Sum	39 67	18,223	15,500
Total			176,732	174,175

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.

Table 7 – Pension Benefits: Senior Employees of the Council's Subsidiary Bodies

Routes to Work South operates a defined contributions scheme for its employees. Accordingly, the only information to be provided in respect of its senior employees is the amount of any pension contributions made to that scheme by the subsidiary body.

Name and Post Title	Pension Contribution 2018/19 £	Pension Contribution 2017/18 £
S Barr Chief Executive of Routes to Work South	5,072	4,785

Remuneration Report

Table 8 – Pension Benefits: Senior Councillors

The Pension entitlement of Senior Councillors who contribute to the pension scheme for the year to 31 March 2019 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 2019 £000	Movement in accrued pension benefits since 31 March 2018 £000	Pension Contribution made by council 2018/19 £	Pension Contribution made by council 2017/18 £
A Allison Opposition Leader Conservative (From 28 June 2017)	1 –	– –	4,341	3,281
J Anderson Community and Enterprise Resources Committee Chair (From 18 May 2017)	5 2	1 –	4,978	4,320
J Bradley Cambuslang and Rutherglen Area Committee Chair (From 18 May 2017 to 21 December 2017) Social Work Resources Committee Chair (From 22 December 2017)	1 –	– –	4,978	3,688
W Brogan 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 to 9 May 2018)	4 1	– –	4,409	4,021
A Buchanan East Kilbride Area Committee Chair (From 21 November 2018)	4 1	1 –	1,406	n/a
M Chalmers Depute Leader (From 18 May 2017)	1 –	– –	4,978	4,320
P Craig 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)	4 1	– –	4,978	4,500
M Devlin Business Manager – Opposition (From 17 August 2017)	2 –	– –	418	2,426

Remuneration Report

Name and Post Title	Accrued Pension Benefits to March 2019 £000	Movement in accrued pension benefits since 31 March 2018 £000	Pension Contribution made by council 2018/19 £	Pension Contribution made by council 2017/18 £
F Dryburgh Business Manager – Opposition (From 10 May 2018)	Pension Lump Sum 1 –	– –	3,498	n/a
J Fagan Opposition Leader – Labour (From 10 May 2018)	Pension Lump Sum 1 –	– –	4,446	n/a
A Fulton Planning Committee Chair (From 18 May 2017)	Pension Lump Sum 1 –	– –	4,978	4,320
K Loudon Education Resources Committee Chair (From 18 May 2017)	Pension Lump Sum 1 –	– –	4,978	4,320
I McAllan Provost (From 18 May 2017)	Pension Lump Sum 1 –	– –	5,740	4,981
G Miller Finance and Corporate Resources Committee Chair (From 18 May 2017)	Pension Lump Sum 3 –	1 –	4,978	4,320
J Ross Leader of the council (From 18 May 2017)	Pension Lump Sum 2 –	1 –	7,653	6,641
D Shearer Licensing Committee Chair (From 18 May 2017)	Pension Lump Sum 6 7	1 –	3,917	3,399
C Stevenson Depute Provost (From 18 May 2017)	Pension Lump Sum 1 –	– –	4,766	4,136
D Watson 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	– –	2,511	3,751
2017/18 senior councillors where post holders are no longer in post (or are no longer a member of a pension fund)	n/a	n/a	n/a	14,459
Total			77,951	76,883

Remuneration Report

Name and Post Title	Accrued Pension Benefits to March 2019 £000	Movement in accrued pension benefits since 31 March 2018 £000	Pension Contribution made by council 2018/19 £	Pension Contribution made by council 2017/18 £
Councillors with Joint Board Responsibilities				
L Hamilton				
Depute Convenor Lanarkshire Valuation Joint Board (From 26 June 2017)	Pension Lump Sum	2	3,884	2,966
		-		
Total			3,884	2,966

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 2018/2019 – £616 (2017/2018 – £425)

Trade Union Facility Time

In addition to the regulation governing Senior Employees and Councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employers to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives. The figures below cover the period 1 April 2018 to 31 March 2019 and include employees of South Lanarkshire Council, South Lanarkshire Leisure and Culture, SEEMIS and Lanarkshire Valuation Joint Board.

Relevant Trade Union Officials

Number of employees who were relevant union officials during the relevant period	198
FTE Employee Number	188.23

Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£478,012.77
Total pay bill	£493,885,288.11
Percentage of the total pay bill spent on facility time	0.10%

Percentage of Time Spent on Facility Time

% Time	Number of Representatives
0%	75
1% - 50%	116
51% - 99%	3
100%	4

Paid Trade Union Activities

Time spent on paid Trade Union activities as a percentage of total paid facility time hours	8.53%
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This information for 2018/2019 is also available on the council's website.

Remuneration Report

Councillor John Ross
Leader of the Council

Date: 18 September 2019

Signature:

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

Paul Manning
Depute Chief Executive

Date: 18 September 2019

Signature:

A handwritten signature in black ink, appearing to be 'P Manning', written over a light grey geometric background.

Expenditure and Funding Analysis

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 45. The segmental analysis in the Expenditure and Funding Analysis reflects the council's management structure, as reported to the relevant Committees during the financial year.

Note 1 The 2017/2018 figures have been restated to take account of the removal of all internal recharges and also to reflect the movement of the impairment of financial instruments to the Other Income and Expenditure line, as required by the 2018/2019 Code of Accounting Practice. They have also been adjusted to report the Corporate and Democratic Core (HRA) separately and to reflect the budget delegated to the Integrated Joint Board within Social Work Resources.

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 2017/18			2018/19		
	Gross Expenditure £000	Gross Income £000	Net Expenditure /(Income) £000	Gross Expenditure £000	Gross Income £000	Net Expenditure /(Income) £000
Community and Enterprise Resources	167,843	23,409	144,434	167,516	29,466	138,050
Education Resources	318,107	16,960	301,147	332,843	20,330	312,513
Finance and Corporate Resources	133,335	96,097	37,238	126,043	86,599	39,444
Housing and Technical Resources	178,184	84,287	93,897	80,806	87,232	(6,426)
– Housing Revenue Account (HRA)	40,404	14,292	26,112	38,542	14,477	24,065
– Housing – Other	339,391	188,344	151,047	364,069	198,166	165,903
Social Work Resources	2,363	–	2,363	2,363	–	2,363
Joint Boards	2,483	711	1,772	35,343	563	34,780
Corporate Items	132	–	132	130	–	130
Corporate and Democratic Core (HRA)	48	–	48	327	–	327
Non Distributed Costs – Non Operational Assets (HRA)						
Net Cost of Services	1,182,290	424,100	758,190	1,147,982	436,833	711,149
Other Operating Expenditure (Note 9)	222	–	222	–	6,106	(6,106)
Financing and Investment Income and Expenditure (Note 10)	79,493	349	79,144	72,550	1,345	71,205
Taxation and Non-Specific Grant Income (Note 11)	–	715,682	(715,682)	–	722,974	(722,974)
Deficit on Provision of Services	1,262,005	1,140,131	121,874	1,220,532	1,167,258	53,274
(Surplus) / Deficit on Revaluation of Fixed Assets			(144,634)			(66,172)
Remeasurement of the Net Defined Benefit Liability / (Asset)			(422,312)			133,141
Other Comprehensive Income and Expenditure			(566,946)			66,969
Total Comprehensive Income and Expenditure			(445,072)			120,243

Note 1 Internal recharges totalling £25.407m have been removed from the figures (2017/2018: £24.658m) The 2017/2018 figures have been restated to adjust for updated Internal Recharge figures.

Note 2 The 2017/2018 figures have been restated to reflect the 2018/2019 Code of Practice requirement to move the impairment on financial instruments from Net Cost of Services to the Financing and Investment Income and Expenditure line.

Note 3 The 2017/2018 figures have been restated to include the budget delegated to the Integration Joint Board within Social Work and to show the Corporate and Democratic Core (HRA) costs separately.

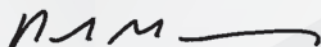
Balance Sheet

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'.

Restated 31 March 2018		Note	31 March 2019
£000			£000
2,941,122	Property, Plant and Equipment	21	3,032,209
3,826	Heritage Assets	22	3,826
240	Intangible Assets	22	179
2,084	Long Term Debtors		2,018
2,947,272	Non Current Assets		3,038,232
–	Short Term Investments		134,377
3,357	Inventories		3,429
61,975	Short Term Debtors	24	57,762
1,519	Current Intangible – Carbon Reduction Allowances		782
571	Assets Held for Sale	22	417
36,058	Cash and Cash Equivalents (see cash flow notes)		74,585
103,480	Current Assets		271,352
(31,053)	Short Term Borrowing	33	(40,282)
(134,957)	Short Term Creditors	26	(149,116)
(316)	Contract Liability – IFRS15	7	(239)
(705)	Carbon Reduction Commitment Liability		(628)
(7,213)	Other Short Term Liabilities (PPP/Finance Lease)	29	(7,478)
(823)	Provisions	27	(657)
(1,753)	Receipts in Advance	28	(1,891)
(176,820)	Current Liabilities		(200,291)
(757)	Long Term Provisions	27	(745)
(881,783)	Long Term Borrowing	33	(1,035,433)
(208,925)	Other Long Term Liabilities (PPP/Finance Lease)	29	(201,447)
(337,276)	Other Long Term Liabilities (Pension)	31	(546,720)
(1,428,741)	Long Term Liabilities		(1,784,345)
1,445,191	Net Assets		1,324,948
112,641	Usable reserves		117,908
1,332,550	Unusable Reserves		1,207,040
1,445,191	Total Reserves		1,324,948

The notes on pages 51 to 100 form part of the financial statements. The unaudited accounts were authorised for issue on 19 June 2019, and the audited accounts were authorised for issue on 18 September 2019.



Paul Manning
Executive Director (Finance and Corporate Resources)
18 September 2019

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						
	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 Usable Reserves £000
							(Note 13) Unusable Reserves £000
							Total Council Reserves £000
Balance at 1 April 2018	71,040	11,624	7,232	4,516	11,445	6,784	112,641
Movement in reserves during 2018/19							1,332,550
Total Comprehensive Expenditure and Income	(60,161)	6,887	-	-	-	-	(53,274)
Adjustments between accounting basis and funding basis under regulations (note 8)	63,916	(9,500)	-	-	-	4,125	58,541
Net Increase/(Decrease) before Transfers to Reserves	3,755	(2,613)	-	-	-	4,125	5,267
Transfers to/(from) Reserves	7,990	-	(303)	(1,238)	(949)	(5,500)	-
Increase/(Decrease) in Year	11,745	(2,613)	(303)	(1,238)	(949)	(1,375)	5,267
Balance at 31 March 2019 carried forward	82,785	9,011	6,929	3,278	10,496	5,409	117,908
							1,207,040
							(120,243)
							1,324,948

Movement in Reserves Statement

	Revenue Statutory Funds						Total Usable Reserves £000	(Note 13) 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			
Balance at 1 April 2017	56,941	10,251	5,910	3,333	14,821	6,786	98,042	902,077	1,000,119
Movement in reserves during 2017/18									
Total Comprehensive Expenditure and Income	(22,101)	(99,773)	-	-	-	-	(121,874)	566,946	445,072
Adjustments between accounting basis and funding basis under regulations (note 8)	33,729	101,146	-	-	-	1,598	136,473	(136,473)	-
Net Increase/(Decrease) before Transfers to Reserves	11,628	1,373	-	-	-	1,598	14,599	430,473	445,072
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	445,072
Balance at 31 March 2018 carried forward	71,040	11,624	7,232	4,516	11,445	6,784	112,641	1,332,550	1,445,191

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.

2017/18 £000		2018/19 £000
(121,874)	Net surplus/(deficit) on the provision of services	(53,274)
176,544	Adjust net surplus/deficit on the provision of services for non cash movements	93,994
(39,227)	Adjust for items included in the net surplus/deficit on the provision of services that are investing and financing activities	(38,802)
15,443	Net cash flows from Operating Activities	1,918
48,731	Investing Activities	(118,037)
(31,081)	Financing Activities	154,646
33,093	Net increase/(decrease) in cash and cash equivalents	38,527
2,965	Cash and cash equivalents at the beginning of the reporting period	36,058
36,058	Cash and cash equivalents at the end of the reporting period	74,585

Cash Flow Statement Note – Non Cash Movements

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

31 March 2018 £000		31 March 2019 £000
188,004	Depreciation, impairment and amortisation of assets	86,232
28,306	Movement in creditors	14,102
6,672	Movement in debtors	4,194
912	Movement in inventories	(72)
49,051	Movement in pension liability	76,303
222	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(6,106)
(96,623)	Other non cash items charged to the net surplus / deficit on the provision of services	(80,659)
176,544	Net cash flows from the provision of services for non cash movements	93,994

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:

2017/18 £000		2018/19 £000
146	Interest received	490
(39,373)	Interest paid	(39,292)
(39,227)	Net cash flows from items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	(38,802)

Cash Flow Statement

Cash Flow Statement Note – Investing Activities

2017/18 £000		2018/19 £000
(38,040)	Purchase of property, plant and equipment and intangible assets	(58,091)
–	Purchase of short term investments	(134,000)
86,632	Proceeds from the sale of property, plant and equipment and intangible assets	73,974
–	Proceeds from short-term investments	–
139	Other receipts from investing activities	80
48,731	Net cash flows from investing activities	(118,037)

Cash Flow Statement Note – Financing Activities

2017/18 £000		2018/19 £000
–	Cash receipts of short-term and long-term borrowing	184,240
(6,756)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(7,213)
(24,325)	Repayments of short-term and long-term borrowing	(22,381)
(31,081)	Net cash flows from financing activities	154,646

Cash Flow Statement Note – Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
101	Cash held by officers	100
971	Bank current accounts	(5,163)
34,986	Short-term deposits	79,648
36,058	Total cash and cash equivalents	74,585

The credit figures shown against Bank Accounts in 2018 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 2019/2020 Code, which are required to be applied by 1 April 2019, and will be adopted by the Council on 1 April 2019 are:

- **Amendments to IAS 40 Investment Property: Transfers of Investment Property**
Provides clarification on transfers to or from the investment property classification.
- **Annual Improvements to IFRS Standards 2014 – 2016 Cycle**
Relate to scope changes for the disclosure requirements of interests in other entities and measuring an associate or joint venture at fair value.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**
Provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
- **IFRIC 23 Uncertainty over Income Tax Treatments**
Clarifies the accounting treatments for uncertainties in income taxes.
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation**
Addresses concerns about how IFRS 9 'Financial Instruments' classifies particular prepayable financial assets and clarifies an aspect of accounting for financial liabilities following a modification.

Adoption of the standards by the Council on 1 April 2019 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 2019 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. Following recent decisions in relation to Age Discrimination and Guaranteed Minimum Pensions, the Actuary has included the estimated impact of these in the reported pension liability figure. However, the actual impact is influenced by a number of factors and therefore the actual impact could vary from the impact currently estimated and included in the liability.	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 £259.408m. However, the assumptions interact in complex ways. During 2018/2019, the council's actuaries advised that the net pensions liability had decreased by £62.032m as a result of the return on fixed assets and estimates being corrected through experience and had increased by £195.173m attributable to the updating of the demographic and financial assumptions.
Arrears	At 31 March 2019, the council has a balance of sundry debtors of £13.154m. A review of balances suggested that an allowance for doubtful debts of £5.177m 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 £0.518m 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 £7.500m 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	78,441
Housing Benefit Received	Benefit received to support customers on low income with housing rent costs	73,171

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

	2018/19			
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	19,090	7,135	(3,946)	22,279
Education Resources	29,403	2,688	(28,022)	4,069
Finance and Corporate Resources	939	4,151	227	5,317
Housing and Technical Resources				
- Housing Revenue Account	1,209	1,560	(11,808)	(9,039)
- Housing Other	4,941	958	(1,480)	4,419
Social Work Resources	1,446	11,103	(636)	11,913
Joint Boards	–	–	–	–
Corporate Items	52	33,227	1,841	35,120
Corporate and Democratic Core (HRA)	–	–	130	130
Non-Distributed Costs – Non Operational Assets (HRA)	–	–	327	327
Net Cost of Services	57,080	60,822	(43,367)	74,535
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,865)	15,481	35,265	(20,119)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services	(13,785)	76,303	(8,102)	54,416

	Restated 2017/18			
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £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	(169)	4,203
Housing and Technical Resources				
- Housing Revenue Account	105,309	1,394	(11,433)	95,270
- Housing Other	3,027	841	(771)	3,097
Social Work Resources	1,485	10,144	(306)	11,323
Joint Boards	–	–	–	–
Corporate Items	52	1,257	36	1,345
Corporate and Democratic Core (HRA)	–	–	132	132
Non-Distributed Costs – Non Operational Assets (HRA)	–	–	48	48
Net Cost of Services	162,878	25,088	(39,632)	148,334
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,845)	23,963	33,423	(13,459)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services	92,033	49,051	(6,209)	134,875

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)

2017/18 £000		2018/19 £000
134,875	Adjustments between Funding and Accounting Basis as per EFA	54,416
7,771	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve (Note 7)	7,430
(6,173)	Use of Capital Receipts Reserve to finance capital expenditure (Note 8)	(3,305)
136,473	Adjustments between Funding and Accounting Basis as per MIRS	58,541

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 £000	Education £000	Finance and Corporate £000	Housing Revenue Account £000	Housing and Technical £000	Social Work £000	Joint Boards £000	Corporate Items £000	Other Non Resource Lines £000	2018/19 Total £000	Restated 2017/18 Total £000
Expenditure											
Employee Benefits Expenses	70,921	230,626	37,654	8,525	8,849	96,260	–	33,223	–	486,058	436,998
Other Services Expenses	77,504	72,814	87,450	41,921	24,752	266,363	2,363	2,120	405	575,692	552,255
Support Services Recharges	–	–	–	–	–	–	–	–	–	–	5,033
Depreciation, Amortisation, Impairment	19,091	29,403	939	30,360	4,941	1,446	–	–	52	86,232	188,004
Interest Payments	–	–	–	–	–	–	–	–	58,504	58,504	57,766
Pension Net Interest Expense	–	–	–	–	–	–	–	–	9,996	9,996	18,864
Impairment on Financial Instruments	–	–	–	–	–	–	–	–	3,152	3,152	2,863
Deficit on Trading Operation	–	–	–	–	–	–	–	–	898	898	–
Loss on the Disposal of Assets	–	–	–	–	–	–	–	–	–	–	222
Total Expenditure	167,516	332,843	126,043	80,806	38,542	364,069	2,363	35,343	73,007	1,220,532	1,262,005
Income											
Fees and Charges and Other Service Income	27,259	1,895	9,589	87,232	14,099	192,576	–	563	–	333,213	315,209
Surplus on Trading Operations	–	–	–	–	–	–	–	–	–	–	267
Interest and Investment Income	–	–	–	–	–	–	–	–	1,331	1,331	308
Impairment on Financial Instruments	–	–	–	–	–	–	–	–	14	14	226
Gain on the Disposal of Assets	–	–	–	–	–	–	–	–	6,106	6,106	–
Income from Council Tax	–	–	–	–	–	–	–	–	129,526	129,526	123,719
Government Grants and Contributions	2,207	18,435	77,010	–	378	5,590	–	–	593,448	697,068	700,402
Total Income	29,466	20,330	86,599	87,232	14,477	198,166	–	563	730,425	1,167,258	1,140,131
Surplus or Deficit on the Provision of Services	138,050	312,513	39,444	(6,426)	24,065	165,903	2,363	34,780	(657,418)	53,274	121,874

Notes to the Financial Statements

Note 7 Revenue from Contracts with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients

2017/18 £000		2018/19 £000
39,896	Revenue from contracts with service recipients	44,064
–	Impairment of receivables or contract assets	–
39,896	Total included in Comprehensive Income and Expenditure Statement	44,064

Amounts included in the Balance Sheet for contracts with service recipients

2017/18 £000		2018/19 £000
121	Receivables which are included in debtors (Note 24)	45
–	Contract Assets	–
(316)	Contract Liabilities	(239)
(195)	Total Included in Net Assets	(194)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

2017/18			2018/19	
Contract Asset £000	Contract Liability £000		Contract Asset £000	Contract Liability £000
–	–	Contract assets and liabilities at the beginning of the year	–	(316)
–	(316)	Increases/decreases due to cash received (paid)	–	77
–	(316)	Transfers from contract assets (liabilities) recognised at the beginning of the period to receivables (payables)	–	(239)
–	–	Changes as a result of changes in the measure of progress	–	–
–	(316)	Contract assets and liabilities at the end of the year	–	(239)

Note 8 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

2018/19

	Usable Reserves					Total £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	
Adjustments to Revenue Resources						
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	74,312	1,991	-	-	-	76,303
■ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(279)	(81)	-	-	-	(360)
■ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	(3,361)	(9)	-	-	-	(3,370)
■ 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)	49,523	30,820	-	-	-	80,343
Total Adjustments to Revenue Resources	120,195	32,721	-	-	-	152,916
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(4,125)	(3,305)	-	-	-	7,430
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(16,791)	(5,322)	-	-	-	(22,113)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(1,261)	(23,830)	-	-	-	(25,091)
Total Adjustments between Revenue and Capital Resources	(22,177)	(32,457)	-	-	-	(7,430)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(3,305)
Application of capital grants to finance capital expenditure	(34,102)	(9,764)	-	-	-	(43,866)
Total Adjustments to Capital Resources	(34,102)	(9,764)	-	-	-	(3,305)
Total Adjustments	63,916	(9,500)	-	-	-	4,125
Total Comprehensive Expenditure and Income	(60,161)	6,887	-	-	-	(53,274)
Net Increase/(Decrease) before transfers to/(from) Reserves	3,755	(2,613)	-	-	-	4,125
Transfers to/(from) Reserves	7,990	-	(303)	(1,238)	(949)	(5,500)
Increase/(Decrease) in year	11,745	(2,613)	(303)	(1,238)	(949)	(1,375)
						5,267

Notes to the Financial Statements

2017/18 Comparative Figures

	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 £000
Adjustments to Revenue Resources							
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
Total Adjustments to Revenue Resources	99,136	139,702	-	-	-	-	238,838
Adjustments between Revenue and Capital Resources							
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)
Total Adjustments between Revenue and Capital Resources	(23,376)	(31,298)	-	-	-	7,771	(46,903)
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(6,173)	(6,173)
Application of capital grants to finance capital expenditure	(42,031)	(7,258)	-	-	-	-	(49,289)
Total Adjustments to Capital Resources	(42,031)	(7,258)	-	-	-	(6,173)	(55,462)
Total Adjustments	33,729	101,146	-	-	-	1,598	136,473
Total Comprehensive Expenditure and Income	(22,101)	(99,773)	-	-	-	-	(121,874)
Net Increase/(Decrease) before transfers to/(from) Reserves	11,628	1,373	-	-	-	1,598	14,599
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

Notes to the Financial Statements

Note 9 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2017/18 £000		2018/19 £000
222	(Gains)/losses on the disposal of non current assets	(6,106)
222	Total	(6,106)

Note 10 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
57,766	Interest payable and similar charges	58,504
18,864	Pensions interest cost and expected return on pensions assets	9,996
(308)	Interest receivable and similar income	(1,331)
3,089	Impairment on Financial Instruments	3,138
(267)	Gains on trading operations (Note 16)	898
79,144	Total	71,205

Note 11 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

2017/18 £000		2018/19 £000
(123,719)	Council tax income	(129,526)
(287,862)	National non domestic rates	(295,500)
(254,812)	Non-ringfenced government grants	(254,082)
(49,289)	Capital grants and contributions	(43,866)
(715,682)	Total	(722,974)

Notes to the Financial Statements

Note 12 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/2019.

	2017/2018				2018/2019			
	Balance at 1 April 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Closing Balance 31 March 2018 £000	Balance at 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Closing Balance 31 March 2019 £000
General Fund								
Future Budget Strategies - allocated to specific years	15,955	-	-	15,955	15,955	(2,936)	8,635	21,654
Developing Scotland's Young Workforce (Specific Funding)	393	-	-	393	393	-	-	393
Early Years Expansion (Multi-year)	1,610	-	1,900	3,510	3,510	-	1,364	4,874
Children and Young People Act incl Getting It Right For Every Child (Multi -year)	2,643	-	1,809	4,452	4,452	(417)	-	4,035
Pupil Equity Fund (Specific Funding)	-	-	2,859	2,859	2,859	(2,859)	1,534	1,534
Multi Year Projects	953	(239)	631	1,345	1,345	(326)	-	1,019
Teachers (Multi year)	1,983	-	-	1,983	1,983	(688)	798	2,093
City Deal	742	(332)	-	410	410	(410)	-	-
Scheme of Assistance	330	(11)	-	319	319	-	136	455
University West of Scotland	427	(49)	-	378	378	(56)	-	322
Eddlewood - Productivity Kitchen	184	-	-	184	184	-	-	184
Community and Enterprise Resources incl Public Health and Local Plan	353	(66)	155	442	442	(63)	515	894
Social Work and Bequest	1,135	-	1	1,136	1,136	(900)	-	236
Temporary Homelessness / Community Safety (Specific funding)	-	-	835	835	835	(20)	1,004	1,819
Scottish Welfare Fund	2	-	130	132	132	(132)	-	-
Prevent Grant (Specific funding)	38	-	-	38	38	(29)	-	9
Community Participation Team (Multi-year)	660	-	-	660	660	(73)	-	587
New Initiatives (Multi-year)	-	-	-	-	-	-	5,202	5,202
Sanitary Products Funding (Specific funding)	-	-	-	-	-	-	168	168
Total General Fund	27,408	(697)	8,320	35,031	35,031	(8,909)	19,356	45,478
Housing Revenue Account								
Housing Revenue Account	10,251	-	1,373	11,624	11,624	(2,613)	-	9,011
Housing Revenue Account	10,251	-	1,373	11,624	11,624	(2,613)	-	9,011
Total Earmarked Reserves	37,659	(697)	9,693	46,655	46,655	(11,522)	19,356	54,489

Notes to the Financial Statements

Note 13 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

2018/2019

	Unusable Reserves					2018/19 Total Unusable Reserves
	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000	Accumulating Compensated Absences Adjustment Account £000	
Opening Balance	858,817	832,604	(6,010)	(337,276)	(15,585)	1,332,550
Movement in Year	45,172	35,032	360	(209,444)	3,370	(125,510)
Closing Balance	903,989	867,636	(5,650)	(546,720)	(12,215)	1,207,040
Other Comprehensive Income and Expenditure	66,172	-	-	(133,141)	-	(66,969)
Adjustments Between Accounting Basis and Funding Basis Under Regulation						
Charges for Depreciation and Impairment of Non Current Assets	-	(82,384)	-	-	-	(82,384)
Revaluation Losses on Property Plant and Equipment	-	(3,763)	-	-	-	(3,763)
Amortisation of Intangible Assets	-	(85)	-	-	-	(85)
Non Current Assets Written Off on Disposal or Sale	-	(1,084)	-	-	-	(1,084)
Difference Between Fair Value and Historic Cost Depreciation	(20,760)	20,760	-	-	-	-
Accumulated Gains on Assets Sold or Scrapped	(240)	-	-	-	-	(240)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	3,305	-	-	-	3,305
Capital Grants and Contributions	-	43,866	-	-	-	43,866
Statutory Charge for the Repayment of Debt	-	22,113	-	-	-	22,113
Statutory Provision for Financing of Capital Investment	-	7,213	-	-	-	7,213
Capital Expenditure Charged Against the General Fund and HRA Balances	-	25,091	-	-	-	25,091
Premiums to be Charged Against the General Fund and HRA Balances	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(123,587)	-	(123,587)
Employer's Pension Contributions Payable in Year	-	-	-	47,284	-	47,284
Amounts Accrued at the End of the Financial Year	-	-	-	-	3,370	3,370
Total Movement in Year	45,172	35,032	360	(209,444)	3,370	(125,510)

Notes to the Financial Statements

2017/18 Comparative Figures

	Unusable Reserves					2017/18 Total Unusable Reserves
	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000	Accumulating Compensated Absences Adjustment Account £000	
Opening Balance	736,759	896,904	(6,370)	(710,537)	(14,679)	902,077
Movement in Year	122,058	(64,300)	360	373,261	(906)	430,473
Closing Balance	858,817	832,604	(6,010)	(337,276)	(15,585)	1,332,550
Other Comprehensive Income and Expenditure	144,634	-	-	422,312	-	566,946
Adjustments Between Accounting Basis and Funding Basis Under Regulation						
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)
Total Movement in Year	122,058	(64,300)	360	373,261	(906)	430,473

Notes to the Financial Statements

Note 14 Members' Allowances

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

	2018/19 £	2017/18 £
Salaries	971,224	949,501
Mileage Allowance	44,103	40,539
Expenses	2,164	3,565
Total	1,017,491	993,605

Note 15 External Audit Costs

The council has incurred the following external audit costs:

	2018/19 £000	2017/18 £000
Fees payable to Audit Scotland for external audit services	490	482
Total	490	482

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 (2017/2018: £nil)

Note 16 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.

The review work noted above has progressed during 2018/2019. As a result none of the services will continue to be recognised as Trading Operations in 2019/2020.

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.

	2018/19 £000	2017/18 £000	2016/17 £000	3 Year Cumulative £000
Facilities Management	–	–	2,565	–
Fleet Services	1,304	1,345	1,005	–
Grounds Maintenance	–	–	2,260	–
Roads	3,081	3,538	2,858	–
Property Services	(1,247)	385	3,226	2,364
Total Net Surplus/(Deficit)	3,138	5,268	11,914	–
Recharge to Net Cost of Services	(4,036)	(5,001)	(10,203)	–
Net Surplus/(Deficit) Credited/Debited to Other Operating Expenditure	(898)	267	1,711	–
Interest Charge	(4)	(3)	(12)	–
	(902)	264	1,699	–

Notes to the Financial Statements

Note 17 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 2018/2019 is shown in Note 14. During 2018/2019, works and services to the value of £5.342m were commissioned from companies in which 12 members had an interest (2017/2018 – £4.773m). Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £2.469m were paid to voluntary organisations in which 46 members had an interest (2017/2018 – £3.153m). 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 2018/2019, 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 2017/2018, 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

	2018/19 Receipts £000	2018/19 Payments £000	2017/18 Receipts £000	2017/18 Payments £000
Lanarkshire Valuation Joint Board	478	1,813	485	1,813
South Lanarkshire Health and Social Care Partnership	168,336	126,543	158,619	116,793
Total Joint Boards	168,814	128,356	159,104	118,606
Strathclyde Partnership for Transport	1,534	11,323	878	12,092
Strathclyde Concessionary Travel Scheme	–	563	–	575
South Lanarkshire Leisure and Culture Limited	3,061	19,592	2,881	18,926
Routes to Work South	–	1,492	–	1,732
Regen FX Youth Trust	–	132	22	501
Clyde Valley Learning and Development Partnership Joint Committee	28	7	28	5
SEEMIS Group LLP	76	289	75	250
Common Good	56	80	53	81
	173,569	161,834	163,041	152,768

Notes to the Financial Statements

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

	2018/19 £000	2017/18 £000
Strathclyde Partnership for Transport	861	1,024
South Lanarkshire Leisure and Culture Limited	(632)	1,016
Routes to Work South	–	(28)
South Lanarkshire Health and Social Care Partnership	(701)	(701)

Note 18 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 29 – 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 2018/2019 was £5.329m (2017/2018 £5.268m).

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 2018/2019 were £3.043m (2017/2018 £3.526m).

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	6,911	7,815
Later than one year and not later than five years	15,963	18,852
Later than five years	29,770	27,864
Total	52,644	54,531

The sub lease payments receivable in future years are:

	31 March 2019 £000	31 March 2018 £000
Not later than one year	387	292
Later than one year and not later than five years	1,173	892
Later than five years	342	349
Total	1,902	1,533

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

	2018/19 £000	2017/18 £000
Minimum lease payments	8,373	8,794
Sublease payments receivable	(387)	(348)
Total	7,986	8,446

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 2019 £000	31 March 2018 £000
Not later than one year	5,020	4,183
Later than one year and not later than five years	12,035	11,248
Later than five years	124,240	122,864
Total	141,295	138,295

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 2018/2019 £0.002m contingent rents were receivable by the council (2017/2018 £0.000m).

Note 19 Grant income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2018/2019:

	2018/19 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	129,526	123,719
Non Ring Fenced Government Grants	254,082	254,812
Non Domestic Rate Redistribution	295,500	287,862
Total	679,108	666,393
Credited to Services		
Scottish Government	25,282	19,158
European Grant Funding	1,300	3,681
Skills Development Scotland	381	310
Central Government	75,479	83,986
Lottery	112	29
Creative Scotland	409	460
NHS	97	82
Other Grants	560	733
Total	103,620	108,439

*The 2017/2018 figure has been restated to include the £83.310m of Housing Benefit funding.

Note 20 Events After the Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Executive Director (Finance and Corporate Resources) on 19 June 2019. There were no events that occurred between 1 April 2019 and the date that the unaudited Accounts were authorised for issue that would have an impact on the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Since the unaudited Annual Accounts were authorised for issue on 19 June, a legal ruling (McCloud) in respect of pension benefits required the council to amend the pension liability included in the Annual Accounts. Full details are provided in Note 31: Defined Benefit Pension Schemes (page 79).

Notes to the Financial Statements

Note 21 Property, Plant and Equipment

Movements on Balances Movements in 2018/2019:

	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
Cost or Valuation									
At 1 April 2018	1,117,393	1,593,436	49,086	390,432	2,156	9,624	28,253	3,190,380	393,436
Additions	54,062	6,662	4,418	26,411	92	10	20,577	112,232	226
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,590)	20,109	-	-	(201)	31	(223)	18,126	5,481
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,057)	(11,321)	-	-	(1)	85	(321)	(13,615)	1,516
Derecognition – Disposals	(198)	(5,686)	(22)	-	-	(344)	-	(6,250)	-
Assets reclassified from Held for Sale	-	-	-	-	-	(282)	-	(282)	-
Other movements in Cost or Valuation	3,247	33,470	653	67	(1)	(320)	(37,116)	-	-
At 31 March 2019	1,170,857	1,636,670	54,135	416,910	2,045	8,804	11,170	3,300,591	400,659

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
Accumulated Depreciation and Impairment									
At 1 April 2018	-	90,049	30,467	128,723	7	12	-	249,258	28,362
Depreciation charge	28,603	37,163	5,034	11,565	9	10	-	82,384	8,987
Depreciation written out to the Revaluation Reserve	(28,603)	(19,469)	-	-	-	-	(23)	(48,095)	(1,765)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(9,940)	-	-	-	(2)	(34)	(9,976)	(501)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition – Disposals	-	(5,151)	(23)	-	-	(1)	-	(5,175)	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	(14)	-	(14)	-
Other movements in Depreciation and Impairment	-	(84)	-	-	-	27	57	-	-
At 31 March 2019	-	92,568	35,478	140,288	16	32	-	268,382	35,083
Net Book Value									
At 31 March 2019	1,170,857	1,544,102	18,657	276,622	2,029	8,772	11,170	3,032,209	365,576
At 31 March 2018	1,117,393	1,503,387	18,619	261,709	2,149	9,612	28,253	2,941,122	365,074

Notes to the Financial Statements

Comparative Movements in 2017/2018:

	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
Cost or Valuation									
At 1 April 2017	1,004,078	1,548,230	239,894	371,857	1,453	8,860	42,320	3,216,692	392,772
Additions	28,199	3,232	13,178	17,471	221	-	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)	-	145
At 31 March 2018	1,117,393	1,593,436	49,086	390,432	2,156	9,624	28,253	3,190,380	393,436

Notes to the Financial Statements

	Council Dwellings £000	Other Land 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
Accumulated Depreciation and Impairment									
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)	-	-	-
At 31 March 2018	-	90,049	30,467	128,723	7	12	-	249,258	28,362
Net Book Value									
At 31 March 2018	1,117,393	1,503,387	18,619	261,709	2,149	9,612	28,253	2,941,122	365,074
At 31 March 2017	1,004,078	1,476,419	110,161	254,158	1,448	8,826	42,320	2,897,410	373,370

Notes to the Financial Statements

Capital Commitments

At 31 March 2019, 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 2019/2020 and future years. The major commitments for both Housing and General Services are as follows:

Housing Projects	£000	Non-Housing Projects	£000
Housing Investment projects including Heating Projects, Windows and Doors and External Fabric Upgrades	9,991	Vacant and Derelict Land – Shawfield Industrial Estate	800
New Build Housing	50,050	Springhall Regeneration Project – Community Hub	1,097
		City Deal – Greenhills Road/A726 Strathaven Road	18,330
		City Deal – Westburn Road Roundabout	1,677
		Central Energy Efficiency Fund Projects	294
		Hamilton Mausoleum – Roof Works	300
		Headquarters Fabric Upgrade	1,432
		Civic Centre Fabric Upgrade	1,173
		Blantyre Care Home	6,640
		St Charles Primary School – Extension	3,698
		St Marys Primary School – Extension	650
		Woodhead Primary School – Extension	2,172
		Early Years (1140hrs) Nursery Infrastructure	7,634
		Walston Primary School	2,189
		Early Learning Unit	2,400

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;

Notes to the Financial Statements

- 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.

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	–	–	18,657	276,622	2,029	–	11,170	308,478
Valued at fair value								
2018/19	1,170,857	324,497	–	–	–	447	–	1,495,801
2017/18	–	185,446	–	–	–	247	–	185,693
2016/17	–	228,847	–	–	–	2,262	–	231,109
2015/16	–	375,582	–	–	–	4,284	–	379,866
2014/15	–	428,573	–	–	–	1,532	–	430,105
5 years ago and greater	–	1,157	–	–	–	–	–	1,157
Total Cost or Valuation	1,170,857	1,544,102	18,657	276,622	2,029	8,772	11,170	3,032,209

Note 22 Other Assets – Intangible, Heritage and Assets Held for Sale

	Intangible Assets		Heritage Assets		Assets Held for Sale	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Balance at 1 April	1,039	948	3,826	3,826	603	2,628
Additions	24	91	–	–	–	–
Revaluation increases/(decreases) recognised in the Revaluation Reserve	–	–	–	–	(57)	–
Revaluation increases/(decreases) in the CIES	–	–	–	–	(148)	–
Derecognition – Disposals	–	–	–	–	(249)	(757)
Assets reclassified (to)/from Assets Held for sale	–	–	–	–	282	(1,268)
Balance at 31 March	1,063	1,039	3,826	3,826	431	603
Accumulated Depreciation						
Balance at 1 April	799	660	–	–	32	7
Depreciation charge	85	139	–	–	–	–
Depreciation written out to the Revaluation Reserve	–	–	–	–	(8)	–
Depreciation written out to the Surplus/Deficit on Provision of Services	–	–	–	–	(24)	–
Depreciations – Disposals	–	–	–	–	–	(5)
Eliminated on reclassification to Assets held for sale	–	–	–	–	14	30
Balance at 31 March	884	799	–	–	14	32
Net book value at 31 March	179	240	3,826	3,826	417	571

Notes to the Financial Statements

Note 23 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 2018/19 £000	HRA 2018/19 £000	Total 2018/19 £000	General Fund 2017/18 £000	HRA 2017/18 £000	Total 2017/18 £000
Opening Capital Financing Requirement	1,031,175	223,544	1,254,719	1,046,105	224,897	1,271,002
Capital Investment						
Property, Plant and Equipment	58,171	54,062	112,233	55,549	37,338	92,887
Intangible Assets	24	–	24	91	–	91
Decrease in PPP Finance Lease Liability	(7,213)	–	(7,213)	(6,756)	–	(6,756)
Sources of Finance						
Capital Receipts	–	(3,305)	(3,305)	–	(6,173)	(6,173)
Government Grants and Other Contributions	(34,101)	(9,845)	(43,946)	(42,036)	(7,393)	(49,429)
Sums set aside from revenue:						
▪ Direct Revenue Contributions	(1,261)	(23,830)	(25,091)	(1,671)	(19,932)	(21,603)
▪ Loans Fund Principal	(16,792)	(5,321)	(22,113)	(20,107)	(5,193)	(25,300)
Closing Capital Financing Requirement	1,030,003	235,305	1,265,308	1,031,175	223,544	1,254,719
Explanation of movements in year						
Increase in Underlying Need to Borrow	22,833	17,082	39,915	11,933	3,840	15,773
Loans Fund Repayments	(16,792)	(5,321)	(22,113)	(20,107)	(5,193)	(25,300)
Assets Acquired Under PFI/PPP Contracts	(7,213)	–	(7,213)	(6,756)	–	(6,756)
Increase/(Decrease) in Capital Financing Requirement	(1,172)	11,761	10,589	(14,930)	(1,353)	(16,283)

Notes to the Financial Statements

Note 24 Short Term Debtors

	31 March 2019 £000	31 March 2018 £000
Trade Receivables	16,620	18,096
Prepayments	2,813	2,084
Other Receivable Amounts	38,329	41,795
Total	57,762	61,975

Note 25 Debtors for Local Taxation

The past due but not impaired amount for local taxation and non-domestic rates can be analysed by age as follows:

	31 March 2019		31 March 2018	
	Council Tax £000	NDR £000	Council Tax £000	NDR £000
Less than one year	1,841	1,604	1,747	4,975
One to two years	472	–	723	–
Two to five years	56	–	158	–
More than five years	–	–	–	–
Total	2,369	1,604	2,628	4,975

Note 26 Short Term Creditors

	31 March 2019 £000	31 March 2018 £000
Trade Payables	42,767	38,717
Other Payables	106,349	96,240
Total	149,116	134,957

Notes to the Financial Statements

Note 27 Provisions

	Injury and damage compensation claims (1) £000	Other provisions (2) £000	Total £000
Balance at 1 April 2018	757	823	1,580
Additional provisions made in 2018/19	–	597	597
Amounts used in 2018/19	(12)	(763)	(775)
Unused amounts reversed in 2018/19	–	–	–
Unwinding of discounting in 2018/19	–	–	–
Balance at 31 March 2019	745	657	1,402

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	–	657	657
Long Term	745	–	745
Balance at 31 March 2019	745	657	1,402

- (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 and property dilapidations.

Note 28 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 2019/2020.

The balances at 31 March 2019 are as follows:

	31 March 2019 £000	31 March 2018 £000
Revenue Grants and Contributions		
Clyde Gateway	85	85
National Health Service	–	66
Scottish Coal	511	511
Scottish Government	359	201
Wind Turbine Construction Compensation (Various)	760	760
Home Office	94	58
Other	82	72
	1,891	1,753

Notes to the Financial Statements

Note 29 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 2019 (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 2019/20	10,286	7,478	11,005	6,726	35,495
Payable within 2 to 5 years	50,393	29,411	40,042	31,220	151,066
Payable within 6 to 10 years	85,156	36,486	41,292	48,111	211,045
Payable within 11 to 15 years	89,035	50,697	30,719	68,294	238,745
Payable within 16 to 20 years	83,079	76,293	13,751	96,813	269,936
Payable within 21 to 29 years	9,389	8,560	227	10,865	29,041
Total	327,338	208,925	137,036	262,029	935,328

The impact of a 1% movement in inflation would mean a movement of £0.100m and £0.245m on the Payments for Services charge and Contingent Rentals respectively at 2019/2020 prices for 1 year.

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

	2018/19 £000	2017/18 £000
Balance outstanding at start of year	216,138	222,894
Payments during the year	(7,213)	(6,756)
Capital expenditure incurred in the year	–	–
Reduction in liability for prepaid assets	–	–
Balance outstanding at year-end	208,925	216,138

Note 30 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 2019, the council's own contributions equate to approximately 5.30%.

In 2018/2019, the council paid £22.135m to Teachers' Pensions in respect of teachers' retirement benefits, representing 17.2% pensionable pay. The figures for 2017/2018 were £21.511m 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 31.

Notes to the Financial Statements

Note 31 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 1/49th 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 1/60th of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum based on 3/80th 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

Age Discrimination (McCloud) and Guaranteed Minimum Pension

McCloud Ruling – Age Discrimination

When the Local Government Pension Scheme (LGPS) Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure.

In December 2018, the Court of Appeal upheld a ruling (McCloud case) that similar transitional protections were unlawful on the grounds of age discrimination. This means that the LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. The impact of this will depend on the compensation awarded, members' future salary increases, length of service, retirement age and whether (when) members withdraw from active service.

The Government Actuary Department has estimated the impact of this decision and Strathclyde Pension Fund's actuary has further adjusted these estimates to better reflect the Fund's local assumptions and circumstances, particularly salary increases and withdrawal rates. The revised estimate (£27.776m) has been included in the Pension Liability reported in the Council's Balance Sheet.

Guaranteed Minimum Pension

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. Although the value of GMP was inherently unequal between males and females due to a number of factors, the overall equality of benefits was achieved through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement, bringing uncertainty over the ongoing indexation of GMP's which could lead to inequalities between men and women's benefits.

An interim solution passed the responsibility for ensuring GMP's kept pace with inflation to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This leads to increased costs for schemes including the LGPS and scheme employers. The Strathclyde Pension Funds' actuary has carried out calculations to estimate the impact, assuming that the interim solution will be applied to all members retiring from 6 April 2016 onwards. The value (£5.142m) has been included in the pension liability reported in the Council's Balance Sheet.

These figures will be updated as part of the Pension Fund valuations and as more information becomes available.

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 2018/2019 and the prior year 2017/2018.

	31 March 2019 £000	31 March 2018 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Service Cost comprising:		
▪ current service cost	80,649	75,121
▪ past service costs (including curtailments)	32,942	963
▪ unfunded benefits	–	–
Financing and Investment Income and Expenditure		
▪ net interest expense	9,996	18,864
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	123,587	94,948
Other Post Employment Benefits Charged to the CIES:		
Re-measurement of the net defined liability comprising:		
▪ Expected return on pension fund assets	(65,259)	(37,764)
▪ Actuarial (gains) or losses arising on changes in demographic assumptions	–	47
▪ Actuarial losses arising on changes in financial assumptions	195,173	(122,925)
▪ Actuarial losses arising on changes in other experiences	3,227	(261,670)
Total Post-employment Benefit charged to the CIES	256,728	(327,364)
Net charge to the Surplus/Deficit on the Provision of Services brought forward	123,587	94,948
Movement in Reserves Statement (MIRS)		
▪ Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(76,303)	(49,051)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to Strathclyde Pension Fund	47,284	45,897

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:

	31 March 2019 £000	31 March 2018 £000
Present value of the defined benefit obligation*	(2,679,399)	(2,349,397)
Fair value of pension fund assets	2,132,679	2,012,121
Net Liability arising from Defined Benefit Obligation	(546,720)	(337,276)
*Unfunded liabilities included in the figure for present value of liabilities		
▪ unfunded liabilities for Pension Fund	(63,190)	(60,887)
▪ teachers' unfunded pensions	(85,954)	(83,106)
▪ unfunded liabilities prior to 1996 local government reorganisation	(20,826)	(21,462)

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

	2018/19 £000	2017/18 £000
Opening balance at 1 April	(2,349,397)	(2,634,315)
Current service cost	(80,649)	(75,121)
Interest cost	(64,336)	(68,889)
Contributions by Pension Fund participants	(12,108)	(11,719)
Re-measurement gains and (losses)		
▪ Actuarial losses arising on changes in demographic assumptions	–	(47)
▪ Actuarial losses arising on changes in financial assumptions	(195,173)	122,925
▪ Actuarial losses arising on changes in other experiences	(3,227)	261,670
Past service costs (including curtailments)	(32,942)	(963)
Settlements	–	–
Benefits paid	58,433	57,062
Closing balance at 31 March	(2,679,399)	(2,349,397)

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

	2018/19 £000	2017/18 £000
Opening fair value of pension fund assets	2,012,121	1,923,778
Interest Income	54,340	50,025
Re-measurement gains and (losses)		
▪ Expected rate of return on pension fund assets	65,259	37,764
▪ Actuarial gains and (losses)	–	–
The effect of changes in foreign exchange rates	–	–
Contributions from employers	47,284	45,897
Contributions from employees into the scheme	12,108	11,719
Benefits Paid	(58,433)	(57,062)
Closing balance at 31 March	2,132,679	2,012,121

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 2019 comprised:

	Quoted Prices in Active Markets £000	31 March 2019 Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	31 March 2018 Prices not quoted in Active Markets £000	Total £000
Cash and cash equivalents	109,788	105,808	215,596	103,582	99,827	203,409
Equity Instruments	491,963	1,290	493,253	464,154	1,217	465,371
Debt instruments	66,916	1	66,917	63,133	1	63,134
Real Estate	–	193,094	193,094	–	182,178	182,178
Derivatives	44	–	44	41	–	41
Private Equity	–	254,846	254,846	–	240,440	240,440
Investment Funds	700,042	208,887	908,929	660,469	197,079	857,548
Total Assets	1,368,753	763,926	2,132,679	1,291,379	720,742	2,012,121

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.

	2018/19 £000	2017/18 £000
Long-term expected rate of return on assets in the Fund		
▪ Equity investments	2.4%	2.7%
▪ Bonds	2.4%	2.7%
▪ Property	2.4%	2.7%
▪ Cash	2.4%	2.7%
Mortality Assumptions (years):		
▪ Men	21.4	21.4
▪ Women	23.7	23.7
Longevity at 65 for future pensioners (years):		
▪ Men	23.4	23.4
▪ Women	25.8	25.8
Rate of inflation	2.5%	2.4%
Rate of increase in salaries	3.7%	3.6%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting Fund liabilities	2.4%	2.7%
Take-up option to convert annual pension into retirement lump sum		
– Pre April 2009 service	50.0%	50.0%
– Post April 2009 service	75.0%	75.0%

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 2018/2019. Following the completion of the triennial valuation as at 31 March 2017, employers 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 2020 is £39.109 million.

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

Note 32 Contingent Assets and Liabilities

As at 31 March 2019 the council has the following material contingent liabilities:

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 is unknown.

Job Evaluations

As part of the council's Job Evaluation Scheme a range of posts have been identified as requiring review, as noted in the update to the Revenue Budget Strategy 2019/2020 in November 2018. At present, it cannot be determined what liability may exist in relation to the reviews.

European Structural Funds

The council delivers projects which form part of the European Structural Funds Scotland Programme. The Scottish Government has advised that the European Union have initiated a pre-suspension procedure for interim payments of the European Structural Funds Scotland Programme. At this stage, the extent of any potential liability is unknown. There is no reason at this time to believe that this affects the amount of funds that the council will receive.

Notes to the Financial Statements

Note 33 Financial instruments

Categories of Financial Instruments

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

	31 March 2019			31 March 2018		
	Long Term £000	Current £000	Total £000	Long Term £000	Current £000	Total £000
Financial Assets						
Fair value through profit and loss	-	-	-	-	-	-
Amortised Cost	-	223,224	223,224	-	44,834	44,834
Total Financial Assets	-	223,224	223,224	-	44,834	44,834
Financial Liabilities						
Fair value through profit and loss	-	-	-	-	-	-
Amortised Cost	1,236,880	47,760	1,284,640	1,090,708	38,266	1,128,974
Total Financial Liabilities	1,236,880	47,760	1,284,640	1,090,708	38,266	1,128,974

Notes to the Financial Statements

Fair Value of Financial Assets

There are no financial assets held at fair value.

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)

All financial assets and liabilities held by the authority are carried in 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:

	2018/19		2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Financial Liabilities held at amortised cost: PWLB Debt	1,065,966	1,525,650	903,020	1,333,544
Financial Liabilities held at amortised cost: Non PWLB Debt	9,749	13,349	9,816	13,431
PFI and Finance Lease Liabilities	208,925	289,248	216,138	289,981
Total Financial Liabilities	1,284,640	1,828,247	1,128,974	1,636,956
Financial Assets				
Financial Assets held at amortised cost	223,224	223,224	44,834	44,834
Total Financial Assets	223,224	223,224	44,834	44,834

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 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £1,525.650m 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.

However, the authority 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 £1,065.966m would be valued at £1,351.186m. But, if the authority 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 £459.684m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,525.650m.

Notes to the Financial Statements

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

	31 March 2019			
	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
Recurring fair value measurements using:				
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB Debt	–	1,525,650	–	1,525,650
Financial Liabilities held at amortised cost:				
Non PWLB Debt	–	13,349	–	13,349
PFI and Finance Lease Liabilities	–	289,248	–	289,248
	–	1,828,247	–	1,828,247
Financial Assets				
Financial Assets held at amortised cost	223,224	–	–	223,224
Total Assets	223,224	1,828,247	–	2,051,471

	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
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB Debt	–	1,333,544	–	1,333,544
Financial Liabilities held at amortised cost:				
Non PWLB Debt	–	13,431	–	13,431
PFI and Finance Lease Liabilities	–	289,981	–	289,981
	–	1,636,956	–	1,636,956
Financial Assets				
Financial Assets held at amortised cost	44,834	–	–	44,834
Total Assets	44,834	1,636,956	–	1,681,790

Note 34 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 required 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 or 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 within 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 2019 into the relative credit ratings.

Balance Invested as at 31 March 2019								
Counterparty / Country	Long Term Rating (Fitch)	Up to 1 month £000	Greater than 1 month and up to 3 months £000	Greater than 3 months and up to 6 months £000	Greater than 6 months and up to 9 months £000	Greater than 9 months and up to 12 months £000	Greater than 12 months £000	Total
Debt Management Office	AA	7,701	–	–	–	–	–	7,701
UK Government (UK Treasury Bills)	AA	17,898	–	–	–	–	–	17,898
Total UK Government		25,599	–	–	–	–	–	25,599
Local Authorities	AA	59,077	104,274	25,075	–	–	–	188,426
Total UK Local Authorities		59,077	104,274	25,075	–	–	–	188,426
Bank of Scotland	A+	9,213	–	–	–	–	–	9,213
The Royal Bank of Scotland	A+	(14)	–	–	–	–	–	(14)
Total UK Banks		9,199	–	–	–	–	–	9,199
Total		93,875	104,274	25,075	–	–	–	223,224

The Ratings are as at 31 March 2019 and are intended to provide an indication of credit risk. These are not necessarily the ratings of institutions at the time deposits were placed.

The Ratings above are from Fitch ratings. The Long Term Rating is the benchmark measure of probability of default.

Notes to the Financial Statements

Amounts Arising from Expected Credit Losses

The Council's investments have been assessed and it has been concluded that the expected credit loss is not material and therefore no allowances have been made.

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

	2018/19 £000	Bad Debt Provision £000	2017/18 £000	Bad Debt Provision £000
Debtors	48,651	5,177	47,977	5,174

The Debtors figure above does not include debtors for Council Tax, 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 £13.154m (2017/18 £17.310m) is considered to be past its date for payment. The past due amount can be analysed by age as follows:

	2018/19 £000	2017/18 £000
Less than three months	6,290	10,496
Three to six months	1,106	980
Six months to one year	1,355	1,361
More than one year	4,403	4,473
Total	13,154	17,310

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 sets limits on 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 requirements.

The maturity analysis of financial liabilities is as follows:

	2018/19 £000	2017/18 £000
Less than one year	40,282	31,053
Between one and two years	29,893	30,590
Between two and five years	106,609	89,744
More than five years	898,931	761,449
	1,075,715	912,836

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

Notes to the Financial Statements

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 2018/2019.

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

	£000
Increase in interest payable on variable rate borrowings	95
Increase in interest receivable on variable rate investments	(1,388)
Impact on Comprehensive Income and Expenditure Statement	(1,293)
Share of overall impact credited to the HRA	(291)
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)	(186,402)

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.

Foreign Exchange Risk

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

Notes to the Financial Statements

Note 35 Common Good

Common Good funds are for the benefit of the geographical areas of the former burghs and the council's. The Finance and Corporate Resources Committee considers the uses to which funds can be put.

Summary of Common Good Funds:		2018/19					Note
2017/18	Total £000	Lanark £000	Biggar £000	Hamilton £000	Rutherglen £000	Total £000	
Income and Expenditure Accounts							
Income for year	146	27	-	85	1	113	
Expenditure for year	(147)	(21)	-	(92)	-	(113)	
Surplus/(Deficit) to Balance Sheet	(1)	6	-	(7)	1	-	
Balance Sheet							
Fixed Assets							
Property, Plant and Equipment	2,991	1,499	-	1,487	-	2,986	
Investments							
General	-	-	-	-	-	-	
Advances to South Lanarkshire Council Loans Fund	744	347	32	260	127	766	
Total Assets	3,735	1,846	32	1,747	127	3,752	
Current Liabilities							
Creditors	(5)	-	-	(5)	-	(5)	
Total Assets less Current Liabilities	3,730	1,846	32	1,742	127	3,747	
Represented By:							
Common Good Account	2,747	1,373	32	1,217	126	2,748	
Surplus/(Deficit)	(11)	6	-	(7)	1	-	
Amortisation of Revaluation Reserve	2	3	-	-	-	3	
Gain/Loss on Disposal of Fixed Assets	10	-	-	-	-	-	
	2,748	1,382	32	1,210	127	2,751	
Revaluation Reserve							
Opening Balance	762	450	-	532	-	982	
Gain/Loss on Revaluation	222	17	-	-	-	17	
Amortisation of Revaluation Reserve	(2)	(3)	-	-	-	(3)	
Closing Balance	982	464	-	532	-	996	
	3,730	1,846	32	1,742	127	3,747	

Notes to the Financial Statements

Note 36 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 2019 was £0.831m.

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

2017/18		2018/19				Note
Total £000		Charitable £000	Educational £000	EK ITEC £000	Total £000	
Income and Expenditure Account						
63	Income for Year	40	1	–	41	
(39)	Expenditure for Year	(39)	(5)	–	(44)	
24	Surplus/(Deficit) to Balance Sheet	1	(4)	–	(3)	
Balance sheet						
Assets:						
Investments						
844	– General	841	–	–	841	
348	– South Lanarkshire Council	183	136	27	346	
1,192		1,024	136	27	1,187	
Liabilities:						
–	Accruals	–	–	–	–	
1,192	Net Assets	1,024	136	27	1,187	
Represented By:						
1,116	Capital Account as at 1/04/2018	976	113	–	1,089	
(27)	Movement During Year	(2)	–	–	(2)	1
1,089	Capital Account as at 31/03/2019	974	113	–	1,087	
79	Revenue Account as at 1/04/2018	49	27	27	103	
24	Movement During Year	1	(4)	–	(3)	2
103	Revenue Account as at 31/03/2019	50	23	27	100	
1,192	Total Reserves	1,024	136	27	1,187	

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 £0.003m after deducting payments for bequests, trusts and prize funds from the receipt of interest on internally and externally invested funds.

Notes to the Financial Statements

Note 37 Accounting Policies

A General Principles

The Annual Accounts summarise the council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. 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 2018/2019, 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 2018/2019, 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 contracts is recognised reflecting the transfer of goods or services to the recipient at the amount which the council expects to be entitled to in exchange for those goods or services.
- Other revenue 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 2019, 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 yet been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Where revenue relating to a contract has been recognised but cash has not yet been received, this is recorded in the Balance Sheet as a contract asset.
- Where cash relating to a contract has been received in advance of the transfer of goods or services, this is recorded in the Balance Sheet as a contract liability.
- 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.

Notes to the Financial Statements

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 implemented both these changes in 2017/2018.

In terms of the teachers Statutory Accumulated Compensated Absences, the methodology for 2018/2019 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.

Notes to the Financial Statements

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 105-117).

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.

Notes to the Financial Statements

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 98.

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.

Notes to the Financial Statements

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 13 on pages 61-63.

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 ended 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 38 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 37, 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 32. This includes a legal dispute with a company regarding a food issue. This case continues 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

2017/18 £000		2018/19 £000	2018/19 £000
	Expenditure		
23,210	Repairs and Maintenance	25,385	
18,892	Supervision and Management	19,322	
130,434	Depreciation and Impairment on Non-Current Assets	30,360	
2,216	Movement in the Allowance for Bad Debts	2,178	
5,648	Other Expenditure	5,739	
180,400	Total Expenditure		82,984
	Income		
(81,398)	Dwelling Rents	(84,644)	
(2,889)	Non-Dwelling Rents	(2,588)	
–	Housing Support Grants	–	
–	Other Income	–	
(84,287)	Total Income		(87,232)
96,113	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(4,248)
132	HRA Services share of Corporate and Democratic Core		130
48	HRA Share of Other Amounts included in the Whole Council Net Cost of Services but not Allocated to Specific Services		327
96,293	Net Cost for HRA Services		(3,791)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
969	Gain or Loss on the Disposal of Non-Current Assets		(2,845)
9,005	Interest Payable and Similar Charges		9,228
(45)	Interest and Investment Income		(146)
809	Pension Interest Cost and Expected Return on Pension Assets		431
(7,258)	Capital Grants and Contributions Receivable		(9,764)
99,773	(Surplus)/Deficit for the Year on HRA Services		(6,887)

Note: The expenditure in the table above for 2018/2019 is £2.178m (2017/2018: £2.216m) higher than that included in the Comprehensive Income and Expenditure Account (page 45). This reflects the CIPFA 2018/2019 Code of Practice requirement to transfer the movement in bad debt from cost of services in the CIES to the Financing and Investment Income line, whilst in the Housing Revenue Account it remains part of the Net Cost of Services figure.

Supplementary Statement No 1

Statement of Movement on the Housing Revenue Account Balance

2017/18 £000		Notes	2018/19 £000	2018/19 £000
(10,251)	Balance on the HRA at the end of the Previous Year			(11,624)
99,773	Surplus/(Deficit) for the Year on HRA Income and Expenditure Statement		(6,887)	
(101,146)	Adjustments between Accounting Basis and Funding Basis Under Statute	1	9,500	
(1,373)	Net (Increase)/Decrease Before Transfers to or from Reserves		2,613	
–	Transfers (to) or from Reserves		–	
(1,373)	(Increase)/Decrease in Year on the HRA			2,613
(11,624)	Balance on the HRA at the end of the Current Year			(9,011)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2017/18 £000		2018/19 £000
(2,979)	Adjustment involving Revaluation Reserve	(209)
(130,433)	Charge for Depreciation and Impairment of Non Current Assets	(30,360)
(4,163)	Adjustment involving Capital Adjustment Account	(251)
7,258	Capital Grants and Contributions	9,764
5,193	Statutory Provision for the Financing of Capital Investment	5,322
19,932	Capital expenditure funded by the HRA	23,830
6,173	Adjustment involving Capital Receipts Reserve	3,305
79	Adjustment involving Financial Instrument Adjustment Account	81
(2,203)	Adjustments involving the Pension Reserve	(1,991)
(3)	Adjustments involving the Statutory Accumulated Compensated Absences Account	9
(101,146)	Total	9,500

2. Housing Stock

The council's housing stock at 31 March 2019 was 24,962 (24,833 at 31 March 2018) in the following categories:

2017/18 Number		2018/19 Number	Average Weekly Rent
11,471	Houses	11,536	£75.09
1,339	High Rise	1,342	£61.31
5,559	Tenements	5,587	£53.63
4,519	4 in a block	4,510	£67.23
1,945	Maisonettes	1,987	£55.74
24,833	Total	24,962	

3. Rent Arrears

Rent Arrears at 31 March 2019 were £5.369m (£4.599m at 31 March 2018).

4. Impairment of Debtors

In 2018/2019 an impairment of £8.169m has been provided in the Balance Sheet for irrecoverable rents, an increase of £1.125m from the provision in 2017/2018.

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 £1.734m (£1.726m for 2017/2018).

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.

2017/18 £000		2018/19 £000	Note
355,069	Gross rates levied and contributions in lieu	371,927	1
	Less:		
(27,192)	Reliefs and other deductions	(34,246)	
–	Payments of interest	–	
(4,945)	Provision of bad and doubtful debts	(4,370)	
322,932	Net Non Domestic Rate Income	333,311	
–	Adjustment for years prior to the introduction of the pool	–	
322,932	Contribution to the National Non Domestic Rate pool	333,311	
(35,070)	Net contribution (to)/from National Non Domestic Rate pool	(37,811)	
287,862	Gross Non Domestic Rate Income to the Comprehensive Income and Expenditure Account	295,500	
–	Non Domestic Rate income retained by council (BRIS)	–	2
287,862	Non Domestic Rate Income per the Comprehensive Income and Expenditure Statement	295,500	

Note 1 In 2018/2019, the gross rates levied amount of £371.927m (2017/2018: £355.069m) includes an amount of £218.734m (2017/2018: £170.724m) 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 £37.811m.

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 2018/2019, 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 2018/2019 was 48p (46.6p in 2017/2018).

Larger businesses will pay an additional 2.6p (2.6p in 2017/2018) 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.

	2018/19 £
Analyses of Rateable Values	
Rateable Value at 01/04/2018	740,711,050
Running Roll (Full Year Rateable Value)	12,471,035
Rateable Value at 31/03/2019	753,182,085
Less: Wholly Exempt	(3,537,260)
Net Rateable Value at 31/03/2019	749,644,825
South Lanarkshire Council's Rateable Values at 1 April 2018	
Commercial	147,718,545
Industrial and Freight Transport	58,611,440
Public Undertakings	463,053,900
Others	71,327,165
Total	740,711,050

Supplementary Statement No 3

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.

2017/18 £000		2018/19 £000
163,463	Gross Council Tax levied and contributions in lieu	170,438
2,072	Adjustments for prior years Council Tax	2,205
165,535		172,643
	Adjusted for:	
(19,288)	Council Tax Reduction	(19,472)
(18,929)	Other discounts and reductions	(19,878)
(3,599)	Provision for Non-collection	(3,767)
123,719	Transfer to General Fund	129,526

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 2018/19

	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)	–	–	(118)	12	–	–	106	5/9	59
Band A	37,151	1,673	(53)	5,056	195	10,488	19,792	6/9	13,195
Band B	30,939	1,286	(17)	3,821	145	6,235	19,469	7/9	15,143
Band C	26,445	688	(5)	2,488	97	3,399	19,778	8/9	17,580
Band D	21,053	373	(41)	1,609	73	1,451	17,588	9/9	17,588
Band E	19,810	298	93	1,088	42	630	17,659	473/360	23,202
Band F	12,224	138	64	460	26	238	11,298	585/360	18,359
Band G	6,409	66	69	195	19	58	6,002	705/360	11,754
Band H	559	11	8	15	4	3	518	882/360	1,269
Class 18 Dwellings							–		
							112,210		118,149
Provision for non-collection (2.875%)									3,397
Council Tax Base									114,752

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 2018/2019 was £1,134.

South Lanarkshire Council £ per year for 2018/2019

Band A	£756.00	Band E	£1,489.95
Band B	£882.00	Band F	£1,842.75
Band C	£1,008.00	Band G	£2,220.75
Band D	£1,134.00	Band H	£2,778.30

Group Expenditure and Funding Analysis Statement

General Fund Including Subsidiaries and HRA	General Fund Group Associates	Total Group General Fund Including HRA		General Fund Including Subsidiaries and HRA	General Fund Group Associates	Total Group General Fund Including HRA
£m	£m	£m		£m	£m	£m
(69,896)	(12,106)	(82,002)	Opening General Fund and HRA Balance	(85,410)	(23,233)	(108,643)
(13,043)	(11,127)	(24,170)	Less/plus Surplus or Deficit on General Fund (per column 1 of EFA)	(1,185)	3,183	1,998
(2,471)	–	(2,471)	Transfers to/from other Reserves	(7,990)	–	(7,990)
(85,410)	(23,233)	(108,643)	Closing General Fund and HRA Balance	(94,585)	(20,050)	(114,635)

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 2017/18		2018/19	
	Gross Expenditure £000	Gross Income £000	Gross Expenditure £000	Gross Income £000
				Net Expenditure/ (Income) £000
Community and Enterprise Resources	168,401	24,010	168,420	138,007
Education Resources	318,107	16,960	332,649	312,513
Finance and Corporate Resources	133,335	96,097	126,043	39,444
Housing and Technical Resources				
– Housing Revenue Account	178,184	84,287	80,806	(6,426)
– Housing Other	40,404	14,292	38,542	24,065
Social Work Resources	339,391	188,344	364,069	165,903
Joint Boards	2,363	–	2,363	2,363
Corporate Items	2,483	711	35,343	34,780
Corporate and Democratic Core (HRA)	132	–	130	130
Non Distributed Costs – Non Operational Assets (HRA)	48	–	327	327
Common Good	147	146	113	–
Net Cost of Services	1,182,995	424,847	1,148,805	711,106
Other Operating Expenditure (Note 9)	222	–	–	(6,106)
Financing and Investment Income and Expenditure (Note 10)	79,493	349	72,550	71,205
Taxation and Non-Specific Grant Income (Note 11)	–	715,682	–	(722,974)
(Surplus) / Deficit on Provision of Services	1,262,710	1,140,878	1,221,355	53,231
Share of the (Surplus) or Deficit on the provision of services by associates				(1,040)
Group (Surplus) or Deficit	107,844	107,844		52,191
(Surplus) / Deficit on Revaluation of Fixed Assets				(66,189)
Remeasurement of the Net Defined Benefit Liability / (Asset)				133,141
Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures				3,919
Other Comprehensive Income and Expenditure	(587,460)	(587,460)		70,871
Total Comprehensive Income and Expenditure	(479,616)	(479,616)	1,168,124	123,062

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 2018 £000	Restated Group 31 March 2018 £000		Single Entity 31 March 2019 £000	Group Adjustments 31 March 2019 £000	Group 31 March 2019 £000
2,941,122	2,944,130	Property, Plant and Equipment	3,032,209	2,989	3,035,198
3,826	3,826	Heritage Assets	3,826	–	3,826
240	240	Intangible Assets	179	–	179
–	53,705	Investments in associates and joint ventures	–	53,803	53,803
2,084	2,084	Long Term Debtors	2,018	–	2,018
2,947,272	3,003,985	Non Current Assets	3,038,232	56,792	3,095,024
–	–	Short Term Investments	134,377	–	134,377
3,357	3,357	Inventories	3,429	–	3,429
61,975	62,767	Short Term Debtors	57,762	561	58,323
1,519	1,519	Current Intangible – Carbon Reduction Allowances	782	–	782
571	571	Assets held for sale	417	–	417
36,058	36,531	Cash and Cash Equivalents	74,585	756	75,341
103,480	104,745	Current Assets	271,352	1,317	272,669
(31,053)	(31,053)	Short Term Borrowing	(40,282)	–	(40,282)
(134,957)	(134,959)	Short Term Creditors	(149,116)	11	(149,105)
(316)	(316)	Contract Liability – IFRS15	(239)	–	(239)
(705)	(705)	Carbon Reduction Commitment Liability	(628)	–	(628)
(7,213)	(7,213)	Other Short Term Liabilities (PPP/Finance Leases)	(7,478)	–	(7,478)
(823)	(823)	Provisions	(657)	–	(657)
(1,753)	(1,753)	Receipts in Advance	(1,891)	–	(1,891)
(176,820)	(176,822)	Current Liabilities	(200,291)	11	(200,280)
–	(30)	Long Term Creditors	–	(19)	(19)
(757)	(810)	Long Term Provisions	(745)	(50)	(795)
(881,783)	(881,783)	Long Term Borrowing	(1,035,433)	–	(1,035,433)
–	(390)	Liabilities in associates and joint ventures	–	(3,367)	(3,367)
(208,925)	(208,925)	Other Long Term Liabilities (PPP/Finance Leases)	(201,447)	–	(201,447)
(337,276)	(337,276)	Other Long Term Liabilities (Pensions)	(546,720)	–	(546,720)
(1,428,741)	(1,429,214)	Long Term Liabilities	(1,784,345)	(3,436)	(1,787,781)
1,445,191	1,502,694	Net Assets	1,324,948	54,684	1,379,632
112,641	112,641	Usable Reserves	117,908	–	117,908
1,332,550	1,332,550	Unusable Reserves	1,207,040	–	1,207,040
–	57,503	Group Reserves	–	54,684	54,684
1,445,191	1,502,694	Total Reserves	1,324,948	54,684	1,379,632

The notes on pages 112 to 117 form part of the group financial statements. The unaudited accounts were authorised for issue on 19 June 2019, and the audited accounts were authorised for issue on 18 September 2019.



Paul Manning
Executive Director (Finance and Corporate Resources)
18 September 2019

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 it's subsidiaries and associates.

Revenue Statutory Funds

	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Statutory Funds £000	Capital Receipts Reserve £000	Total Council's Usable Reserves £000	Total Council's Unusable Reserves £000	Total Council 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
Balance at 1 April 2018	71,040	11,624	7,232	4,516	11,445	6,784	112,641	1,332,550	1,445,191	25,994	31,509	1,502,694
Movement in reserves during 2018/19												
Total Comprehensive Expenditure and Income	(60,161)	6,887	-	-	-	-	(53,274)	(66,969)	(120,243)	1,083	(3,902)	(123,062)
Adjustments between accounting basis and funding basis under regulations	63,916	(9,500)	-	-	-	4,125	58,541	(58,541)	-	(4,223)	4,223	-
Net Increase/(Decrease) before Transfers to Reserves	3,755	(2,613)	-	-	-	4,125	5,267	(125,510)	(120,243)	(3,140)	321	(123,062)
Transfers to/(from) Reserves	7,990	-	(303)	(1,238)	(949)	(5,500)	-	-	-	-	-	-
Increase/(Decrease) in Year	11,745	(2,613)	(303)	(1,238)	(949)	(1,375)	5,267	(125,510)	(120,243)	(3,140)	321	(123,062)
Balance at 31 March 2019 carried forward	82,785	9,011	6,929	3,278	10,496	5,409	117,908	1,207,040	1,324,948	22,854	31,830	1,379,632

Group Accounts

Group Movement in Reserves Statement

	Revenue Statutory Funds											
	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 Unusable Reserves £000	Total Council 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
Balance at 1 April 2017	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
Movement in reserves during 2017/18												
Total Comprehensive Expenditure and Income	(22,101)	(99,773)	-	-	-	-	(121,874)	566,946	445,072	14,030	20,514	479,616
Adjustments between accounting basis and funding basis under regulations	33,729	101,146	-	-	-	1,598	136,473	(136,473)	-	(2,846)	2,846	-
Net Increase/(Decrease) before Transfers to Reserves	11,628	1,373	-	-	-	1,598	14,599	430,473	445,072	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	445,072	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	1,445,191	25,994	31,509	1,502,694

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.

2017/18 £000		2018/19 £000
(121,832)	Net surplus/(deficit) on the provision of services	(53,231)
176,370	Adjust net surplus/ (deficit) on the provision of services for non cash movements	94,234
(39,227)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(38,802)
15,311	Net cash flows from Operating Activities	2,201
48,729	Investing Activities	(118,037)
(31,081)	Financing Activities	154,646
32,959	Net increase/(decrease) in cash and cash equivalents	38,810
3,572	Cash and cash equivalents at the beginning of the reporting period	36,531
36,531	Cash and cash equivalents at the end of the reporting period	75,341

Group Cash Flow Notes

Group Cash Flow Statement Note – Non-Cash Movements

2017/18 £000		2018/19 £000
188,038	Depreciation, impairment and amortisation of assets	86,267
28,796	Movement in creditors	14,048
5,974	Movement in debtors	4,453
912	Movement in inventories	(72)
49,051	Movement in pension liability	76,303
222	Carrying amount of non-current assets and non current assets held for sale, sold or derecognised	(6,106)
(96,623)	Other non-cash items charged to the net surplus/deficit on the provision of services	(80,659)
176,370	Net cash flows from the provision of services for non-cash movements	94,234

Group Cash Flow Statement Note – Operating Activities

The cash flows for operating activities includes the following items:

2017/18 £000		2018/19 £000
146	Interest received	490
(39,373)	Interest paid	(39,292)
(39,227)	Net cash flows from the provision of services for non-cash movements	(38,802)

Group Accounts

Group Cash Flow Statement

Group Cash Flow Statement Note – Investing Activities

2017/18 £000		2018/19 £000
(38,042)	Purchase of property, plant and equipment and intangible assets	(58,091)
–	Purchase of short term investments	(134,000)
86,632	Proceeds from the sale of property, plant and equipment and intangible assets	73,974
–	Proceeds from short term investments	–
139	Other receipts from investing activities	80
48,729	Net cash flow from investing activities	(118,037)

Group Cash Flow Statement Note – Financing Activities

2017/18 £000		2018/19 £000
–	Cash receipts of short term and long term borrowing	184,240
(6,756)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(7,213)
(24,325)	Repayments of short term and long term borrowing	(22,381)
(31,081)	Net cash flows from financing activities	154,646

Group Cash Flow Statement Note – Cash and Cash Equivalents

2017/18 £000		2018/19 £000
101	Cash held by officers	100
1,444	Bank current accounts	(4,407)
34,986	Short term deposits with building societies	79,648
36,531	Total cash and cash equivalents	75,341

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	(53,274)	43	–	(53,231)
Adjust net surplus/(deficit) on the provision of services for non-cash movements	93,994	240	–	94,234
Adjust for items included in the net surplus/(deficit) that are investing and financing activities	(38,802)	–	–	(38,802)
Net Cash Flows from Operating Activities	1,918	283	–	2,201
Investing Activities	(118,037)	–	–	(118,037)
Financing Activities	154,646	–	–	154,646
Net increase/decrease in cash and cash equivalents	38,527	283	–	38,810
Cash and cash equivalents at beginning of reporting period	36,058	473	–	36,531
Cash and cash equivalents at end of reporting period	74,585	756	–	75,341

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

	2018/19			
	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	19,090	7,135	(3,946)	22,279
Education Resources	29,403	2,688	(28,022)	4,069
Finance and Corporate Resources	939	4,151	227	5,317
Housing and Technical Resources				
- Housing Revenue Account	1,209	1,560	(11,808)	(9,039)
- Housing Other	4,941	958	(1,480)	4,419
Social Work Resources	1,446	11,103	(636)	11,913
Joint Board	–	–	–	–
Corporate Items	52	33,227	1,841	35,120
Corporate and Democratic Core (HRA)	–	–	130	130
Non Distributed Costs – Non Operational Assets (HRA)	–	–	327	327
Net Cost of Services	57,080	60,822	(43,367)	74,535
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,865)	15,481	35,265	(20,119)
Surplus or Deficit	(13,785)	76,303	(8,102)	54,416
Share of (Surplus) or Deficit on the Provision of Services by Associates	(5,613)	2,151	(761)	(4,223)
Difference between General Fund surplus or deficit and Comprehensive Surplus or Deficit on the Provision of Services	(19,398)	78,454	(8,863)	50,193
	Restated 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	(169)	4,203
Housing and Technical Resources				
- Housing Revenue Account	105,309	1,394	(11,433)	95,270
- Housing Other	3,027	841	(771)	3,097
Social Work Resources	1,485	10,144	(306)	11,323
Joint Board	–	–	–	–
Corporate Items	52	1,257	36	1,345
Corporate and Democratic Core (HRA)	–	–	132	132
Non Distributed Costs – Non Operational Assets (HRA)	–	–	48	48
Net Cost of Services	162,878	25,088	(39,632)	148,334
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,845)	23,963	33,423	(13,459)
Surplus or Deficit	92,033	49,051	(6,209)	134,875
Share of (Surplus) or Deficit on the Provision of Services by Associates	(3,634)	(2,149)	2,922	(2,861)
Difference between General Fund surplus or deficit and Comprehensive Surplus or Deficit on the Provision of Services	88,399	46,902	(3,287)	132,014

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:

	2018/2019 £000	2017/2018 £000
Expenditure		
Employee Benefits Expenses	486,058	436,998
Other Services Expenses	576,480	552,926
Support Services Recharges	–	5,033
Depreciation, Amortisation, Impairment	86,267	188,038
Interest Payments	58,504	57,766
Impairment of Financial Instruments	3,152	2,863
Pensions Interest Cost and Expected Return on Pension Assets	9,996	18,864
Deficit on Trading Operations	898	–
Loss on Disposal of Assets	–	222
Total Expenditure	1,221,355	1,262,710
Income		
Fees and Charges and Other Service Income	334,079	315,956
Surplus on Trading Operations	–	267
Interest and Investment Income	1,331	308
Impairment of Financial Instruments	14	226
Gain on the Disposal of Assets	6,106	–
Income from Council Tax	129,526	123,719
Government Grants and Contributions	697,068	700,402
Total Income	1,168,124	1,140,878
(Surplus) or Deficit on the Provision of Services	53,231	121,832

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:

	31 March 2019 £000	31 March 2018 £000
Investments in associates and joint boards		
Strathclyde Passenger for Transport	48,116	47,746
Strathclyde Concessionary Travel Scheme	175	215
South Lanarkshire Integration Joint Board	5,512	4,140
South Lanarkshire Leisure and Culture Trust	–	1,604
Total	53,803	53,705

	31 March 2019 £000	31 March 2018 £000
Liabilities in associates and joint boards		
South Lanarkshire Leisure and Culture Trust	(1,859)	–
Lanarkshire Valuation Joint Board	(1,508)	(390)
Total	(3,367)	(390)

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 2018/2019, 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 93-100.

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 £54.684m. 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 £3.747m is included in the Group Balance Sheet.

The Common Good Account is included within the council's core financial statements Note 35.

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 2019.

In 2018/2019, 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 £48.116m 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 2019.

In 2018/2019, 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 £0.175m 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 2019.

In 2018/2019, 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 £1.508m 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%.

	2018/19 £000	2017/18 £000
Expenditure	4,598	4,242
Total Comprehensive Income and Expenditure	2,236	(5,820)
Fixed assets	4	5
Current assets	458	338
Liabilities due within one year	(66)	(62)
Liabilities due after one year	(3,411)	(1,060)
Capital and reserves	(3,015)	(779)
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 £126.543m or 24.57% of the Board's income in 2018/2019. 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 £5.512m 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.

	2018/19 £000	2017/18 £000
Expenditure	515,811	496,655
Total Comprehensive Income and Expenditure	(2,745)	(2,159)
Fixed assets	–	–
Current assets	11,023	8,278
Liabilities due within one year	–	–
Liabilities due after one year	–	–
Capital and reserves	11,023	8,278
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 2019.

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 liabilities of £1.859m 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 0LX. 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%.

	2018/19 £000	2017/18 £000
Expenditure	42,121	39,660
Total Comprehensive Income and Expenditure	10,350	(29,476)
Fixed assets	363	532
Long Term assets	–	3,952
Current assets	6,001	5,573
Liabilities due within one year	(4,946)	(4,444)
Liabilities due after one year	(6,634)	(479)
Capital and reserves	(5,216)	5,134
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%.

	2018/19 £000	2017/18 £000
Expenditure	2,202	2,237
Total Comprehensive Income and Expenditure	(43)	(43)
Fixed assets	3	17
Long Term Assets	–	–
Current assets	1,317	1,293
Liabilities due within one year	(733)	(752)
Liabilities due after one year	(69)	(83)
Capital and reserves	518	475
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 2019 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 0AB. 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 2018/2019, 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 2018/2019, 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 2018/2019, 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 2018/2019, 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 2018/2019, 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 2018/2019, 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 17.6% of the organisation's running costs in 2018/2019, 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.
- Clyde Gateway was established to re-develop large sections of the East End of Glasgow extending into Shawfield and Rutherglen in South Lanarkshire. The key stakeholders are Glasgow City Council, Scottish Enterprise and South Lanarkshire Council, with the two council partners providing land holdings on a phased basis over the anticipated 20 year lifetime of the project as well as capital funding. The financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- West of Scotland Loan Fund is a consortium of 12 local authorities working together to provide loan finance to new and existing small and medium sized businesses within the West of Scotland. The financial results have not been consolidated into the Group Accounts as the amounts are not material.

Independent Audit Opinion

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

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 2019 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 National Non-Domestic Rates Income Accounts Statement, the Council Tax 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 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 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is 3 years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director of Finance and Corporate Resources and the Risk and Audit Scrutiny Committee 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 of 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 is responsible for overseeing the financial reporting process.

Independent Audit Opinion

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

The 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 matters prescribed by the Accounts Commission

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

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

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

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
- 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.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight

Fiona Mitchell-Knight FCA

Audit Director
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18 September 2019

Glossary of Terms

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 outgoings 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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