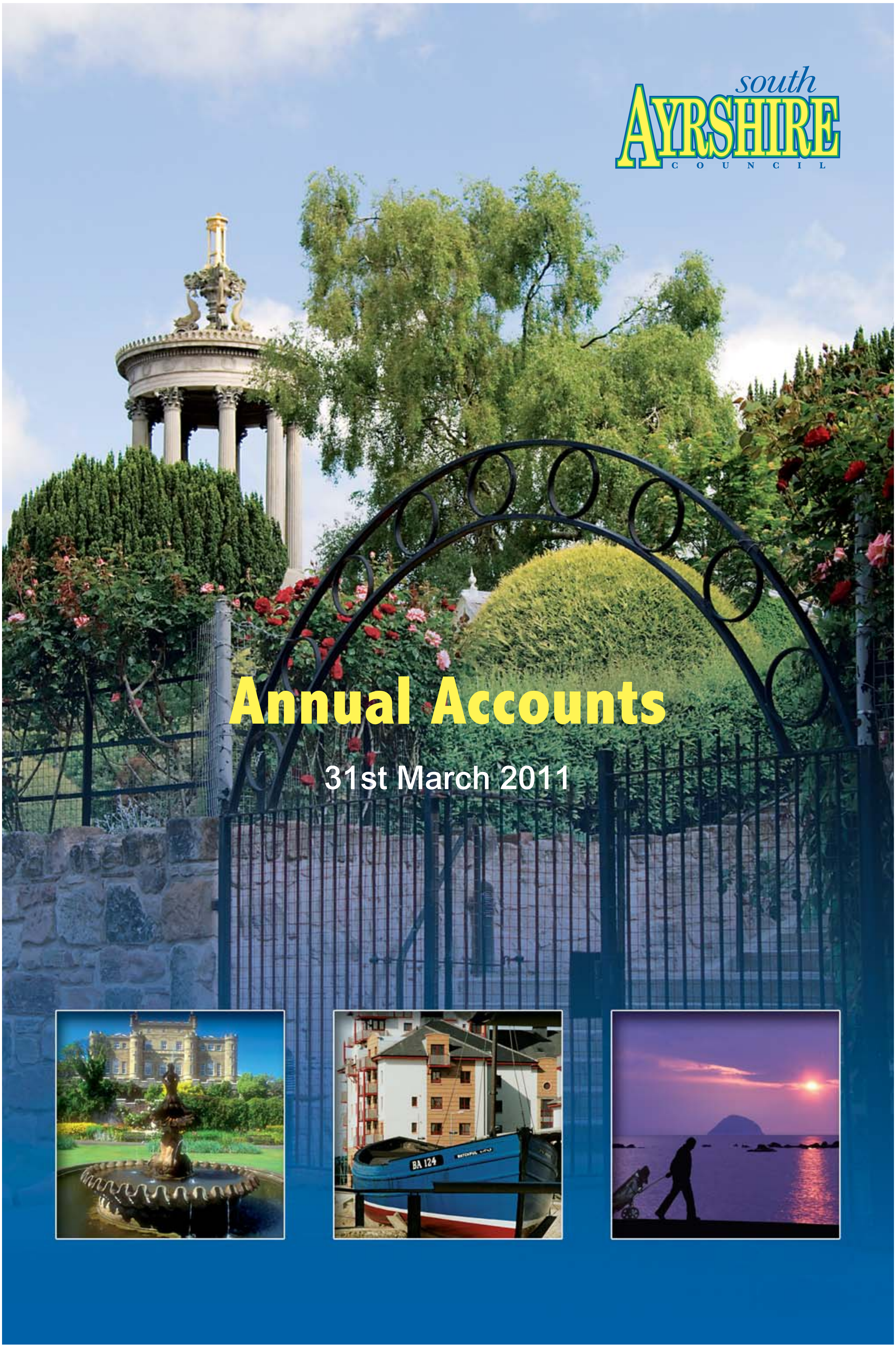
south AYRSHIRE COUNCIL

Annual Accounts

31st March 2011



South Ayrshire Council Annual Accounts

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Section 1: Foreword by the Executive Director - Corporate Services

Introduction

This foreword provides an overview of the financial performance of South Ayrshire Council (the Council) for the year ended 31 March 2011. The Statement of Accounting Policies on pages 21 to 28 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Accounts, to ensure that they present a 'true and fair view' of the Council's financial performance. The financial statements for 2010-2011 are set out on pages 16 to 83 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In accordance with the Code, the format of the accounts have changed quite significantly to ensure compliance with International Financial Reporting Standards (IFRS) and prior year figures have also been restated in the revised format. The transitional movements to the new format are outlined in Note 5 on page 30.

Statement of responsibilities for the statement of accounts

This statement sets out the respective responsibilities of the Council and the Executive Director - Corporate Services, as the Council's Section 95 Officer, for the financial statements.

Delivering good governance framework

This statement assesses the Council's compliance with its Local Code of Corporate Governance.

Remuneration report

The Remuneration Report provides details of the local authority's remuneration policy for senior councillors and senior employees and details of any role the local authority has in determining the remuneration policy for any local authority subsidiary body. The report is subject to audit and forms part of the 2010-11 annual audit by the Council's external auditors, Audit Scotland.

Statement on the system of internal financial control

This statement sets out the framework within which financial control is managed and reviewed and the main components of the financial control system within the Council, including the arrangements for Internal Audit.

The Financial statements

Core financial statements:

- *The Movement in Reserves Statement:* shows the movement in the year on the Council's reserves, analysed into Usable Reserves i.e. those that can be applied to fund expenditure or reduce local taxation; and Unusable Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the *Comprehensive Income and Expenditure Statement.* These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Other Statutory Reserves shows the General Fund Balance before any discretionary transfers to and from the other statutory reserves of the Council.

- *The Comprehensive Income and Expenditure Statement:* reports the income raised by the Council during the year and how it was spent on services, financing costs and contributions to or from reserves. The surplus or deficit on the Income and Expenditure Account is carried to the Balance Sheet.

- *The Balance Sheet:* provides a summary of the Council's assets, liabilities, reserves and balances at 31 March 2011. It is a statement on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the end of the year expressed in accounting terms.

- *The Cash Flow Statement:* summarises the Council's inflows and outflows of cash resulting from transactions with third parties during the year in respect of both revenue and capital activities.

- *The Notes to the Core Financial Statements:* provide further information on the Council's core financial statements.

Supplementary financial statements:

- The Housing Revenue Account (HRA) reflects the statutory requirement to account separately for local authority housing provision, as specified in the Housing (Scotland) Act 1987. Any Surplus or Deficit on the HRA is ring-fenced for carry forward as part of the HRA accumulated financial position.
- *The Movement on the HRA Statement:* shows the movement in the year on the HRA Usable reserves. The Surplus or (Deficit) on the Provision of HRA Services shows how the HRA Comprehensive Income and Expenditure Account reconciles to the movement on the Housing Revenue Account Reserve.
- *The HRA Comprehensive Income and Expenditure Account:* summarises expenditure on repairs, maintenance and management of the Council's housing stock and how this was funded by rental income and other charges for services during the year.
- *The Notes to the Accounts:* provide further information on the Housing Revenue Account.
- The Council Tax and Non-Domestic Rate Income Accounts summarise the income raised through local taxation and non-domestic rates and also provide details of the number of taxable properties within South Ayrshire.
- The Common Good and Sundry Accounts summarise the financial performance of the Common Good, Trusts and other funds administered by the Council.

Group accounts

The Council has an interest in seven other entities, namely the Common Good Fund, Ayrshire Valuation Joint Board, The Board of Strathclyde Fire and Rescue, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Board, Strathclyde Police Joint Board and Ayr Renaissance. Under accounting standards, the Council requires to include the results of these organisations in its Group Accounts due to its significant influence over their financial and operating practices.

The Council's Group Accounts comprise of the following statements:

- *The Group Movement in Reserves Statement* combines the movement in the year on the Council's reserves, analysed into Usable Reserves and Unusable Reserves with the Council's share of all subsidiary and associates' reserves movements.
- *The Group Comprehensive Income and Expenditure Account* combines the income and expenditure of the Council for the year with the Council's share of all subsidiary and associates' operating results.
- *The Group Balance Sheet* combines the Council's assets and liabilities with its appropriate share of the subsidiary and associates' assets and liabilities.
- *The Group Cash Flow Statement* combines the Council's inflows and outflows of cash resulting from transactions with third parties with its appropriate share of the subsidiary and associates' cash inflows and outflows.
- *The Notes to the Group Accounts* provide further information on the Council's Group financial statements.

Financial performance

General fund

The Financial performance of the Council's General Fund and Housing revenue Account for 2010-2011 are contained within the Movement In Reserves Statement on page 16. The Statement shows how the surplus for the year, when adjusted for contributions to and from funds and reserves held by the Council and other statutory and non-statutory adjustments, results in a surplus for the year of £1.976m. When added to the surplus of £13.326m brought forward from 2009-2010, this results in a General Fund Balance of £15.302m at 31 March 2011. The financial out-turn reflects favourably on the financial stewardship arrangements across all Council services during 2010-2011.

Of the accumulated surplus of £15.302m to be carried forward to 2011-2012, £0.532m requires to be set aside to assist with the financing of the Council's Schools PPP project and £2.493m is being carried forward to be spent on specific Council projects during 2011-2012. Council Tax income collected in respect of second homes totalling £0.625m is earmarked to be used in delivering the Council's affordable homes strategy in future years. In February 2011 the Council agreed to specifically set aside £1.000m of the 2010-2011 then anticipated surplus to assist in funding 2011-2012 budgeted service expenditure. A further net £3.120m requires to be set aside to provide for specific projects and initiatives.

This leaves a balance of £7.532m (2.8% of the Council's total planned expenditure for 2011-2012). CIPFA best practice recommends that councils should maintain reserves of between 2% and 4% of annual running costs, equivalent to between approximately £5.278m and £10.556m for South Ayrshire Council. The Council had an accumulated deficit of £0.507m at 31 March 2007 and, recognising this position was not in line with recommended best practice, committed to achieving uncommitted reserves of at least £2.0m by 31 March 2010. The Council has now committed to achieving uncommitted reserves of £8.0m by 31 March 2013.

In 2005-2006 the Council began the process of settling equal pay compensation claims from employees working in areas such as catering, cleaning and care services, in recognition of the historical pay inequality between these groups of staff and other comparable groups who received bonus payments and other allowances. Further payments were made during 2006-2007 and 2007-2008, pending the introduction of single status and job evaluation. The Council agreed its single status pay structure and revised terms and conditions of employment on 21 April 2009, effective from 16 August 2008. The 2010-2011 Accounts therefore recognise further equal pay compensation payments due to appropriate staff groups to 15 August 2008 and the cost of implementing single status and job evaluation from 16 August 2008, including a provision for the outcome of job evaluation appeals.

A significant number of equal pay claims have been lodged against the Council by employees who are seeking retrospective compensation. The Council has sought independent legal advice in respect of these claims and made appropriate financial provision within the 2010-2011 Accounts.

In accordance with proper accounting practice, severance costs associated with 2010-2011 revenue budget decisions have been charged to the 2010-2011 Comprehensive Income and Expenditure Account where the decision to release the members of staff was made prior to the date of signing the balance sheet.

Housing revenue account

The Housing Revenue Account on page 62 shows a reduction on the Housing Revenue Account balance of £5.010m for the year to 31 March 2011, which compares favourably to a budgeted reduction for the year of £8.603m. The under spend is primarily due to reduced planned maintenance cost resulting from delays in commencement of contracts, lower employee costs due to vacancies and, due to delays in the commencement of projects, a saving in the amount of accumulated surplus used to fund capital expenditure during 2010-2011.

When added to the surplus brought forward from 2009-2010 of £18.970m, this results in an accumulated surplus of £13.960m at 31 March 2011. The Council has already agreed that £0.550m should be held in reserve for weather emergencies, £10.918m is required to fund specific capital and revenue projects in future years, £0.141m is required to fund new build Council housing and £1.500m has been set aside as a general reserve for unforeseen events. This leaves a balance of £0.851m which will be considered as part of the review of the HRA Business Plan including the ability to meet the Scottish Housing Quality Standards by 2014-2015.

Trading operations

The Local Government in Scotland Act requires Councils to maintain statutory trading accounts for 'significant trading operations'. These trading accounts require to at least break-even over a three-year rolling period. The Council operates one statutory trading account for Property and Design Trading as detailed in Note 27 on page 49, which achieved a surplus of £0.525m in 2010-2011 and a cumulative surplus of £2.103m over the three-year period to 31 March 2011, thereby satisfying the statutory requirement to break-even.

Financial sustainability and affordability

The Directors of Finance together with CIPFA are currently working to agree a range of financial indicators for inclusion in each local authority's annual accounts. These indicators will be designed to represent a local authority's financial sustainability and affordability of its financial plans. They are also an attempt to demonstrate how effective financial management is within the local authority. At present these indicators are still in development and will likely be included in the statements for 2011-2012.

Specific capital and revenue funds

- *The Repair and Renewal Fund* balance increased from £0.139m at the start of the financial year to £4.280m at 31 March 2011 as a result of interest earned in the year and the decision to transfer £4.141m of funds to the reserve during 2010-2011. The Council currently plans to use this Fund to facilitate asset improvements and efficiencies in future years.

- *The Insurance Fund* had a balance of £0.425m at 1 April 2010. Insurance premiums and payments in respect of uninsured losses totalling £1.047m were incurred during the year, offset by interest earned of £0.003m together with a contribution of £1.044m from the General Fund to ensure the Insurance Fund balance was maintained at the previously approved level of £0.425m. The Council reviewed the adequacy of the balance held during 2010-2011.

- *The Capital Fund* was established during 2005-2006, primarily to assist in funding the Council's Schools PPP project. The balance on the Fund at 1 April 2010 was £1.239m. Interest of £0.009m was received. £1.215m was used to fund appropriate revenue expenditure during the year, leaving a balance of £0.033m at 31 March 2011. The Council has no commitments against this for 2011-2012 and therefore plans to retain the balance pending a review of the use and purpose of this fund.

Pension fund

International Accounting Standard 19: Employee Benefits (IAS19) requires the disclosure of the Council's share of Strathclyde Pension Fund's assets and liabilities, both current and future. The disclosure information is provided to the Council by the Pension Fund actuaries following their annual valuation of the Fund. Formal valuations take place every three years, with the latest formal valuation having taken place on 31 March 2011. The Council's balance sheet shows a pension liability of £43.278m at 31 March 2011 compared to a pension liability of £139.869m at 31 March 2010. The valuation is only applicable at the balance sheet date and fluctuates on a daily basis, primarily due to its reliance on stock market movements. The significant improvement in the IAS19 position is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than they were at 31 March 2010, and that the pension increase assumption has changed from being calculated on an RPI basis to a CPI basis. The Pension Fund actuaries are comfortable that the assets currently held, together with increased employers' contributions and the introduction of a tiered employee's contribution rate in 2010-2011, will provide sufficient returns to finance future pension commitments.

Balance sheet

The Balance Sheet on page 19 summarises the Council's assets and liabilities at 31 March 2011. Total assets have increased from £657.817m (as restated under IFRS) at 31 March 2010 to £701.916m at 31 March 2011, an increase of £44.099m. This is primarily due to the revaluation of property, plant and equipment undertaken during the year. Total liabilities have reduced by £97.505m to £340.743m, of which the most significant reduction of £96.591m is due to the pension fund liability movement.

Capital expenditure and income

Following the introduction of the Prudential Framework for local authority capital investment in 2003, the Council is able to determine its own programme for capital investment in fixed assets. Capital expenditure of £27.218m was incurred during the year as shown in Note 32 on page 51, of which £12.375m was spent on Council housing, £8.081m on educational properties, £1.742m on roads and transport improvements, £1.255m on Information and Communication Technology and £3.765m on other council projects.

Funding of capital expenditure included £2.172m from the sale of assets, £6.261m government grants and other contributions received and £10.893m revenue funding. Long-term borrowing of £7.892m was undertaken, the repayment of which will be either fully supported by government grant in future years or through council planned expenditure.

Major capital projects for 2010-2011 included:

- Colmonell Primary School new build - £1.498m
- Forehill Primary School refurbishment - £1.873m
- Heathfield Primary School refurbishment £1.404
- ICT server and network infrastructure improvements - £1.255m
- McCall's Avenue Depot refurbishment - £1.182m
- Internal component renewal within council houses - £6.291m
- Upgrade of Maisonettes in North Ayr – £1.403m
- New build council houses (Thornyflat/Somerset) - £1.195m

The Council approved a one-year capital programme for 2011-2012 in February 2011. The Council is currently developing its long-term asset management strategy alongside reviewing its future educational provision. Key issues currently under consideration include modernisation of the schools estate, the need for substantial investment in roads infrastructure and the scope for rationalisation of office accommodation. The asset management strategy is being prepared and finalised alongside the financial strategy for 2011-2012 and future years.

Public Private Partnership

In December 2006 the Council entered into a Public Private Partnership contract with Education for Ayrshire (E4a) for the construction and operation of two new secondary schools and three new primary schools, together with an annex to an existing secondary school. At 31 March 2011 all three new primary schools, two secondary schools and the annex to the existing secondary school were fully operational. £9.086m was paid to the contractor in 'unitary charge' payments under the terms of the agreement during 2010-2011.

The discovery of asbestos in one of the buildings to be demolished at Prestwick Academy during 2008/09 led to a delay in the construction programme for the replacement school. The PPP legal agreement provided for compensation to be made to the contractor in such circumstances, however the Council and E4a were in dispute as to the length of the delay and consequential compensation payment due. Both parties settled this dispute during 2010-11.

Treasury management - Icelandic bank investment

During October 2008 the Icelandic banks, Landsbanki Islands hf, Kaupthing and Glitner collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. UK local authority deposits in these banks totalled approximately £954m. Similar to action taken by UK Treasury, Scottish Government passed emergency legislation to enable Scottish Councils to postpone recognising any potential losses on Icelandic deposits until 31 March 2011. The Council had two investments of £3.000m and £2.000m deposited in Landsbanki, with maturity dates of 13 November and 2 December 2008 respectively.

In the intervening period, since the collapse of Landsbanki, South Ayrshire Council has been party to Icelandic Court proceedings, through COSLA and the Local Government Association, who acting on behalf of all affected local authorities, have worked to obtain the best possible outcome and recovery of deposits held in the affected banks. This has culminated in the recent announcement from the Icelandic Courts that Councils are classed as having preferential creditor status and thereby securing the maximum return possible for the Council, which based on the latest information, will likely to be around 94.85% of the original deposit plus penalty interest. This ruling is being challenged through the Icelandic Court appeals system by the unsuccessful pursuer, with the outcome likely to be known by autumn 2011.

The Council, alongside all other affected Scottish local authorities, has taken advantage of the Scottish Government legislation to defer the impact of this loss on the General Fund in 2008-2009 and 2009-2010. A cost of £1.157m has been charged to the 2010-2011 Comprehensive Income and Expenditure Account. Further detail regarding the impact of the impaired deposit is outlined in Note 41 on page 58 within the Notes to the Core financial Statement

As a consequence of the unprecedented events in the banking sector, the Council reviewed its investment strategy and removed a number of banks and building societies from its approved lending list. The Council uses credit and support ratings to assess creditworthiness and this review will ensure only financial institutions with the highest ratings are included in the Council's approved list of borrowers.

Common good

The Common Good Fund comprises five distinct sub-funds representing the former burghs of Ayr, Prestwick, Troon, Maybole and Girvan. Overall the Fund achieved a deficit for the year of £0.055m which, when added to the surplus brought forward from 2009-2010, contributes to an accumulated surplus at 31 March 2011 of £0.953m. Total reserves increased in value by £0.696m to £17.671m, primarily due to the revaluation of assets held. Further detail relating to the Common Good Fund is provided on page 67.

Group accounts

The Council has material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures and therefore is required to prepare Group Accounts.

The Group Accounts on pages 70 to 77 consolidate the results of the Council with its share of the results of one subsidiary and six associates. The inclusion of the subsidiary and associates in the Group Balance Sheet reduces both the net assets and reserves by £177.820m, representing the Council's share of the net liabilities in these entities.

Impact of the recession

Following the Comprehensive Spending Review announced in October of 2010 by the UK Government, the Scottish Government implemented a number of measures intended to tackle the Scottish budget shortfall. In December 2010 all Scottish councils, including South Ayrshire, were issued with reduced revenue and capital funding allocations for 2011-2012 with further indications that funding will likely reduce in the following two years, 2012-2013 and 2013-2014. South Ayrshire Council's total government support for revenue expenditure in 2011-2012 is £211.178m which represents a reduction of 2.38% from the level of funding provided in 2010-2011. No detailed government funding information is available for 2012-2013 to 2013-2014.

In looking ahead the council recognises the well publicised squeeze on the Scottish Government budget post 2010-2011. While the exact size and length of this squeeze will depend on a number of factors, there is little doubt that real term reductions in the resources available to the council will occur in the coming years and will result in the council facing strong challenges in attempting to accommodate these reductions. The Council has agreed a medium term financial strategy.

Conclusion

The Council's financial position at 31 March 2011 compares favourably against the position brought forward at 1 April 2010 and reflects the collective efforts of service managers, Directorate management teams and Corporate Finance staff in maintaining sound financial and budget management processes during the year. I would like to acknowledge my appreciation of all the staff across the Council who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the improved financial position at 31 March 2011.

Eileen Howat.

Eileen Howat BSc CPFA

Executive Director – Corporate Services **30 September 2011**

Section 2: Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In South Ayrshire Council the designated officer is the Executive Director - Corporate Services;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- Approve the Statement of Accounts.

The Executive Director - Corporate Services responsibilities

The Executive Director - Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('The Code of Practice').

In preparing this Statement of Accounts, the Executive Director - Corporate Services has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice.

The Executive Director - Corporate Services has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts represents a "true and fair view" of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

Section 3: Delivering Good Governance Framework

Assurance statement for South Ayrshire Council for 2010-2011

Background:

In February 2010, the Scrutiny and Governance Management Panel approved the adoption of the Delivering Good Governance in South Ayrshire Council Framework from 1 April 2010. Over the course of 2010-2011 the Panel has taken an active interest in the deployment of the Framework by undertaking a rolling programme of review for each of its six principles. This has informed the year end assessment process, helping with the update of the 'what we have in place' column, per Delivering Good Governance in South Ayrshire Council Framework, for another year's progress and refinement. Based on this, each of the corporate owners identified against the six principles have reviewed and signed off their year-end assessments, identifying further planned developments for 2011-2012 wherever appropriate.

Framework:

The Delivering Good Governance Framework that the Council has adopted is based around the self assessment questions that underpin the 'Good Governance Standard for Public Services'. The main elements of the Framework are set out below.

Principle	Supported by	Owner
1. Direction	Plans; Performance Reporting; Review	Head of Policy, Performance & Communication
2. Roles	Structures; Delegation; Research	Chief Executive
3. Values	Values; Perceptions	Chief Executive
4. Decision Making	Reporting Decisions, Effective Information, Risk Management	Head of Legal & Administration and Head of Corporate Resources
5. Skills	Competencies; Training; Development	Head of Human Resources
6. Accountability	Public Reporting; Consultation; Communication; Partnership	Head of Policy, Performance & Communication

Self assessments have been prepared to support each principle in conjunction with their five corporate owners, who were designated based on their responsibilities within the Council's Improvement Programme. This is designed to ensure that the linkages between good governance, best value and continuous improvement are fully appreciated and realised.

Assessment for 2010-2011:

The year-end assessment for all six principles have been agreed and signed off by the corporate owners. They have been put before the Scrutiny and Governance Management Panel on 28 June 2011, their observations and confirmation of the assessments being taken to the Council meeting on 30 June 2011.

These assessments continue to show that the Council has the main building blocks in place to delivering good governance and is committed to the continual development and review of its arrangements.

Principle	Main developments over 2010-2011
1. Direction	Performance Management Framework approved
	Cyclical process for developing and approved Directorate Plans
	Performance reporting to Leadership Panels and Scrutiny Panels and underpinned by workshops
2. Roles	Equality Impact Assessments built into decision making process
3. Values	Second employee survey undertaken and action plan put in place
4. Decision Making	Updated format for presentation of Panel reports
	Six monthly scrutiny of the Council's risk arrangements
5. Skills	Continued development of appraisal, leadership and training opportunities
6. Accountability	Continued high profile engagement events (Big Budget Challenge)
	Approval of Community Engagement arrangements
	Implementation of Communications Strategy
	Development of Community Planning Partnership Risk Register

Programme for 2011-2012:

Principle	Planned developments for 2011-2012
1. Direction	Refresh of the strategic planning framework, particularly the Community Plan
	Planned development of the service review process
2. Roles	Better engagement with service users and the general public
3. Values	Further development of customer focus
6. Accountability	Improved consultation processes, with consistency of application across the Council

Over the course of 2011-2012, the Scrutiny and Governance Management Panel will continue to review progress against each of the principles with the programme varied to mesh with other work, such as future governance related reports from Audit Scotland.

Assurance for 2010-2011:

We, on behalf of the Council, confirm that the assessment carried out against the Delivering Good Governance Framework represents an accurate overall picture of the Council's governance arrangements.

We also confirm the Council's commitment to following through on its development and review programme, underpinned by the programme of work outlined within the South Ayrshire Council Programme, as reflected within the Council's Directorate Plans for 2011-2014.

Signed: David D. Anderson

David Anderson, Chief Executive

30 September 2011

Signed:

Councillor Bill McIntosh, Leader of the Council

30 September 2011

Section 4: Remuneration report

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(6) (7) and 3.4.5.1 of *The Code* have been included in separate tables for remuneration paid to councillors, remuneration of senior employees and remuneration of officers in excess of £50,000.

All Information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland. All other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Arrangements for remuneration

South Ayrshire Council sets the remuneration levels for senior councillors and senior officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; the Council's policies for the improvement of the delivery of local public services; and the funds available to the Council.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. In accordance with the regulations South Ayrshire Council may have up to 1 Leader, 1 Provost and 14 senior councillors. The regulations set out the maximum that the Council may pay as remuneration of senior councillors. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salary grade within these maximum limits. In 2010-2011 South Ayrshire Council had 1 leader, 1 provost and 13 senior councillors and the remuneration paid to these Councillors totalled £341,585. 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. Remuneration of elected members, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 12 March 2009. All allowances and expenses paid to elected members follow policies and procedures and are reviewed regularly to ensure continued relevance and compliance with legislation.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committees (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/144 sets the amount of salary for the Chief Executive of South Ayrshire Council for the period 2008 to 2011. The salaries of the Executive Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary in three pay bands. Executive Directors receive 85% of the amount of the Chief Executive's salary (CO50) and Heads of Service 75% (CO33). South Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS). The scheme is described in the Pension Benefits section.

Remuneration

The following tables provide details of the remuneration of the Council's senior councillors, senior employees and the remuneration to the Managing Director of Ayr Renaissance which is a subsidiary body. A subsidiary body is an entity, including an incorporated body such as a partnership that is controlled by the Council.

The term *remuneration* means gross salary, fees & allowances, taxable expenses, and compensation for loss of employment. Amounts presented are on an accrual basis. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

The annual return of senior councillors' & senior employees' salaries and total expenses paid for 2010-2011 is available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours and is also available on the Council's website. Please follow the links on the Council's website as follows: www.south-ayrshire.gov.uk/council/expenses.

a) Remuneration of Senior Councillors and Chair of Joint Boards

Name	Post title	Gross salary & allowances	Non-cash expenses & benefits-in-kind	2010-2011 Total remuneration	2009-2010 Total remuneration
		£	£	£	£
Councillor W McIntosh	Leader of the Council Since 3 February 2010	32,470		32,470	23,191
Councillor H Hunter	Leader of the Council until 2 February 2010 *Full year equivalent £32,470*	-		-	26,398
Councillor W Sloan	Provost	24,353		24,353	24,340
Councillor D Campbell	Senior Councillor (1)	21,505		21,505	21,483
Councillor P Convery	Senior Councillor (1)	21,502		21,502	21,483
Councillor H Davies	Senior Councillor (1)	21,276		21,276	21,322
Councillor N McFarlane	Senior Councillor (1)	21,494		21,494	21,483
Councillor R Reid	Senior Councillor (1)	21,494		21,494	17,044
Councillor M Toner	Senior Councillor (1)	21,498		21,498	21,483
Councillor J Allan	Senior Councillor (2)	19,289	263	19,552	19,417
Councillor B Connolly	Senior Councillor (2)	18,920		18,920	19,008
Councillor I Douglas	Senior Councillor (2)	19,393		19,393	19,383
Councillor I Fitzsimmons	Senior Councillor (2)	19,393		19,393	19,383
Councillor J Hampton	Senior Councillor (2)	19,393		19,393	19,383
Councillor M Kilpatrick	Senior Councillor (2)/ Depute Provost	19,393		19,393	19,383
Councillor J McDowall	Senior Councillor (2)	19,393		19,393	19,383
Councillor A Oattes	Councillor	20,556		20,556	20,538
		341,322	263	**341,585**	**354,105**

Note 1 – Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2010-2011 Annual Return which is available on the Council's website.

Note 2 – The post of Senior Councillor (1) carries responsibilities of portfolio holder and Senior Councillor (2) carries responsibilities of Scrutiny Panel Chair, Depute Provost, Chair of Regulatory Panel, Appeals Panel and/or Scrutiny & Governance Management Panel.

Note 3 – Councillor A Oattes is the Chair of Ayrshire Valuation Board and is remunerated for this position. An amount of £4,060 plus on-costs were recharged to The Ayrshire Valuation Board during 2010-2011.

Note 4 – Councillor H Hunter has been excluded from the 2010-2011 figures as, from 3rd February 2010, he reverted to the position of councillor.

Total remuneration represents gross salary and is net of any deductions relating to the Home Computer Initiative (HCI) salary sacrifice scheme. Total remuneration is presented on an accruals basis. There are no taxable expenses or compensation for loss of office payments associated with the above posts.

b) Remuneration paid to Councillors

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

	2010-2011 Total remuneration	2009-2010 Total remuneration
	£	£
Salaries	567,810	567,022
Expenses	35,868	39,254
	603,678	**606,276**

The annual return of councillors' salaries and expenses for 2010-2011 is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI) which results in a minor difference.

c) Remuneration of Senior Employees

		Year ended 31 March 2011				2009-2010
Name	**Post title**	Gross salary & allowances	Taxable expenses	Non-cash expenses & benefits-in-kind	**Total Remuneration**	**Total Remuneration**
		£	£	£	**£**	**£**
D J Anderson	Chief Executive	***128,983	96	135	**129,214**	**128,226**
L Bloomer	Executive Director-Development and Environment from 4th October 2010	50,702 *Full year equivalent £104,664*	-	-	**50,702**	**-**
J G Peterkin	Deputy Chief Executive and Executive Director-Development & Environment until 30th September 2010	***58,016 *Full year equivalent £106,380*	-	-	**58,016**	**105,807**
H M Garland	Executive Director-Children & Communities	105,041	-	2,160	**107,201**	**102,737**
E Howat	Executive Director-Corporate Services	***105,685	-	-	**105,685**	**103,533**
V Andrews	Head of Legal & Administration	***75,739	-	-	**75,739**	**54,469**
C Monaghan	Head of Policy, Performance & Communication	75,426	-	290	**75,716**	**61,320**
H McLaughlin	Audit Services Programme Review Manager	49,068	-	196	**49,264**	**49,510**
		648,660	96	2,781	**651,537**	**605,602**

***Includes election fees: D. Anderson £6,755, G. Peterkin £1,200, E. Howat £800 and V. Andrews £313*

The senior employees in the table above 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) or reports directly to the Chief Executive, during the year to which the report relates, whether solely or collectively with other persons.

Gross Salary & Allowances represents gross salary and where applicable essential user allowance and is net of any deductions relating to the Home Computer Initiative (HCI) salary sacrifice scheme. Total remuneration is presented on an accruals basis.

There were no compensation for loss of office payments associated with the senior employees of the Council**.**

d) Remuneration of the Council's subsidiary body

This table sets out the remuneration paid to the Managing Director of the Council's subsidiary body.

Name	**Post title**	**Total remuneration 2010-2011**	**Total remuneration 2009-2010**
		£	**£**
D Bell	Managing Director of Ayr Renaissance	**75,426**	**73,623**

Total remuneration represents gross salary. There are no allowances, taxable expenses, non-cash expenses, benefits in kind or compensation for loss of office payments associated with the above post.

e) Officers' Remuneration

The Council's employees receiving more than £50,000 remuneration for the year, excluding pension contributions, were paid the following amounts:

Remuneration Bands	Number of Employees 2010-2011	Number of Employees 2009-2010
£50,000 - £54,999	45	40
£55,000 - £59,999	15	10
£60,000 - £64,999	5	6
£65,000 - £69,999	1	2
£70,000 - £74,999	4	10
£75,000 - £79,999	11	2
£100,000 - £104,999	2	3
£120,000 - £124,999	1	1
	84	**74**

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The term *pension benefits* covers in-year pension contributions for the employee or councillor by the Council and the named person's accrued pension benefits at the reporting date.

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 the membership to calculate the career average pay. This is the value used to calculate the pension benefits.

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

The tiers and members' contribution rate for 2010-2011 remain at the 2009-2010 rates, (due to negative increase in the cost of living index for 2010-2011) and are as follows:

Full time pay	Contribution rate 2010-2011	Contribution rate 2009-2010
On earnings up to and including £18,000	5.50%	5.50%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.50%	8.50%
On earnings above £30,000 and up to £40,000	9.50%	9.50%
On earnings above £40,000	12.00%	12.00%

If a person works part-time their contribution is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service (prior to 2009 the actual 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 accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option of commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequences of their total local government service, not just service, and not just their current employment.

a) Pension benefits of senior councillors

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

		In-year pension contributions			Accrued pension benefits	
Name	**Post title**	**For year to 31 March 2011 £**	**For year to 31 March 2010 £**		**As at 31 March 2011 £**	**Difference from 31 March 2010 £**
Councillor H Hunter	Leader of the Council	2,962	5,177	Pension	1,415	318
				Lump sum	1,771	(167)
Councillor D Campbell	Senior Councillor(1)	3,922	3,721	Pension	1,235	377
				Lump sum	1,547	30
Councillor H Davies	Senior Councillor(1)	3,922	3,721	Pension	1,263	379
				Lump sum	1,582	19
Councillor N McFarlane	Senior Councillor(1)	3,922	3,721	Pension	1,216	376
				Lump sum	1,523	38
Councillor M Toner	Senior Councillor(1)	3,922	3,721	Pension	1,263	379
				Lump sum	1,582	19
Councillor I Douglas	Senior Councillor (2)	3,539	3,357	Pension	1,143	342
				Lump sum	1,434	17
Councillor M Kilpatrick	Senior Councillor (2)	3,539	3,357	Pension	1,141	342
				Lump sum	1,428	17
Councillor A Oattes	Councillor	3,703	3,513	Pension	1,090	351
				Lump sum	1,364	59
		29,431	**30,288**		**21,997**	**2,896**

Note – the above table details the councillors previously listed in table a) "Remuneration of Senior Councillors" who are also members of the council pension scheme.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service including any service with a Council subsidiary body, and not just their current appointment.

b) Pension benefits of senior employees

The pension entitlements of senior employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

		In-year pension contributions			Accrued pension benefits	
Name	**Post title**	**For year to 31 March 2011 £**	**For year to 31 March 2010 £**		**As at 31 March 2011 £**	**Difference from 31 March 2010 £**
D J Anderson	Chief Executive	22,575	21,706	Pension	47,819	2,028
				Lump Sum	131,289	-
L Bloomer	Executive Director-Development & Environment	9,278	-	Pension	855	855
				Lump Sum	-	-
J G Peterkin	Deputy Chief Executive and Executive Director-Development & Environment	9,707	18,033	Pension	53,614	3,428
				Lump Sum	152,659	7,292
H M Garland	Executive Director - Children & Communities	19,089	17,742	Pension	37,046	2,605
				Lump Sum	100,671	2,456
E Howat	Executive Director - Corporate Services	19,089	17,742	Pension	35,841	2,576
				Lump Sum	97,058	2,367
V Andrews	Head of Legal & Administration	13,764	9,468	Pension	7,705	1,415
				Lump Sum	15,569	380
C Monaghan	Head of Policy, Performance & Communication	13,764	10,637	Pension	2,305	1,283
				Lump Sum	-	-
H McLaughlin	Audit Services Programme Review Manager	8,975	8,501	Pension	9,585	875
				Lump Sum	23,836	151
		116,241	**103,829**		**715,852**	**27,711**

c) Pension benefits of the Council's subsidiary bodies

		In-year pension contributions			Accrued pension benefits	
Name	**Post title**	**For year to 31 March 2011 £**	**For year to 31 March 2010 £**		**As at 31 March 2011 £000**	**Difference from 31 March 2010 £000**
D Bell	Managing Director of Ayr Renaissance	13,764	12,751	Pension	2,629	1,291
				Lump Sum	341	8
		13,764	**12,751**		**2,970**	**1,299**

Signed: D. G. Anderson

David Anderson, Chief Executive

30 September 2011

Signed:

Councillor Bill McIntosh, Leader of the Council

30 September 2011

Section 5: Statement on the system of internal financial control

This statement applies to the 2010-2011 Statement of Accounts for South Ayrshire Council. The statement also covers the other bodies whose activities have been incorporated into the group accounts, as detailed on pages 70 to 77, where reliance has been placed on the individual bodies' Statements of Internal Financial Control and their Chief Internal Auditors' Annual Reports. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of financial control can only ever provide reasonable and not absolute assurances that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its system of internal controls.

The main objectives of the Council's internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To ensure relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory regulations.

The Council's system of internal controls is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular the system includes:

- Comprehensive budgeting systems;
- Setting targets to measure financial and other performance;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets;
- Clearly defined capital expenditure guidelines; and
- Formal project management disciplines, as appropriate

The system of financial control is reviewed to ensure continued effectiveness by the work of managers in the Council, the work of internal and external audit in their annual report and other reports.

The Internal Audit function within South Ayrshire Council is responsible directly to the Chief Executive for the independent appraisal of the Council's internal systems of control. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in United Kingdom. The section undertook an annual programme of work approved, for 2010-2011, by the Corporate and Community Planning Standing Scrutiny Panel.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are reported directly to the Chief Executive and the Council's Scrutiny Panel.

The Council has a formal risk policy and during 2010-2011 progress on the implementation and effective use of council-wide risk registers was maintained. Updated, risk assessed directorate service plans were approved by the Leadership Panel in April 2011. Risk registers, and the embedding of risk management processes, allows for the prioritisation of risk in order to assist with the effective achievement of the Council's, and directorates', objectives.

During 2010-2011 there have been a number of investigations carried out by internal audit which resulted in "red" reports being prepared. Additionally, external consultants have also been involved in follow-up work arising from internal audit reports. In some of these cases disciplinary hearings have been convened and the audit reports have not been issued pending the final outcome of the hearings. In other cases investigations are ongoing and as yet have not reached a final outcome. The reports highlighted instances where contract standing orders have not been followed and in some cases could have financial consequences for the Council.

The deficiencies in the application of standing orders, while significant in each case, were not material in monetary terms. Nonetheless they highlighted weaknesses in the application of Standing Orders, instances of poor internal control and were detrimental to good governance. Management have reacted positively to the audit reports and have given assurance that measures will be, or already have been, put in place to prevent recurrence of such issues.

Eileen Howat

Eileen Howat BSc, CPFA

Executive Director - Corporate Services **30 September 2011**

Section 6: Core Financial Statements

I) Movement in council reserves statement for the year ended 31 March 2011

This statement shows the movement in the year on the different reserves held by the Council, analysed into “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the *Comprehensive Income and Expenditure Statement*. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net increase or decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance before any discretionary transfers to and from the earmarked reserves of the Council.

2010-2011

	General fund balance	Housing revenue account balance	Capital Grants Unapplied Account	Capital receipts reserve	Repair and renewal fund	Insurance fund	Capital fund	**Total usable reserve**	**Unusable reserves**	**Total reserves**
	£000	£000	£000	£000	£000	£000	£000	**£000**	**£000**	**£000**
Balance at 31 March 2010	13,326	18,970	384	-	139	425	1,239	**34,483**	**185,086**	**219,569**
Movement in reserves during 2010-2011										
Surplus or (deficit) on the provision of services	48,559	(1,799)	-	-	-	-	-	**46,760**	-	**46,760**
Other comprehensive income and expenditure	-	-	-	-	-	-	-	**-**	94,844	**94,844**
Total comprehensive income and expenditure	48,559	(1,799)	-	-	-	-	-	**46,760**	**94,844**	**141,604**
Adjustments between accounting basis and funding basis ***Note 9***	(43,648)	(3,211)	(189)	133	-	-	-	**(46,915)**	46,915	**-**
Net increase/(decrease) before transfer to earmarked reserves	4,911	(5,010)	(189)	133	-	-	-	**(155)**	**141,759**	**141,604**
Transfers to/from earmarked reserves ***Note 10***	(2,935)	-	-	-	4,141	-	(1,206)	**-**	-	**-**
Increase/(decrease) in 2010-2011	1,976	(5,010)	(189)	133	4,141	-	(1,206)	**(155)**	**141,759**	**141,604**
Balance at 31 March 2011	15,302	13,960	195	133	4,280	425	33	**34,328**	**326,845**	**361,173**

2009-2010 Comparative figures	General fund balance £000	Housing revenue account balance £000	Capital Grants Unapplied Account £000	Capital receipts reserve £000	Repair and renewal fund £000	Insurance fund £000	Capital fund £000	**Total usable reserve £000**	**Unusable reserves £000**	**Total reserves £000**
Revised Opening Balance as at 1 April 2009	7,452	20,520	571	-	137	425	1,463	**30,568**	**220,664**	**251,232**
Movement in reserves during 2009-2010										
Surplus or (deficit) on the provision of services	9,029	(3,453)	-	-	-	-	-	**5,576**	**-**	**5,576**
Other comprehensive income and expenditure	-	-	-	-	-	-	265	**265**	**(37,504)**	**(37,239)**
Total comprehensive income and expenditure	9,029	(3,453)	-	-	-	-	265	**5,841**	**(37,504)**	**(31,663)**
Adjustments between accounting basis and funding basis ***Note 9***	(3,642)	1,903	(187)	-	-	-	-	**(1,926)**	**1,926**	**-**
Net increase/(decrease before transfer to earmarked reserves	5,387	(1,550)	(187)	-	-	-	265	**3,915**	**(35,578)**	**(31,663)**
Transfers to/from earmarked reserves ***Note 10***	487	-	-	-	2	-	(489)	**-**	**-**	**-**
Increase/(decrease) in 2009-2010	5,874	(1,550)	(187)	-	2	-	(224)	**3,915**	**(35,578)**	**(31,663)**
Balance at 31 March 2010	13,326	18,970	384	-	139	425	1,239	**34,483**	**185,086**	**219,569**

II) Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing the Council's services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the *Movement in Reserves Statement*.

2009-2010 Gross Expenditure	2009-2010 Gross Income	2009-2010 Net Expenditure		Note	2010-2011 Gross Expenditure	2010-2011 Gross Income	2010-2011 Net Expenditure
£000	**£000**	**£000**			**£000**	**£000**	**£000**
21,958	17,233	4,725	Central Services to the Public		29,995	22,531	7,464
20,575	8,624	11,951	Cultural and Related Services		22,214	8,443	13,771
104,121	5,522	98,599	Education Services		109,120	4,122	104,998
19,684	5,901	13,783	Environmental Services		18,979	4,713	14,266
7,592	-	7,592	Fire and Rescue Services		6,071	-	6,071
24,738	23,892	846	Housing Services		23,177	23,734	(557)
38,730	35,139	3,591	General Fund Housing		41,086	36,539	4,547
7,681	4,710	2,971	Planning and Development Services		6,592	3,475	3,117
10,559	-	10,559	Police Services		8,554	-	8,554
17,781	6,999	10,782	Roads and Transportation		18,656	7,787	10,869
86,228	16,359	69,869	Social Work		86,819	14,937	71,882
2,990	162	2,828	Corporate and Democratic Core		3,689	160	3,529
3,727	298	3,429	Non Distributed Costs	*7*	4,212	47,521	(43,309)
1,088	-	1,088	Exceptional Item	6	2,491	-	2,491
367,452	**124,839**	**242,613**	**Cost of services**		**381,655**	**173,962**	**207,693**
			Other Operating Expenditure				
		(113)	*(Gain) or loss on the disposal of non current assets*				1,493
		(787)	*(Surplus) or deficit on Trading Services*	*27*			(542)
			Financing and Investment Income and Expenditure				
		13,870	*Interest payable and similar charges*				14,091
		(816)	*Interest and investment income*				(441)
		3,859	Pension interest cost and expected return on pension assets	*37*			(1,417)
		(549)	Investment property income, expenditure and changes in fair value				(502)
			Taxation and non-specific grant income	30			
		(155,399)	*Revenue support grant*				(163,039)
		(8,460)	*Recognised Capital Income*				(6,073)
		(47,008)	*Non domestic rates redistribution*				(44,685)
		(52,786)	*Council tax and community charge income*				(53,338)
		(5,576)	**(Surplus) or deficit on the provision of services**				**(46,760)**
		(60,726)	(Surplus) or deficit on the revaluation of property, plant and equipment assets				(47,723)
		(63)	(Surplus) or deficit on the revaluation of available for sale financial assets				(32)
		98,412	Actuarial (gains) or losses on pension fund assets and liabilities	*37*			(47,089)
		(384)	Other unrealised (gains) or losses				-
		37,239	**Other comprehensive income and expenditure**				**(94,844)**
		31,663	**Total comprehensive income and expenditure**				**(141,604)**

III) Balance sheet as at 31 March 2011

The Balance Sheet is a snapshot of the value at the reporting 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, i.e. those reserves that the Council may use to provides services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges). The second category of reserves is those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains or 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".

01 April 2009 £000	31 March 2010 £000		*Note*	£000	31 March 2011 £000
532,197	601,218	Property, Plant and Equipment	11	642,766	
7,918	7,922	Investment properties	12	7,874	
227	7	Intangible assets	13	178	
4,590	4,357	Long term investments	14	3,471	
64	63	Long-term debtors	14	63	
544,996	**613,567**	**Long-term Assets**			**654,352**
-	-	Short-term investments	14	1,103	
370	370	Assets held for sale	19	3,202	
501	511	Inventories	15	545	
18,596	18,135	Short-term debtors	17	19,669	
40,588	25,234	Cash and cash equivalents	18	23,045	
60,055	**44,250**	**Current Assets**			**47,564**
(2,677)	(135)	Short-term borrowing	14	(135)	
(39,554)	(41,507)	Short-term creditors	20	(40,722)	
(2,631)	(1,043)	Provisions	21	(1,367)	
(9,023)	(9,129)	Other short-term liabilities		(8,964)	
(53,885)	**(51,814)**	**Current Liabilities**			**(51,188)**
(5,005)	(4,312)	Provisions	21	(6,378)	
(187,509)	(172,510)	Long-term borrowing	14	(172,453)	
(1,046)	(993)	Other long-term liabilities (finance leases)	33	(943)	
(39,368)	(139,869)	Other long-term liabilities (pensions)	37	(43,278)	
(67,006)	(68,750)	Other long-term liabilities	14	(66,503)	
(299,934)	**(386,434)**	**Long-term Liabilities**			**(289,555)**
251,232	**219,569**	**Net Assets**			**361,173**
30,568	34,483	Usable Reserves			34,328
220,664	185,086	Unusable Reserves	22		326,845
251,232	**219,569**	**Total Reserves**			**361,173**

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

Eileen Howat BSc, CPFA

Executive Director - Corporate Services

30 September 2011

IV) 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 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 (i.e. borrowing) to the Council.

	2009-2010				2010-2011
£000	**£000**		*Note*	**£000**	**£000**
	(5,576)	**Net (surplus) or deficit on the provision of services**			**(46,760)**
		Adjustments to net surplus or deficit on the provision of services for non cash movements			
(17,629)		*Depreciation & impairment of fixed assets*		(26,745)	
(220)		*Amortisation of intangible assets*		(65)	
(516)		*Increase in creditors*		(1,060)	
(1,225)		*Decrease in debtors*		1,534	
10		*Decrease in stock*		34	
(2,089)		*Pension liability*		49,502	
(815)		*Carrying amount of non-current assets sold*		(3,692)	
8,659	(13,825)	*Other non cash items*		9,008	28,516
		Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities			
	927	*Proceeds from sale of property, plant and equipment, investment property and intangible assets*		2,199	2,199
	(18,474)	**Net cash flows from operating activities**	23		(16,045)
	15,654	Investing activities	24		19,527
	2,186	Financing Activities	25		(1,293)
	(634)	**Net (increase) or decrease in cash and cash equivalents**			2,189
	24,600	Cash and cash equivalents at the beginning of the reporting period			25,234
	25,234	**Cash and cash equivalents at the end of the reporting period**	18		**23,045**

Section 7: Notes to the Core Financial Statements

Note 1 Accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2010-2011 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an annual "statement of accounts" by the *Local Authority Accounts (Scotland) Regulations 1985*. Section 12 of the *Local Government in Scotland Act 2003* requires such accounts 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 2010-2011* and the *Best Value Accounting Code of Practice 2010-2011*, supported *by International Financial Reporting Standards* (IFRS).These are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. 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.

2. Transitional arrangements for the first time adoption of IFRS

These Annual Accounts are the first to be prepared by the Council on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Annual Accounts are different from the equivalent figures presented in the Audited Annual Accounts for 2009-2010. An explanation of the material differences between the amounts presented in the 2009-2010 Audited Annual Accounts and the equivalent amounts presented in this set of Annual Accounts is provided in Note 5 on page 30. Relevant figures for the 2009-2010 financial year and for the Balance Sheet at 1 April 2009 are disclosed as appropriate for the purpose of comparison.

3. Accruals of expenditure and income

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

- All known specific and material sums payable to the Council have been brought into account. Revenue from the sale of goods or the provision of services is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser or 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 gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest receivable and dividend income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4. 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 Balance Sheet and 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.

5. Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to Loans Fund principal charges. Depreciation, impairment losses and amortisations are therefore replaced by Loans Fund principal charges 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.

6. Employee benefits

Benefits payable during employment

Short term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned during the year are included in the Statement of Accounts irrespective of when payment was made. The Council has made provision for the costs of settling claims for equal pay arising before the Council implemented its equal pay strategy. An accrual is made 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.

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 as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal.

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, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post employment benefits

As part of the terms and conditions of employment of its employees, South Ayrshire Council offers retirement benefits. The Council participates in two separate pension schemes, one exclusive to teachers and the other open to all of its other employees:

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Government
- The Local Government Pension Scheme, administered by Strathclyde Pension Fund

Both schemes provide "defined benefits" to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a "defined contributions" scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government pension scheme

The Local Government Pension Scheme (LGPS) is accounted for as a "defined benefits" scheme:

- The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the "projected credit unit method" i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5%. The discount rate used by the appointed actuaries to place a value on the liability is based on a "basket" of sterling highly rated corporate bonds, with a term greater than 15 years consistent with the Scheme's liabilities
- The assets of the Strathclyde Pension Fund attributable to South Ayrshire Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property

In relation to retirement benefits, Scottish Government regulations 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 charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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 Strathclyde Pension Fund.

7. Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period: The Statement of Accounts is adjusted to reflect such events
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

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

8. Exceptional items

When items of income and expense 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 accounts, depending on how significant the items are to an understanding of the Council's financial performance.

9. Prior period adjustments

Where there has been a change in accounting policy, that change will be applied retrospectively i.e. prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimates, that change will be applied prospectively, i.e. prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement will be restated unless it is impracticable to do so.

10. 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 receivable*s*

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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council's short term deposits and most of its other lending, 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 in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Available-for-Sale assets

Available-for-sale assets are recognised on the Balance sheet when the Council becomes a party to 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 is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available-for-sale 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 – appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or deficit on Revaluation of Available-for-sale Financial Asset. The exception is where impairment losses have been incurred. These are debited to the Financing and Investing Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

11. Financial liabilities

Borrowing

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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 Income and Expenditure Account in the year of extinguishment of the original debt in accordance with accounting regulations. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Scottish Government 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.

12. Foreign currency translation

Where the Council has entered into transactions denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year end, they are converted at the exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the comprehensive Income and Expenditure Statement.

13. Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for 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 held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

14. 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 (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council 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 lines in the Comprehensive Income and Expenditure Statement.

15. Inventories

Inventories include consumable stock and work-in-progress. Consumable stock brought into account is included in the Balance Sheet at the lower of cost and net realisable value. The valuation of work-in-progress has been made at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

16. Investment property

Investment properties are those that are used solely to earn rentals or for capital appreciation or both. The definition is not met if the property (land and buildings, or part of a building or both) is used in any way in the delivery of services or for administrative purposes or is held for sale in the normal course of operations.

17. Landfill allowance trading scheme

Landfill allowances became tradable in Scotland on 1 April 2008. Allowances (whether issued free by the Scottish Government or purchased from another Waste Disposal Authority) are recognised as current assets. Allowances are measured initially at their fair value. Allowances issued free by the Scottish Government are accounted for as government grants; which are recognised as current assets, with a corresponding entry to deferred income in the balance sheet. As landfill is used, a liability is recognised measured at the best estimate of the expenditure required to meet the obligation at the balance sheet date, which is normally the market price. The Scheme is currently under review and the Scottish Government has suspended penalties and trading, therefore no asset or liability has been recognised in the Statements as there is no market for the allowances.

18. 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 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

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease fair value measured at the lease's inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement)

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution 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.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property over the term of the lease. Charges are made on a straight line basis over the life of the lease.

The Council as lessor

Finance leases

The Council has no finance leases.

Operating leases

The Council as landlord has granted commercial leases of premises and sites to various tenants on a variety of lease terms. The arrangements are accounted for as operating leases. Where the Council grants an operating lease over a property, the asset s retained in the Balance Sheet. The rental income receivable is included in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

19. Property, plant and equipment

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

Recognition

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

Plant, furniture and computer equipment costing less than £6,000 are not treated as Property, Plant and Equipment and are charged to the appropriate service line in the Comprehensive Income and Expenditure Account. This de-minimus does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- 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

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

- infrastructure, community assets, and assets under construction: depreciated historical cost
- dwellings: fair value determined using the basis of existing use value for social housing (EUV-SH)
- all other assets: fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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.

Property valuations are carried out by The Royal Institute of Chartered Surveyors (RICS) professional staff within the Council's Directorate of Development and Environment or their appointed agent.

Impairment

Where indications exist that an asset may be impaired 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, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off value of disposal is not a charge against the council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. land and community assets), investment assets and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged on a straight line basis over the useful life of the assets. Depreciation is charged in the year of acquisition but no depreciation is charged in the year of disposal.

The periods of depreciation and categories of assets are detailed within Note 11 on page 38 of the South Ayrshire Council accounts.

Where a material 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 in accordance with the Council approved policy for material assets with a value in excess of £1 million. Significant components are deemed to be those whose cost is 25% or more of the total cost of the asset.

20. Overheads and support services

The net cost of central support services is fully allocated to user services with the exception of:

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

These two cost categories are defined in the CIPFA *Best Value Accounting Code of Practice 2010-2011* and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services. All overheads not defined as corporate and democratic core or non-distributable costs are fully charged to service expenditure headings. The method of allocation is determined by the individual support services and is based on the seven principles laid down in the Best Value Accounting Code of Practice. A proportion of the costs of central support services is recharged to capital projects on a similar basis.

21. Provisions, contingent assets and liabilities

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

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

22. Public private partnership schemes

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PPP operator. As the Council is deemed to control the services that are provided under its schools PPP scheme and as ownership of the schools will pass to the Council at the end of the contracts for no additional charge, the accounting regulations (*IFRIC12 Service Concession Arrangements*) require that the Council recognises the three primary schools, two secondary schools and an annex to an existing secondary school opened between 2007-2008 and 2009-2010 under the contract as part of Property, Plant and Equipment on its Balance Sheet.

The original recognition of the schools PPP assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The schools PPP assets are re-valued and depreciated in the same way as other non-current assets owned by the Council.

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

- fair value of the service received during the year – debited to the relevant service in the Income and Expenditure Statement,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income & Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income & Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP contractor
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet

23. Reserves

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year so as to be included within 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.

Reserves are classified under accounting regulations into two broad categories – **usable** which are available to support services and **unusable** which are unrealised and have a deferred impact on taxation.

Usable reserves

The Council has several statutory reserve funds within this category. The Insurance Fund is earmarked for insurance purposes. The Repairs and Renewal Fund provides funds to facilitate asset improvements and efficiencies in future years. The Capital Fund is used to meet the costs of capital investment in assets and for the repayment of the principal element of borrowings. The Council also holds two further reserves within this category, the Capital Grants Unapplied account which hold capital grants which have been received but have not yet been utilised to fund capital expenditure and the Capital Receipts Reserve which holds capital receipts which have not yet been used to fund capital expenditure.

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. The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former of these represents the store of 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 accounting reserve arising from the restatement of “financial instruments” to “fair value” 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 Comprehensive Income and Expenditure Statement. The Employee Statutory Adjustment Account absorbs the difference that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March each year.

24. VAT

In general, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Note 2 Accounting standards issued not adopted

For 2010-2011, the only accounting policy that requires to be reported relates to FRS30 *Heritage Assets*. Heritage assets are those held and maintained by a local authority in trust for future generations because of their cultural, environmental or historical associations. They are held by the authority principally for their contribution to knowledge and culture. For South Ayrshire Council, the assets involved are historical buildings, civic regalia, museums and galleries collections and artwork. These are accounted for within the category of community assets, which have a value of £0.949m.

The adoption in 2011-2012 of this standard by the Council will result in a change of accounting policy. This will require the recognition of heritage assets as a separate class of assets for the first time in the 2011-2012 financial statements in accordance with FRS30.

Note 3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government in Scotland. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The assets and liabilities of the Council have increased by £141.604m from £219.569m at 31 March 2010 to £361.173m at 31 March 2011. It is recognised that £96.591m of this is due to the reduction in the Council's share of the net liability of Strathclyde Pension Fund. The improvement in the pension fund reflects the fact that the financial assumptions at 31 March 2011 are more favourable than they were at 31 March 2010, and that the pension increase assumption has changed from being calculated on an RPI basis to a CPI basis. Employers' contribution rates and contribution strategy are being reviewed following the formal valuation as at 31 March 2011.
- The Scottish Government has reduced funding for investment in capital projects. The Council has agreed a budget to reduce the programme of work in 2011-2012 based on the level of funding available, with a further expectation that funding will continue to reduce in future years.
- A review has been carried out of all council operating leases, and 4 assets have been deemed to be reclassified as finance leases under IFRS.
- South Ayrshire Council has two deposits with Icelandic banks which are currently in default and have been impaired within the balance sheet in previous years. Assumptions have been made in terms of the expected timing of payments and the likely percentage of recovery.

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if results differ from assumptions
Equal pay/equal value claims	The Council has made a provision of £7.371m for the potential outcome of outstanding claims arising from equal pay claims, equal value claims and job evaluation appeals. As a result of recent equal pay compensation payments, there may be other groups of employees who will raise a potential claim against the Council.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.737m to the provision needed.
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 pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate would result in an increase of £46.303m in the pension liability, equating to a 10% increase.

Note 5 Transition arrangements for first time adoption of IFRS

First time adoption of International Financial Reporting Standards

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010-2011. The Code requires that for the first time, Local Authority accounts in 2010-2011 should be prepared in accordance with International Financial Reporting Standards (except in instances where the Code allows departures), and the comparative figures for the 2008-2009 and 2009-2010 Balance Sheets as well as the 2009-2010 Comprehensive Income and Expenditure Statement should be restated from UK Generally Accepted Accounting Principles (UK GAAP) where required. Although the general requirement is to apply the requirements of IFRS retrospectively, IFRS 1 permits limited exceptions to this requirement. The Code clearly specifies which exemptions from retrospective application are available to local authorities. Therefore, the Council has made use of the following exemptions available under the Code:

Depreciated Historical Cost - The Revaluation Reserve was first introduced in the SORP (Statement of Recommended Practice) on 1 April 2007. As part of the transition arrangements to the Revaluation Reserve, the SORP required the reserve to be established with a zero balance on 1 April 2007. The carrying amounts of an authority's assets were deemed to be their depreciated historical cost. The Code preserves this treatment. Paragraph 10.1.1.8 of the Code states that the depreciated historical cost of an asset at 1 April 2009 (the transition date) is it's depreciated historical cost at 31 March 2009 under the SORP. With the exception of assets where the carrying amount is restated due to other accounting policy changes (for example, leased assets and non-current assets held for sale), authorities should carry forward depreciated historical cost figures without any restatement. Without this exception, the retrospective application of IAS 16 (International Accounting Standard) would have required authorities to have estimated the revaluation reserve balance for each item of property, plant and equipment based on the transactions and events that had occurred since the asset was recognised on the Balance Sheet.

IFRIC 4 Determining Whether an Arrangement Contains a Lease - IFRIC (International Financial Reporting Interpretations Committee) 4 requires authorities to review their contractual arrangements and assess whether these contracts contain, in substance, a lease. Where this is the case, authorities will need to separate the lease from the remainder of the contract, and account for the lease in accordance with IAS 17 and the Code. Where arrangements were in place prior to 1 April 2009 (the transition date), the Code requires authorities to make the assessment of whether an arrangement contains a lease based on the facts and circumstances existing at that date (i.e. 1 April 2009). This approach has been taken due to the complex nature of such arrangements, and the difficulties of establishing what information would have been available at the inception of the arrangement. Instead, authorities can rely on the information available about conditions applying at the transition date.

The following information details the adjustments which have been implemented on transition to IFRS compliant 2009-2010 opening financial statements resulting in the net effect shown in the Balance Sheet and Comprehensive Income and Expenditure statement below.

Adjustment 1 - *IAS 20 Accounting for Government Grants and disclosure of Government assistance* – Under IFRS accounting the Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants have been written out of the liabilities in the balance sheet, recognised through the Comprehensive Income & Expenditure Statement (CIES) and subsequently transferred from the General Fund to the Capital Adjustment Account. A revenue grant classified as a creditor under UK GAAP was recognised as income for the year under IFRS and therefore an adjustment was made to reflect the income in the CIES.

Adjustment 2 – *IAS 17 Leases* – A lease classified as an operating lease under UK GAAP was subsequently re-categorised as a finance lease under the IFRS standard. This required the Council to recognise the asset on the balance sheet and subsequent creditor at the inception of the lease, and determine the value of the asset and liability at 31 March 2009. The liability has been added to the balance sheet, split between current liabilities and long term liabilities. The asset had been impaired to a zero net book value and therefore there is no adjustment in the assets section of the balance sheet. The debit to the Capital Adjustment Account (CAA) reflects the cost of the depreciation and subsequent impairment which had been reversed out of the HRA General Fund to neutralise the impact in accordance with statutory requirements. The additional cost to the general fund reflects the greater impact of the interest charges resulting from a finance lease, over the rental payment made under its treatment as an operating lease.

Adjustment 3 – *IAS 40 Investment property* – Under the strict criteria of IAS 40, the Council had £7.174m of property which had to be re-categorised out of investment property because it did not meet the IFRS requirements to be classified as such. IAS 40 also requires all revaluation gains and losses arising from investment properties to be recognised in the CIES. Statutory mitigation has been put in place to allow Councils to reverse the impact of these gains and losses from the General Fund to the CAA in order to avoid the Council Tax payer being liable for any losses. Under UK GAAP the gains and losses on revaluation went through the Revaluation Reserve, and as such there was a requirement under IFRS to transfer this balance to the CAA for the reason explained above.

Adjustment 4 – *IAS 16 Property plant and equipment and IFRS 5 Non current assets held for sale and discontinued operations* - Assets re-classified as held for sale under IFRS were transferred to current assets.

Adjustment 5 – *IAS 19 Employee Benefits* – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned at 31 March 2010 and the actual amount of holidays taken. For South Ayrshire Council, the excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £5.754m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Employee Statutory Mitigation Account. This has been reflected in the adjustment above.

Adjustment 6 – *IAS 7 Cash Flow Statement* – Under IFRS, the Council must show cash and cash equivalents as a single balance on the face of the CIES. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the overdraft balance as the latter is considered by the Council to integral to the day to day cash management of the organisation.

Adjustment 7 – *IAS 37 Provisions, contingent liabilities and contingent assets* – An adjustment has been made to reflect that fact that under IFRS, provisions must be split between current and non-current, which is determined by the expected timescales for the settlement of the liability.

The reconciliation to IFRS from the previous UK GAAP accounts is summarised in the following tables.

Comprehensive Income and Expenditure Statement	**SORP based 2009-2010**	IFRS Transition Adjustment 2009-2010	**IFRS based 2009-2010**
	£000	£000	**£000**
Central Services to the Public	4,662	63	4,725
Cultural and Related Services	11,688	263	11,951
Education Services	97,695	904	98,599
Environmental Services	13,671	112	13,783
Fire and Rescue Services	7,592	-	7,592
Housing Services	621	225	846
General Fund Housing	3,485	106	3,591
Planning and Development Services	2,678	293	2,971
Police Services	10,559	-	10,559
Roads and Transportation	10,476	306	10,782
Social Work	69,595	274	69,869
Corporate and Democratic Core	2,825	3	2,828
Non Distributed Costs	3,058	371	3,429
Exceptional Item	1,088	-	1,088
Cost of services	**239,693**	2,920	**242,613**
Other Operating Expenditure			
(Gain) or loss on the disposal of fixed assets	(113)	-	(113)
(Surplus) or deficit on Trading Services	(820)	33	(787)
Financing and Investment Income and Expenditure			
Interest payable and similar charges	13,867	3	13,870
Interest and investment income	(816)	-	(816)
Pension interest cost and expected return on pension assets	3,859	-	3,859
Investment property income, expenditure and changes in fair value	-	(549)	(549)
Taxation and non-specific grant income			
Revenue support grant	(155,399)	-	(155,399)
Recognised Capital Income	-	(8,460)	(8,460)
Non domestic rates redistribution	(47,008)	-	(47,008)
Council tax and community charge income	(52,786)	-	(52,786)
(Surplus) or deficit on the provision of services	**477**	(6,053)	**(5,576)**
(Surplus) or deficit on the revaluation of property, plant and equipment assets	(60,774)	48	(60,726)
(Surplus) or deficit on the revaluation of available for sale financial assets	(63)	-	(63)
Actuarial (gains) or losses on pension fund assets and liabilities	98,412	-	98,412
Other unrealised (gains) or losses	(384)	-	(384)
Other comprehensive income and expenditure	**37,191**	48	**37,239**
Total comprehensive income and expenditure	**37,668**	(6,005)	**31,663**

Balance Sheet	31 March 2009	Opening IFRS Transition Adjustment	01 April 2009	SORP Movements 2009-2010	IFRS Transition Adjustment 2009-2010	31 March 2010
	£000	£000	£000	£000	£000	£000
Property, Plant and Equipment						
Council dwellings	**191,618**	**-**	**191,618**	58,548	-	**250,166**
Other land and building	**277,125**	7,115	**284,240**	5,818	(115)	**289,943**
Vehicles, plant, furniture and equipment	**4,263**	61	**4,324**	1,963	(18)	**6,269**
Community assets	**951**	-	**951**	(1)	-	**950**
Infrastructure	**42,749**	-	**42,749**	1,219	-	**43,968**
Assets under construction	**439**	-	**439**	1,660	-	**2,099**
Surplus assets	**8,261**	(385)	**7,876**	(60)	7	**7,823**
Investment property	**15,092**	(7,174)	**7,918**	37	(33)	**7,922**
Intangible assets	**227**	-	**227**	(220)	-	**7**
Long term investments	**4,590**	-	**4,590**	(233)	-	**4,357**
Long-term debtors	**64**	-	**64**	(1)	-	**63**
Long-term Assets	**545,379**	(383)	**544,996**	68,730	(159)	**613,567**
Short-term investments	**44,588**	(44,588)	**-**	-	-	**-**
Assets held for sale	**-**	370	**370**	-	-	**370**
Inventories	**501**	-	**501**	10	-	**511**
Short-term debtors	**18,596**	-	**18,596**	(479)	18	**18,135**
Cash and cash equivalents	**(4,000)**	44,588	**40,588**	(15,336)	(18)	**25,234**
Current Assets	**59,685**	370	**60,055**	(15,805)	-	**44,250**
Short-term borrowing	**(2,677)**	-	**(2,677)**	234	2,308	**(135)**
Short-term creditors	**(34,381)**	(5,173)	**(39,554)**	936	(2,889)	**(41,507)**
Provisions	**-**	(2,631)	**(2,631)**	-	1,588	**(1,043)**
Other short-term liabilities	**(9,023)**	-	**(9,023)**	(106)	-	**(9,129)**
Current Liabilities	**(46,081)**	(7,804)	**(53,885)**	1,064	1,007	**(51,814)**
Provisions	**(7,636)**	2,631	**(5,005)**	2,281	(1,588)	**(4,312)**
Government grants deferred	**(20,089)**	20,089	**-**	(6,692)	6,692	**-**
Long-term borrowing	**(187,509)**	-	**(187,509)**	14,999	-	**(172,510)**
Other long-term liabilities(finance lease)	**-**	(1,046)	**(1,046)**	-	53	**(993)**
Other long-term liabilities (pensions)	**(39,368)**	-	**(39,368)**	(100,501)	-	**(139,869)**
Other long-term liabilities	**(67,006)**	-	**(67,006)**	(1,744)	-	**(68,750)**
Long-term Liabilities	**(321,608)**	21,674	**(299,934)**	(91,657)	5,157	**(386,434)**
Net Assets	**237,375**	13,857	**251,232**	(37,668)	6,005	**219,569**
Usable Reserves	30,568	-	**30,568**	3,915	-	**34,483**
Unusable Reserves	206,807	13,857	**220,664**	(41,583)	6,005	**185,086**
Total Reserves	**237,375**	13,857	**251,232**	(37,668)	6,005	**219,569**

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Note 6 Exceptional item

Equal Pay/Job evaluation/ Single Status - the Comprehensive Income and Expenditure Account includes an exceptional expenditure item of £2.491m in respect of an adjustment to the provision for equal pay claims dating from 2001-2002 and the cost of successful appeals arising from the implementation of single status.

Note 7 Material items of income and expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES), *The Code* requires a disclosure of the nature and amount of material items. As a result of the reduction in the Council's share of the Strathclyde Pension Fund's liability for past service costs arising from the change in annual up-rating of public sector pensions from RPI to CPI, a net £47.364m credit is held within Non-distributable costs. Note 37 Defined Benefit Pension Scheme on page 54 provides further detail.

Note 8 Events after the balance sheet date

The Executive Director – Corporate Services issued the unaudited Statement of Accounts on 30 June 2011. Events takings place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

Note 9 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Figures for 2009-2010 are provided in an additional table below for the purposes of comparison.

2010-2011	**Useable reserves**				**Unusable reserve**
	General fund balance	**Housing revenue account balance**	**Capital grants unapplied account**	**Capital receipts reserve**	**Net movement**
	£000	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	189	-	**(189)**
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(17,345)	(9,400)	-	-	**26,745**
Amortisation of intangible assets	(65)	-	-	-	**65**
Capital grants and contributions applied	5,680	393	-	-	**(6,073)**
Revenue expenditure funded from capital under statute	(397)	-	-	-	**397**
Net gain or loss on sale of non-current assets	(1,546)	53	-	(133)	**1,626**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	7,351	(129)			**(7,222)**
Capital expenditure charged against the general fund and HRA balances	1,170	10,120	-	-	**(11,290)**
Adjustments primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,195	514	-	-	**(1,709)**
Adjustments primarily involving the employee benefit statutory mitigation account:					
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(234)	(3)	-	-	**237**
Adjustments primarily involving the pensions reserve:					
Reversal of items relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 37)	47,839	1,663	-	-	**(49,502)**
Total Adjustments	**43,648**	**3,211**	**189**	**(133)**	**(46,915)**

2009-2010 Comparative information	Useable reserves				Unusable reserve
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Capital receipts reserve	Net movement
	£000	£000	£000	£000	£000
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	187	-	**(187)**
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(8,743)	(8,888)	-	-	**17,631**
Amortisation of intangible assets	(220)	-	-	-	**220**
Capital grants and contributions applied	8,398	62	-	-	**(8,460)**
Revenue expenditure funded from capital under statute	(433)	-	-	-	**433**
Net gain or loss on sale of non-current assets	(89)	202	-	-	**(113)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	6,726	221	-	-	**(6,947)**
Capital expenditure charged against the general fund and HRA balances	485	6,599	-	-	**(7,084)**
Adjustments primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	83	6	-	-	**(89)**
Adjustments primarily involving the employee benefit statutory mitigation account:					
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(553)	(29)	-	-	**582**
Adjustments primarily involving the pensions reserve:					
Reversal of items relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 37)	(2,012)	(76)	-	-	**2,088**
Total Adjustments	**3,642**	**(1,903)**	**187**	**-**	**(1,926)**

Note 10 Transfers to or from other statutory reserves

This note sets out the amounts set aside from the General Fund in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2010-2011. Figures for 2009-2010 are provided in an additional table below for the purposes of comparison.

2010-2011

		Transfers to or from Other Statutory Reserves		
	General Fund Balance	**Repair and Renewals Fund**	**Insurance Fund**	**Capital Fund**
	£000	**£000**	**£000**	**£000**
Use of the Capital Fund to finance capital expenditure	1,215			(1,215)
Contribution to Capital Fund from General Fund	(9)			9
Contribution to Repair & Renewal Fund from General Fund	(4,141)	4,141		
Use of Insurance Fund to meet claims and other costs of insurance	1,047		(1,047)	
Contribution to Insurance Fund from General Fund	(1,047)		1,047	
Total Adjustments	**(2,935)**	**4,141**	**-**	**(1,206)**

2009-2010 Comparative information

		Transfers to or from Other Statutory Reserves		
	General Fund Balance	**Repair and Renewals Fund**	**Insurance Fund**	**Capital Fund**
	£000	**£000**	**£000**	**£000**
Use of the Capital Fund to finance capital expenditure	510			(510)
Contribution to Capital Fund from General Fund	(21)			21
Contribution to Repair & Renewal Fund from General Fund	(2)	2		
Use of Insurance Fund to meet claims and other costs of insurance	964		(964)	
Contribution to Insurance Fund from General Fund	(964)		964	
Total Adjustments	**487**	**2**	**-**	**(489)**

Note 11 Property, plant and equipment

Movement on balances

The movements on balances for Property, Plant and Equipment are shown in the following table. Figures for 2009-2010, restated on an IFRS basis to provide consistent information, are provided in an additional table below for the purposes of comparison.

2010-2011 Movements

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2010	258,933	234,225	76,282	15,817	54,433	950	8,724	2,099	**651,463**
Addition in year	9,755	10,036	-	1,287	1,786	-		4,270	**27,134**
Disposals in year	-	-	-	-	-	-	(2,638)	-	**(2,638)**
Revaluation adjustments to revaluation reserve	(9,752)	43,598	65	-	-	-	(136)	-	**33,775**
Revaluation adjustments to CIES	-	(7,598)	-	(23)	(3)	-	(1,015)	-	**(8,639)**
Reclassification to held for sale	(1,072)	(3,024)	-	(5)	-	(1)	(1,372)	(462)	**(5,936)**
Other reclassifications	-	13	-	(152)	-	-	-	-	**(139)**
At 31 March 2011	**257,864**	**277,250**	**76,347**	**16,924**	**56,216**	**949**	**3,563**	**5,907**	**695,020**
Depreciation and Impairment									
At 1 April 2010	8,767	18,287	2,277	9,548	10,465	-	901	-	**50,245**
Depreciation charge for the year	9,266	4,968	1,530	1,292	1,406	-	112	-	**18,574**
Revaluation adjustments to revaluation reserve	(650)	(12,243)	-	-	-	-	-	-	**(12,893)**
Impairment losses to CIES	-	(2,537)	-	-	-	-	(371)	-	**(2,908)**
On disposals	(36)	(240)	-	-	-	-	(501)	-	**(777)**
Reclassification to held for sale	-	-	-	-	-	-	-	-	**-**
Other reclassifications	-	13	-	-	-	-	-	-	**13**
At 31 March 2011	**17,347**	**8,248**	**3,807**	**10,840**	**11,871**	**-**	**141**	**-**	**52,254**
Balance Sheet amount at 31 March 2011	**240,517**	**269,002**	**72,540**	**6,084**	**44,345**	**949**	**3,422**	**5,907**	**642,766**
Nature of asset holding									
Owned	240,517	268,096	-	6,054	44,345	949	3,422	5,907	**569,290**
Finance lease	-	906	-	30	-	-	-	-	**936**
PPP	-	-	72,540	-	-	-	-	-	**72,540**
	240,517	**269,002**	**72,540**	**6,084**	**44,345**	**949**	**3,422**	**5,907**	**642,766**

2009-2010
Comparative movements

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2009	227,519	226,738	72,354	12,510	51,855	951	8,580	439	**600,946**
Addition in year	7,385	7,645	3,928	3,307	2,578	-	-	1,660	**26,503**
Disposals in year	-	-	-	-	-	-	-	-	**-**
Revaluation adjustments to revaluation reserve	24,744	(13)	-	-	-	-	-	-	**24,731**
Revaluation adjustments to CIES	-	-	-	-	-	-	-	-	**-**
Reclassification to held for sale	(715)	(2)	-	-	-	(1)	(76)	-	**(794)**
Other reclassifications	-	(143)	-	-	-	-	220	-	**77**
At 31 March 2010	**258,933**	**234,225**	**76,282**	**15,817**	**54,433**	**950**	**8,724**	**2,099**	**651,463**
Depreciation and Impairment									
At 1 April 2009	35,901	13,958	894	8,186	9,106	-	704	-	**68,749**
Depreciation charge for the year	8,771	4,372	1,383	1,362	1,359	-	189	-	**17,436**
Impairment losses to revaluation reserve	(35,905)	(27)	-	-	-	-	-	-	**(35,932)**
Impairment losses to CIES	-	-	-	-	-	-	-	-	**-**
On disposals	-	-	-	-	-	-	-	-	**-**
Reclassification to held for sale	-	-	-	-	-	-	-	-	**-**
Other reclassifications	-	(16)	-	-	-	-	8	-	**(8)**
At 31 March 2010	**8,767**	**18,287**	**2,277**	**9,548**	**10,465**	**-**	**901**	**-**	**50,245**
Balance Sheet amount at 31 March 2010	**250,166**	**215,938**	**74,005**	**6,269**	**43,968**	**950**	**7,823**	**2,099**	**601,218**
Nature of asset holding									
Owned	250,166	214,999	-	6,227	43,968	950	7,823	2,099	**526,232**
Finance lease	-	939	-	42	-	-	-	-	**981**
PPP	-	-	74,005	-	-	-	-	-	**74,005**
	250,166	**215,938**	**74,005**	**6,269**	**43,968**	**950**	**7,823**	**2,099**	**601,218**
Balance Sheet amount at 31 March 2009	191,618	212,780	71,460	4,324	42,749	951	7,876	439	532,197

Depreciation

As highlighted in Note 1 Accounting Policies under “Property, Plant and Equipment” on page 26, depreciation is provided for all assets with a determinable life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below:

Category	*Sub Category*	*Useful life (years)*	*Valuer*	*Basis of Valuation*	*Date of last full valuation*
Other land and buildings	Specialised buildings	10 to 40	James Barr Ltd	Depreciated Replacement Cost /Existing use (MV-DRC/EUV)	31-Mar-11
	Buildings	5 to 99	Estates Manager	Open Market Value Existing Use (OMVEU/EUV)	31-Mar-08
	Land	Up to 999	Estates Manager	Open Market Value Existing Use (OMVEU/EUV)	31-Mar-08
Council dwellings	~	30	Estates Manager	Net Realisable Value ‘Beacon Principle’ (EUVSH)	31-Mar-10
Vehicles	~	0 to 7	Transport Manager	Net Realisable Value (NRV)	Not Applicable
Infrastructure assets	~	Up to 40	Not applicable	Historical Cost	Not Applicable
Assets under construction	~	5 to 99	Not applicable	Historical Cost	Not Applicable
Community assets	~	99 to 999	Not applicable	Historical Cost	Not Applicable
Schools PPP assets	~	50	Estates Manager	Depreciated replacement cost/existing use (MV-DRC/EUV)	Not Applicable

Effect of changes in estimates

The Council made no material changes to its accounting estimates for Property, Plant & Equipment during the year.

Commitments under capital contracts

At 31 March 2011, the Council has approved capital investment programmes for both General Services and Housing for 2011-2012 for construction or enhancement of Property, Plant and Equipment.

	General Services £000	**Housing £000**	**Total £000**
Expenditure			
Capital investment	4,046	16,595	**20,641**
Externally funded projects	9,953	-	**9,953**
	13,999	**16,595**	**30,594**
Sources of finance			
Prudential borrowing	2,000	3,578	**5,578**
Capital grants and contributions	11,999	643	**12,642**
Capital funded from current revenue	-	12,374	**12,374**
	13,999	**16,595**	**30,594**

Revaluation programme

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment that ensures all its PPE assets required to be measured at fair value are re-valued at least every five years. The measurement bases used for determining the gross carrying amount; the valuers and the significant assumptions applied in estimating the fair values are disclosed separately in Note 1 Accounting Policies under "Property, Plant & Equipment" on page 26.

Valued at fair value as at:	Council dwellings £000	Other land and buildings £000	Non operational assets £000	Total £000
31-Mar-11	-	217,131	10	**217,141**
31-Mar-10	251,547	-	368	**251,915**
31-Mar-09	-	4,042	2,174	**6,216**
31-Mar-08	-	21,244	38	**21,282**
31-Mar-07	-	1,529	15,307	**16,836**

Note 12 Investment properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	31 March 2011 £000	31 March 2010 £000
Rental income from investment property	502	489
Total	**502**	**489**

There is no restriction on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	31 March 2011	31 March 2010
	£000	£000
Balance at start of the year	**7,922**	**7,918**
Disposals	(48)	(65)
Net gain from fair value adjustments	-	102
Transfers:		
to/from property, plant and equipment	-	(33)
Balance at end of the year	**7,874**	**7,922**

Note 13 Intangible assets

The Council accounts for its software licences financed through the capital investment programme as intangible assets and are shown at cost. The asset is amortised over the economic life of the licenses, assessed as three years.

There have been no changes to the estimated useful life of any intangible assets during the year; there have been no revaluations, disposals or transfers of intangible assets; and no charges for impairment have been made.

The movement on Intangible Asset balances during the year is as follows:

	31 March 2011	31 March 2010
	Purchased Software Licenses	Purchased Software Licenses
	£000	£000
Balance at start of year:		
Gross carrying amounts	661	661
Accumulated amortisation	(654)	(434)
Net carrying amount at start of year	7	227
Additions:		
Purchases	84	-
Reclassifications	152	-
Amortisation for the period	(65)	(220)
Net carrying amount at end of the year	**178**	**7**
Comprising:		
Gross carrying amounts	897	661
Accumulated amortisation	(719)	(654)
	178	**7**

Note 14 Financial instruments

Categories of financial instrument

The following categories of financial instruments were carried in the Balance Sheet:

	Long Term		Current	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
Investments				
Loans and receivables	2,813	3,731	1,103	-
Available for sale financial assets	658	626	-	-
Financial assets at fair value through income and expenditure statement	-	-	-	-
Total investments	**3,471**	**4,357**	**1,103**	**-**
Debtors				
Loans and receivables	63	63	-	-
Financial assets carried at contract amounts	-	-	19,669	18,135
Total debtors	**63**	**63**	**19,669**	**18,135**
Borrowings				
Financial liabilities at amortised cost	172,453	172,510	135	135
Financial liabilities at fair value through income and expenditure statement	-	-	-	-
Total borrowings	**172,453**	**172,510**	**135**	**135**
Other long term liabilities				
Finance lease liabilities	943	993		
PPP	66,503	68,750		
Total other long term liabilities	**67,446**	**69,743**		
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	40,722	41,507
Total Creditors	**-**	**-**	**40,722**	**41,507**

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

Note b – Fair Value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique

Reclassifications between categories

The Council did not reclassify any financial assets or liabilities between categories during the year.

Income, expense, gains and losses

The income and expense, and gains and losses for Financial Instruments recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	Long Term		Current	
	31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
	£000	**£000**	**£000**	**£000**
Interest expense	(14,176)	(14,070)	(279)	(118)
Impairment losses	147	(588)	-	-
Interest payable and similar charges in surplus or deficit on the provision of services	**(14,029)**	**(14,658)**	**(279)**	**(118)**
Interest income	246	418	195	398
Interest and investment income in surplus or deficit on the provision of services	**246**	**418**	**195**	**398**
Gains on revaluation	32	63	-	-
Surplus or deficit arising from revaluation of financial assets in Other Comprehensive Income and Expenditure	**32**	**63**	**-**	**-**
Net gain or loss for the year	**(13,751)**	**(14,177)**	**(84)**	**280**

Fair values of assets and liabilities

Financial assets (represented by lending and long term debtors) and financial liabilities (represented by borrowing and long term creditors) are carried in the balance sheet at amortised cost in accordance with the accounting regulations. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The valuation date is 31 March 2011
- For loans from the Public Works Loan Board (PWLB) and other loans payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where the instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

	31 March 2011		31 March 2010	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	**285,187**	**293,424**	**288,234**	**305,913**

The fair value of the liabilities is higher 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 prevailing rates at the Balance Sheet date. This increases the fair value of financial liabilities (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2011		31 March 2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£000	**£000**	**£000**	**£000**
Loans and receivables	24,243	24,243	22,492	22,492
Long term debtors	63	63	63	63

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 15 Inventories

	Consumable Stores		Maintenance Materials		Total	
	31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**	**31 March 2011**	**31 March 2010**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	289	268	222	201	511	469
Purchases	2,876	2,820	944	961	3,820	3,781
Recognised as an expense in year	(2,843)	(2,799)	(940)	(935)	(3,783)	(3,734)
Written off balances	-	-	(3)	(5)	(3)	(5)
Balance outstanding at year end	**322**	**289**	**223**	**222**	**545**	**511**

Note 16 Construction contracts

There were no construction contracts in progress at 31 March 2011.

Note 17 Debtors

	31 March 2011 £000	31 March 2010 £000
Central government bodies	2,958	4,927
Other local authorities	189	78
NHS bodies	47	9
Trade debtors	8,565	7,738
Other entities and individuals	4,931	874
Non domestic rates	520	1,692
Council tax/community charge	2,459	2,817
Total	**19,669**	**18,135**

Note 18 Cash and cash equivalents

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

	31 March 2011 £000	31 March 2010 £000
Cash held by the authority	40	28
Bank current accounts	(1,920)	(3,394)
Short term deposits with building societies	24,925	28,600
Total cash and cash equivalents	**23,045**	**25,234**

Note 19 Assets held for sale

	Current	
	31 March 2011	31 March 2010
	£000	£000
Balance outstanding at start of year	**370**	**370**
Assets newly classified as held for sale:		
Property, plant and equipment	5,936	791
Assets declassified as held for sale:		
Property, plant and equipment	(230)	-
Revaluation gains	1,120	-
Assets disposed	(3,994)	(791)
Balance outstanding at year end	**3,202**	**370**

Note 20 Creditors

	31 March 2011	31 March 2010
	£000	£000
Central government bodies	(6,553)	(4,665)
Other local authorities	(408)	(148)
NHS bodies	(1,007)	(506)
Trade creditors	(31,020)	(31,385)
Other entities and individuals	(1,734)	(4,803)
Total	**(40,722)**	**(41,507)**

Note 21 Provisions

	Equal pay claims	Business and other grant payments outstanding	Outstanding insurance costs	Total
	£000	£000	£000	£000
Balance as at 1 April 2010	**5,277**	**44**	**34**	**5,355**
Additional provisions made in 2010-2011	2,491	304	35	2,830
Amounts used in 2010-2011	(397)	(34)	(9)	(440)
Balance as at 31 March 2011	**7,371**	**314**	**60**	**7,745**

Equal pay claims

The Council has made a provision in respect of equal pay claims and job evaluation appeals outstanding at 31 March 2011 which represents the estimated cost of successful appeals resulting from implementing single status with effect from 16 August 2008.

Business and other grant payments outstanding

This provision includes outstanding payments for enterprise grants and a community planning grant.

Insurance costs

The provision relates to the Council's share of the former Strathclyde Regional Council's insurance claims.

Note 22 Unusable reserves

Summary of year-end balances

The total for Unusable reserves in the Balance Sheet is made up of the following reserves:

	31 March 2011	31 March 2010
	£000	£000
Revaluation Reserve	109,880	63,605
Capital Adjustment Account	280,656	283,267
Financial Instrument Adjustment Account	(15,040)	(16,749)
Available for Sale Financial Instruments Reserve	618	586
Pension Reserve	(43,278)	(139,869)
Employee Statutory Mitigation Account	(5,991)	(5,754)
	326,845	**185,086**

a) Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the Council arising from the increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

		2010-11	2009-10
	£000	£000	£000
Balance at 1 April		**63,605**	**4,018**
Upward revaluation of assets	59,714		60,724
Downward valuation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(11,991)		-
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		**47,723**	**60,724**
Difference between fair value depreciation and historical cost depreciation	(1,213)		(422)
Accumulated gains on assets sold or scrapped	(235)		(715)
Amount written off to the Capital Adjustment Account		**(1,448)**	**(1,137)**
Balance at 31 March		**109,880**	**63,605**

b) Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 9 on page 33 details the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2010-2011	2009-2010
	£000	£000
Balance at 1 April	**283,267**	**277,431**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(26,745)	(17,630)
Amortisation of intangible assets	(65)	(220)
Revenue expenditure funded from capital under statute	(397)	(433)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,626)	113
	254,434	259,261
Adjusting amounts written out of the revaluation reserve	1,448	1,137
Net written out amount of the cost of non-current assets consumed in the year	255,882	260,398
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,944	8,460
Application of grants to capital financing from the capital grants unapplied account	318	187
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	7,222	6,947
Capital expenditure charged against the general fund and HRA balances	11,290	7,084
	280,656	283,076
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-	62
Other items credited to the Comprehensive Income and Expenditure Statement	-	129
Balance at 31 March	**280,656**	**283,267**

c) Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

		2010-2011	2009- 2010
	£000	£000	£000
Balance at 1 April		**(16,749)**	**(16,767)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-		(9)
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	445		454
Fair value effective interest rate adjustment in line with statutory requirements	(78)		(131)
Net impairment on Icelandic deposit written to FIAA	185		(296)
Balance on Icelandic impairment written out to the Comprehensive Income and Expenditure Statement in accordance with statutory requirements	1,157		-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement		**1,709**	**18**
Balance at 31 March		**(15,040)**	**(16,749)**

d) Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

	2010-2011 £000	2009- 2010 £000
Balance at 1 April	**586**	**523**
Upward revaluation of investments	32	63
Balance at 31 March	**618**	**586**

e) Pension reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010-2011 £000	2009-2010 £000
Balance at 1 April	**(139,869)**	**(39,368)**
Actuarial gains or losses on pensions assets and liabilities	47,089	(98,412)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	49,502	(2,089)
Balance at 31 March	**(43,278)**	**(139,869)**

f) Employee Statutory Mitigation Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

	2010-2011 £000	2009-2010 £000
Balance at 1 April	**(5,754)**	**(5,173)**
Settlement or cancellation of accrual made at the end of the preceding year	5,754	5,173
Amounts accrued at the end of the current year	(5,991)	(5,754)
Balance at 31 March	**(5,991)**	**(5,754)**

Note 23 Cash flow statement – operating activities

The cash flows for operating activities include the following items:

	31 March 2011 £000	31 March 2010 £000
Interest received	(227)	(1,235)
Interest paid	13,939	14,216
Total cash and cash equivalents	**13,712**	**12,981**

Note 24 Cash flow statement – investing activities

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment, investment property and intangible assets	27,218	26,480
Other payments for investing activities	65	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,199)	(927)
Proceeds from short term and long term investments	-	(761)
Other receipts from investing activities	(5,557)	(9,138)
Net cash flows from investing activities	**19,527**	**15,654**

Note 25 Cash flow statement – financing activities

	31 March 2011 £000	31 March 2010 £000
Cash receipts of short and long term borrowing	(3,753)	(15,361)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,203	2,136
Repayments of short and long term borrowing	135	15,169
Other payments for financing activities	122	242
Net cash flows from financing activities	**(1,293)**	**2,186**

Note 26 Amounts reported for resource allocation decisions

The standard service groups shown on the face of the Comprehensive Income and Expenditure Account are prescribed by the *Best Value Accounting Code of Practice* and are designed to make inter-authority comparisons more meaningful. These nation-wide generic groups do not reflect the local management of service delivery and budgetary responsibilities as determined by the Council.

The management of South Ayrshire Council is led by the Chief Executive, David Anderson. The operational structure of the Council is divided into the Chief Executive's Strategic Office, three service directorates plus the Miscellaneous Services Account which encompasses areas of expenditure that, due to their corporate nature, are not included within individual services' budgetary control responsibilities. Financial reports to management are prepared on a different basis from the accounting policies used in the Statement of Accounts.

	Chief Executive's Strategic Office	Children and Community	Corporate Services	Development and Environment	Miscellaneous Services	Total
2010-2011	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Grants, fees, charges & other service income	(601)	(24,133)	(58,144)	(47,057)	(1,715)	**(131,650)**
Total Income	**(601)**	**(24,133)**	**(58,144)**	**(47,057)**	**(1,715)**	**(131,650)**
Employee expenses	1,219	100,576	12,986	33,213	(218)	**147,776**
Other service expenses	226	47,281	5,918	39,145	5,964	**98,534**
Payments to third parties	1,992	58,755	244	15,929	15,554	**92,474**
Transfer payments	-	290	42,353	1,096	-	**43,739**
Total Expenditure	**3,437**	**206,902**	**61,501**	**89,383**	**21,300**	**382,523**
Net expenditure	**2,836**	**182,769**	**3,357**	**42,326**	**19,585**	**250,873**

2009-2010 Comparative figures	Chief Executive's Strategic Office £000	Children and Community £000	Corporate Services £000	Development and Environment £000	Miscellaneous Services £000	Total £000
Grants, fees, charges & other service income	(1,038)	(26,807)	(56,347)	(53,347)	795	**(136,744)**
Total Income	**(1,038)**	**(26,807)**	**(56,347)**	**(53,347)**	**795**	**(136,744)**
Employee expenses	1,006	98,364	11,976	31,306	5,487	**148,139**
Other service expenses	209	40,522	6,798	46,660	16,826	**111,015**
Payments to third parties	148	58,457	321	15,028	19,090	**93,044**
Transfer payments	-	863	40,007	1,394	-	**42,264**
Total Expenditure	**1,363**	**198,206**	**59,102**	**94,388**	**41,403**	**394,462**
Net expenditure	**325**	**171,399**	**2,755**	**41,041**	**42,198**	**257,718**

Reconciliation of Directorate Income and Expenditure to "Net Cost of Services" in the Comprehensive Income and Expenditure Statement

This table shows how the figures in the above analysis of Directorate Income and Expenditure reconcile to the amounts included in the Comprehensive Income and Expenditure Statement.

	31 March 2011 £000	31 March 2010 £000
Net expenditure in the Directorate Analysis	250,873	257,718
Amounts included in the analysis not included in the comprehensive Income and Expenditure Statement	(43,180)	(15,105)
Cost of Services in the Comprehensive Income and Expenditure Statement	**207,693**	**242,613**

This table shows how the figures in the analysis of Directorate income and expenditure reconcile to a subjective analysis of the "Surplus or Deficit on the Provision of Services" included in the Comprehensive Income and Expenditure Statement.

2010-2011	Directorate Analysis £000	Amounts not included in Income and Expenditure £000	Cost of Services £000	Corporate amounts £000	Total £000
Grants, fees, charges & other service income	(131,650)	11,250	**(120,400)**	-	**(120,400)**
Interest and investment Income			-	(441)	**(441)**
Investment property income	-	-	-	(502)	**(502)**
Income from council tax	-	-	-	(53,338)	**(53,338)**
Government grants and contributions	-	-	-	(213,797)	**(213,797)**
Total Income	(131,650)	11,250	**(120,400)**	(268,078)	**(388,478)**
Employee expenses	147,776	(5,308)	**142,468**	-	**142,468**
Other service expenses	98,534	(48,919)	**49,615**	-	**49,615**
Payments to third parties	92,474	(203)	**92,271**	-	**92,271**
Transfer payments	43,739	-	**43,739**	-	**43,739**
Interest Payments	-	-	-	14,091	**14,091**
Pension interest cost and expected return on pension assets	-		-	(1,417)	**(1,417)**
(Surplus) or Deficit on Trading services	-	-	-	(542)	**(542)**
(Gain) or loss on the disposal of fixed assets	-	-	-	1,493	**1,493**
Total Expenditure	382,523	(54,430)	**328,093**	13,625	**341,718**
Surplus or deficit on the provision of services	250,873	(43,180)	**207,693**	(254,453)	**(46,760)**

2009-2010 Comparative figures	Directorate Analysis £000	Amounts not included in Income and Expenditure £000	Cost of Services £000	Corporate amounts £000	Total £000
Grants, fees, charges & other service income	(136,744)	11,796	**(124,948)**	-	**(124,948)**
Interest and investment Income	-	-	-	(816)	**(816)**
Investment property income	-	-	-	(549)	**(549)**
Income from council tax			-	(52,786)	**(52,786)**
Government grants and contributions	-	-	-	(210,867)	**(210,867)**
Total Income	(136,744)	11,796	**(124,948)**	(265,018)	**(389,966)**
Employee expenses	148,139	(5,098)	**143,041**		**143,041**
Other service expenses	111,015	(21,570)	**89,445**	-	**89,445**
Payments to third parties	93,044	(233)	**92,811**	-	**92,811**
Transfer payments	42,264	-	**42,264**	-	**42,264**
Interest Payments	-	-	-	13,870	**13,870**
Pension interest cost and expected return on pension assets	-	-	-	3,859	**3,859**
(Surplus) or Deficit on Trading services			-	(787)	**(787)**
(Gain) or loss on the disposal of fixed assets	-	-	-	(113)	**(113)**
Total Expenditure	394,462	(26,901)	**367,561**	16,829	**384,390**
Surplus or deficit on the provision of services	257,718	(15,105)	**242,613**	(248,189)	**(5,576)**

Note 27 Trading operations

The Local Government in Scotland Act 2003 introduced a statutory duty of Best Value on local authorities in Scotland with effect from April 2003. As part of the package of reforms within the Act, the legislation governing compulsory competitive tendering (CCT) was repealed. The repeal of CCT legislation removed the requirement to achieve a prescribed annual financial objective for defined local authority services and replaced it with the requirement to identify and report the results of 'significant trading operations'. Significant trading operations are required to achieve a break-even position over a rolling three year period.

The Council previously maintained statutory trading accounts for seven activities. As part of a review of its departmental structures in December 2005, it was concluded that, with effect from 1 April 2006, the only statutory trading account to be maintained should be that of Property and Design Trading (formerly Building and Works Trading).

Although no longer required by the Code, in order to enhance comparability with private sector businesses, a notional interest charge continues to be applied to trading services to reflect their use of Council assets, by way of an explanatory note to the financial statements.

Under the requirements of IFRS the 2009-10 and 2010-11 trading account results have been restated to incorporate the impact of IAS 19 – Employee Benefits, as outlined in Note 5, Adjustment 5 detailed on page 30. The table below shows the restated favourable financial position for Property and Design Trading for the three year period ended 31 March 2011.

Property and Design Trading

	Turnover £000	Expenditure £000	Original (Surplus)/ Deficit £000	Apply interest on revenue and stock balances £000	Apply notional interest on assets held at loans fund interest rate £000	Revised (surplus)/ deficit £000
2008-2009	(11,154)	10,335	(819)	(5)	22	(802)
2009-2010	(11,796)	11,009	(787)	(10)	21	(776)
2010-2011	(11,250)	10,708	(542)	(3)	20	(525)
3 Year (Surplus)/ Deficit			**(2,148)**	**(18)**	**63**	**(2,103)**

Property, Maintenance and Construction employs 190 tradesmen and general labourers. Operations are based at two depots, Ayr and Girvan, with a 24 hour emergency service provided 365 days a year. The workload consists of maintaining the Council's 8,227 houses and around 650 other buildings. During the year Property, Maintenance and Construction carried out in the order of 28,094 repairs to the housing stock. Approximately 1,500 properties belonging to Ayrshire Housing are also maintained by this operation.

Note 28 Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2010-2011 the Council collected and paid over £16.970m and received £0.300m for providing this service.

Note 29 External audit cost

The Council has incurred the following costs in relation to the audit of the Statements of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	31 March 2011 £000	31 March 2010 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	219	225
Fees Payable to Audit Scotland in respect of fixed charge element *	93	106
Total	**312**	**331**

*includes auditors travel and subsistence, adjustment for undertaking best value audit and central costs of Audit Scotland

Note 30 Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-2011:

	31 March 2011 £000	31 March 2010 £000
Credited to taxation and non-specific grant income		
Revenue support grant	163,039	155,399
Receipted capital income	6,073	8,460
Non-Domestic Rates income	44,685	47,008
Council Tax income	53,338	52,786
Total	**267,135**	**263,653**

	31 March 2011 £000	31 March 2010 £000
Credited to services		
Government grants	63,400	60,036
Grants and contributions from other bodies	12,408	12,633
Donations	150	179
Total	**75,958**	**72,848**

The Council has not received any grants, contributions or donations which have yet to be recognised as they have conditions attached to them that will require the monies/property to be returned to the giver.

Note 31 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 influence 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 – 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 (e.g. council tax bills, housing benefits).

Members of the Council – Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2010-2011 are shown in the Remuneration Report. During 2010-2011 works and services to the value of £2.673m were commissioned from companies in which eight members had an interest. Contracts were entered into in full compliance with the Council's standing orders. During 2010-2011 there were no grants paid to voluntary organisations whereby Members of the Council had an interest. Details of the transactions during 2010-2011 are available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours.

Officers of the Council – During 2010-2011, the Chief Executive declared a pecuniary interest in accordance with section 17 of the Local Government Act 1972 in Young Scot. There were no grants paid to this organisation during the year to 31 March 2011.

Other Public Bodies – the council has substantial interests in other public bodies, details of which are disclosed in the Group balance sheet.

In addition the council received grants and income from other public bodies in 2010-2011 as follows:

- Ayrshire & Arran Health Board – grants and income of £9.530m

Assisted Organisations – the council provided funding to organisations including Grants to Voluntary Organisations, Rural Communities Fund and funding for Business Advice, which are all made up of small donations to small organisations, none of which exceeded 50% of those organisations total funding.

Note 32 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 PPP contracts), together with the resources that have been used to finance it.

	31 March 2011	31 March 2010
	£000	£000
Capital investment		
General Services	14,843	15,382
Housing Revenue Account	12,375	7,904
Total Capital Investment	**27,218**	**23,286**
Sources of finance		
Capital receipts, Grant and Contributions	8,328	10,475
External borrowing and capital funded from current revenue	18,890	12,811
Closing capital financing requirement	**27,218**	**23,286**

Note 33 Leases

Authority as Lessee

Finance leases

The Council has entered into a number of contracts for miscellaneous equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	**936**	**983**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property, plant and equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	50	49
Non Current	894	943
Finance costs payable in future years	4	7
Minimum lease payments	**948**	**999**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
No later than one year	52	52	50	49
Later than one year and not later than five years	157	175	154	172
Later than five years	739	772	739	772
	948	**999**	**943**	**993**

Operating leases

The Council has acquired vehicles, plant and equipment by entering into operating leases.

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

	31 March 2011 £000	31 March 2010 £000
No later than one year	155	236
Later than one year and not later than five years	951	780
	1,106	**1,016**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases are:

	31 March 2011 £000	31 March 2010 £000
Minimum lease payments	1,305	1,377
	1,305	**1,377**

Authority as lessor

Finance leases

The Council has not entered into any finance lease arrangements.

Operating leases

The Council has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The minimum lease payments receivable under non-cancellable leases in future years are shown in the table below. (These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews.)

	31 March 2011 £000	31 March 2010 £000
No later than one year	869	869
Later than one year and not later than five years	1,126	1,350
Later than five years	10,538	10,785
	12,533	**13,004**

Note 34 Public private partnerships and similar contracts

The Council has entered into a Public Private Partnership (PPP) agreement with Education for Ayrshire (E4a) for the construction and operation of two new secondary and three new primary schools, together with an annex to an existing secondary school. The first unitary charge payment relating to part-year costs for two primary schools and the annex to the secondary school, was made during 2007-2008. The final unitary charge payment will be made in 2039-2040, at which time the schools will transfer to Council ownership with a guarantee of no major maintenance requirements for a five-year period. All the schools were completed during 2009-2010.

Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 11 Property, Plant and Equipment on page 36.

Remaining Payments under the Agreement

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the provider fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2011 (assuming an adjusted inflation rate of 1.67% and excluding any estimation of availability and performance deductions) are as follows:

	Payment of Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable within one year	2,674	2,216	4,360	**9,250**
Payable within two to five years	12,378	8,636	17,688	**38,702**
Payable within six to ten years	18,840	11,092	22,512	**52,444**
Payable within eleven to fifteen years	23,956	10,853	22,553	**57,362**
Payable within sixteen to twenty years	29,495	11,227	22,021	**62,743**
Payable within twenty one to twenty five years	32,175	13,789	22,668	**68,632**
Payable within twenty six to thirty years	20,439	13,122	17,039	**50,600**
Total	**139,957**	**70,935**	**128,841**	**339,733**

Liabilities from PPP Arrangements

Although the payments to the provider are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide and the capital expenditure incurred plus the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the provider for the capital expenditure (the outstanding finance lease obligation) is as follows:

	2010-2011 £000	2009-2010 £000
Balance outstanding at start of year	**73,089**	**71,244**
Increases/(Reductions) during the year	(2,154)	1,845
Balance outstanding at year end	**70,935**	**73,089**

Note 35 Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2010-2011, incurring liabilities of £0.414m (£1.361m 2009-2010). This total is payable to 58 officers from the following directorates:

Number	***Directorate***
37	Children and Communities Directorate,
18	Development & Environment Directorate
3	Corporate Services Directorate

All employees accepted terms of a voluntary package as part of the Council's rationalisation of the Council prior to the financial year end or retired on the grounds of ill health.

Note 36 Pensions schemes accounted for as a defined contribution schemes

Teachers employed by the Council are members of the Teachers Superannuation Scheme, administered by the Scottish Public Pension Agency. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is not able to identify each individual body's share of the underlying liabilities on a consistent and reasonable basis and as such this is accounted for as if it were a defined contribution scheme with service revenue accounts charged with contributions payable in the year by the Council.

Note 37 Defined benefit pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council contributes to two post employment schemes:

Local government pension scheme – the Council is a recognised 'employing authority' within the meaning of the Local Government Superannuation (Scotland) Regulations, and transfers sums collected from employee members and employer contributions to Glasgow City Council, which is the administering authority. The contributions are determined by a qualified actuary on the basis of triennial valuations using the 'projected accrued benefit' method. The scheme is a defined benefit scheme providing pension benefits and life assurance for all permanent staff and has been accounted for in accordance with the requirements of International Financial Reporting Standard: IAS 19 Employee Benefits.

Teachers pension scheme – detailed in Note 36.

Transactions relating to post-employment benefits

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

	Local Government Superannuation (Scotland) Scheme	
	2010-2011 £000	2009-2010 £000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	14,383	7,624
Past service costs	(49,096)	3,228
Settlements and curtailments	-	1,206
Financing and investment income and expenditure:		
Interest cost	28,128	23,214
Expected return on scheme assets	(29,545)	(19,355)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(36,130)**	**15,917**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and (losses)	47,089	(98,412)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**47,089**	**(98,412)**
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	**(36,130)**	**15,917**
Actual amount charged against the General Fund balance for pensions in the year		
Employers' contributions payable to scheme	**11,629**	**12,134**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £63.249m.

Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Superannuation (Scotland) Scheme	
	2010-2011 £000	2009-2010 £000
Opening balance at 1 April	550,222	337,222
Current service cost	14,383	7,624
Interest cost	28,128	23,214
Contributions by scheme participants	3,969	3,852
Actuarial (gains) and losses	(44,245)	191,051
Benefits paid	(15,538)	(14,901)
Unfunded benefits paid	(1,743)	(1,694)
Past service (gains) and costs	(49,096)	3,228
Curtailments	-	1,084
Settlements paid	-	(458)
Closing balance at 31 March	**486,080**	**550,222**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Superannuation (Scotland) Scheme	
	2010-2011 £000	**2009-2010 £000**
Opening balance at 1 April	410,353	297,854
Expected rate of return	29,545	19,355
Actuarial gains and (losses)	2,844	92,639
Contribution by employer	11,629	12,134
Contributions in respect of unfunded benefits	1,743	1,694
Contributions by scheme participants	3,969	3,852
Benefits paid	(15,538)	(14,901)
Unfunded benefits paid	(1,743)	(1,694)
Settlements paid	-	(580)
Closing balance at 31 March	**442,802**	**410,353**

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.844m.

Scheme History

	2010-2011	**2009-2010**	**2008-2009**	**2007-2008**	**2006-2007**
	£000	**£000**	**£000**	**£000**	**£000**
Present value of Local Government Superannuation (Scotland) Scheme obligation	(486,080)	(550,222)	(337,222)	(379,333)	(428,999)
Fair value of assets in the Local Government Superannuation (Scotland) Scheme	442,802	410,353	297,854	379,636	386,376
Surplus/(deficit) in the scheme	**(43,278)**	**(139,869)**	**(39,368)**	**303**	**(42,623)**

Basis for estimating assets and liabilities

The valuations are as at 31 March 2011 and are provided by Hymans Robertson, the independent actuaries to Strathclyde Pension Fund.

The pension scheme assets are valued at bid value. The liabilities represent the Council's underlying long term commitment to pay retirement benefits to current and former employees. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund based on assumptions about future financial experience – principally investment return, salary grown and inflation – and discounts them to present value.

The principal assumptions used by the actuary have been:

	Local government Superannuation (Scotland) Scheme	
	2010-2011	2009-2010
Long term expected rate of return on assets in the scheme:	%	%
Equity investment	7.5	7.8
Bonds	4.9	5.0
Property	5.5	5.8
Cash	4.6	4.8
Mortality assumptions:		
Longevity at 65 for current pensioners:	Years	Years
Men	20.6	20.6
Women	23.9	23.9
Longevity at 65 for future pensioners:		
Men	22.6	22.6
Women	26.0	25.0
	%	%
Rate of inflation*	2.8	3.8
Rate of increase in salaries	5.0	5.3
Rate of increase in pensions	7.0	7.2
Rate of discounting scheme liabilities	5.5	5.5

An allowance is included for future retirements to elect to take 50% (2009-2010 50%) of the maximum additional tax free cash up to HMRC limits for pre-April 2009 service and 75% (2009-2010 75%) of the maximum tax-free cash for post-April 2009 service.

*Pension increase assumption is in line with Consumer Price Index (CPI) and has been applied historically .

The Scheme assets consist of the following categories, by proportion of the total assets held:

	Local government Superannuation (Scotland) Scheme	
	2010-2011	2009-2010
	%	%
Equity investments	77	77
Bonds	13	13
Property	6	7
Cash	4	3

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-2011 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
	%	%	%	%	%
Differences between the expected and actual return on assets	0.6	22.6	(36.7)	(10.4)	(1.2)
Experience gains and losses on liabilities	0.8	0.4	14.0	(0.2)	0.2

Note 38 Contingent liabilities

At part of its Financial Strategy 2010/13, presented to the Leadership Panel of 9 March 2010, the Council recognised the likely significant budget gap faced over the period 2011/12 to 2013/14. In recognition of this budget gap, an estimated £3.000m will be allocated from reserves to assist in meeting the potential liability required to facilitate a reduction in the workforce and deliver property savings.

Note 39 Contingent assets

There were no contingent assets arising during 2010-2011.

Note 40 Scheme of delegation for schools

The Council approved a revised Scheme of Delegation for Schools on 14 June 2011. The scheme supports the development planning and improvement agenda by providing for the carry-forward of individual school budget surpluses or deficits. As detailed in the Foreword by the Executive Director - Corporate Services on page 1, funds totalling £2.493m have been earmarked by directorates to be spent in 2011-2012, of which £0.298m relates to schools.

Note 41 Nature and extent of risks arising from financial instruments

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 meets its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by South Ayrshire Council in the annual treasury management strategy review. South Ayrshire Council provides 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.

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Standard & Poors, Fitch, and Moody's Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits for investment in respect of each financial institution.

The Council uses the creditworthiness service provided by its treasury advisors Sector. This service uses a sophisticated modelling approach with credit ratings from three credit rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by South Ayrshire Council.

The Council's maximum exposure to credit risk in relation to its cash investments in banks and building societies of £24.925m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Customers:	
Amount at 31 March 2011 (£000)	16,691
Historical experience adjusted for market conditions at 31 March 2011 (%)	**-**
Estimated maximum exposure to default and uncollectability at 31 March 2011 (£000)	**-**

The Council's gross debtor (excluding council tax, community charge and non-domestic rate income) was £20.933m against which a provision of £4.243 was made for bad and doubtful debts. Based on historical experience, the Council has therefore fully provided for its estimated maximum exposure to default and uncollectability.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £7.088m of the £20.933m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2011 £000	31 March 2010 £000
Less than three months	1,471	2,323
Three to six months	1,101	658
Six months to one year	1,730	1,648
More than one year	2,786	1,426
	7,088	**6,055**

Icelandic bank deposit – During October 2008 the Icelandic banks, Landsbanki Islands hf, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had two deposits of £3.000m and £2.000m deposited with Landsbanki, with the following maturity dates and interest rates:

	Date invested	Maturity date	Amount invested	Interest rate	Carrying amount	Impairment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Investment 1	13-Aug-08	13-Nov-08	3,000	5.85%	3,487	1,135
Investment 2	02-Sep-08	02-Dec-08	2,000	5.82%	2,314	750

All monies within the various institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in October 2008 its domestic assets and liabilities transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The current position indicates that a recovery of 94.85% could be achieved by 2018. The Council has therefore decided to recognise an impairment based on it recovering 94.85 pence in the pound.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore in calculating the impairment, the Council has used an estimated repayment timetable for Landsbanki Islands hf as a basis for its assumption about the timing of recoveries as shown in the table below.

Date	Repayment	Date	Repayment
December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

Recovery is subject to the following uncertainties and risks:

- whilst the Icelandic Courts have initially confirmed that deposits enjoy preferential creditor status, this is subject to appeal,
- the impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling,
- settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki

Failure to maintain preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore, if preferential creditor status is not upheld the recoverable amount may only be 33.00 pence in the pound.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009.

In 2008-2009 the Council took advantage of the Capital Financing regulations to defer the impact of the impairment on the General Fund and a sum of £1.048m was transferred to the Financial Instruments Adjustment Account (FIAA). The impairment was re-assessed and re-calculated at 31 March 2010 and 31 March 2011 and, based on updated information, a further £0.296m was transferred to the FIAA in line with the regulations at 31 March 2010 and £0.185m transferred from the FIAA at 31 March 2011. Further optional regulations were issued by the Scottish Government in March 2011 in order to mitigate the impact on 2010-2011. However in line with the accounting treatment contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Council has now written out the balance held on the FIAA as at 31 March 2011 to the Comprehensive Income and Expenditure Account. This has resulted in expenditure of £1.157m being charged to the Comprehensive Income and Expenditure Account in 2010-2011.

The carrying amounts of the deposits included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice on Treasury Management. This seeks to ensure that cash is available when required.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the PWLB and money markets for access to longer term funding. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

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

Re-financing risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council'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 the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash needs.

	Approved Minimum Limits	**Approved Maximum Limits**	**Actual 31 March 2011 £000**	**Actual 31 March 2010 £000**
Less than one year	0	25%	43,123	43,846
Between one and two years	0	25%	2,401	2,401
Between two and five years	0	50%	17,575	10,854
Between five and ten years	0	75%	28,494	32,534
More than ten years	0	90%	193,594	198,599
			285,187	**288,234**

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure 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 surplus or deficit on the Provision of Services 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 surplus or deficit on the Provision of Services 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 surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable rate interest rate exposure. The central treasury team will monitor interest rates within the year to adjust exposures accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

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	382
Increase in interest receivable on variable rate investments	(209)
	173
Share of overall impact debited to the HRA	**52**
Decrease in fair value of cash and cash equivalents	**10**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**22,527**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not generally invest in equity shares but does have a shareholding to the value of £0.658m in Freeport (Scotland) Ltd, which allows the Council voting rights within the company. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the share-holding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £0.658m shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk

The Council has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Section 8: Housing Revenue Account

I) Movement on the HRA statement

2009-2010 £000		£000	2010-2011 £000
(20,520)	**Balance on the HRA at the end of the previous year**		**(18,970)**
3,453	(Surplus) or deficit for the year on the HRA income and Expenditure Statement		1,799
	Adjustments between accounting basis and funding basis under statute		
(8,888)	Depreciation and Impairment of non-current assets	(9,400)	
62	Capital Grants and Contributions credited to the Comprehensive income and Expenditure Statement	393	
202	Net gain or loss on sale of non-current assets	53	
6	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	514	
(76)	Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	1,663	
221	Statutory Repayment of Debt (Loans Fund Advances)	(129)	
6,599	Capital expenditure charged to the HRA balance (CFCR)	10,120	
(29)	Net transfer to or from earmarked reserves required by legislation	(3)	
(1,903)			3,211
1,550	**(Increase) or decrease in HRA balance**		**5,010**
(18,970)	**Balance on the HRA at the end of the current year**		**(13,960)**

II) Comprehensive HRA income and expenditure account

2009-2010 £000		£000	2010-2011 £000
	Expenditure		
9,645	Repairs and maintenance	9,562	
5,178	Supervision and management	3,397	
8,888	Depreciation and impairment fixed assets	9,400	
878	Other expenditure	655	
149	Increase in bad debt provision	163	
24,738	**Total Expenditure**		**23,177**
	Income		
(22,221)	Dwelling rents	(22,210)	
(1,432)	Non dwelling rents	(1,457)	
(239)	Other income	(67)	
(23,892)	**Total Income**		**(23,734)**
846	**Net cost of HRA Services as included in the Council Comprehensive income and expenditure statement**		**(557)**
169	HRA share of Corporate and Democratic Core		160
1,015	**Net cost of HRA Service**		(397)
	Other Operating Expenditure		
(202)	(Gain) or loss on sale of HRA non-current assets		(53)
3,041	Interest payable and similar charges		2,933
(398)	Interest and investment income		(165)
(82)	Investment property income		(79)
141	Pension interest cost and expected return on pension assets		(47)
(62)	Non Specific Grant income		(393)
3,453	**Deficit for the year on HRA services**		**1,799**

Notes to the housing revenue account

Note 1 Provisions

A provision of £0.787m (£0.726m 2009-2010) is included in the balance sheet for doubtful debts on housing rents.

Note 2 Accommodation

At 31 March 2011, the Council held various types of accommodation and had the following number and types of houses:

31 March 2010 Number of houses	Type of accommodation	31 March 2011 Number of houses
2,484	One and two apartment	2,481
3,573	Three apartment	3,553
2,032	Four apartment	2,024
170	Five or more apartment	169
8,259		**8,227**

31 March 2010 Number of houses	By area	31 March 2011 Number of houses
4,744	Ayr	4,729
1,014	Troon	1,010
732	Prestwick	728
778	Maybole	773
991	Girvan	987
8,259		**8,227**

Note 3 Rent arrears

At 31 March 2011, rent arrears amounted to £1.010m (2009-2010 £0.934m), being 4.20% (2009-2010 4.6%) of gross rent collectable.

Note 4 HRA Surplus

The deficit for the year of £5.010m, when added to the surplus brought forward from 2009-2010 of £18.970m, results in an accumulated surplus of £13.960m at 31 March 2011. Members have already agreed that £0.550m should be held in reserve for weather emergencies and £10.918m is required to fund specific capital and revenue projects in future years, £0.141m is required to fund new build Council housing and £1.500m has been set aside as a general reserve for unforeseen events. This leaves a balance of £0.851m which will be considered as part of the 2012-2013 rent setting process including the ability to meet the Scottish Housing Quality Standards by 2014-2015.

Note 5 Void property lost revenue

The rental income lost due to void properties amounted to £0.451m in 2010-2011 (2009-2011 £0.413m).

Section 9: Collection of Council Tax and Community Charge

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority.

Council tax income account

2009-2010 £000		2010-2011 £000
61,879	**Gross council tax levied**	62,222
	Deduct :	
(1,779)	Exemptions	(1,855)
(88)	Disabled relief	(83)
(5,675)	Discounts	(5,675)
54,337	**Net council tax**	**54,609**
	Deduct :	
(8,753)	Council tax benefits	(9,030)
8,744	*less* government grants	9,033
16	Other items	15
(1,152)	Provision for bad debts	(1,150)
30	(Gain)/loss on benefits to be transferred to Miscellaneous Services	26
(88)	Grant on claimant error transferred to cost of collect	(98)
53,134	**In year council tax income**	**53,405**
(353)	Prior year adjustments	(72)
52,781	**Transfer to general fund**	**53,333**

Notes to the council tax and community charge income account

Note 1 Council tax income

Council tax is based on the value of a domestic property, together with a personal element which takes into account the number of the property's occupants and their circumstances.

Each property is placed in one of eight valuation bands (A to H) in accordance with their value as at 1 April 1993. The council tax charge levied for each property is calculated in proportion to the council tax charge for a Band D property by applying fractions. A discount of 25 per cent on the council tax charge is made where there are fewer than 2 residents of a property. Discounts of 50 per cent are made for unoccupied property. Persons in detention, students, people with mental disabilities etc are disregarded for council tax purposes. Reductions in council tax payable are also granted for disabled people.

The valuation bands, and the factors used in calculating the council tax payable for each valuation band, are set out below:

Valuation band	Property valuation range	Fractions
A	£0 - £27,000	6/9
B	£27,001 - £35,000	7/9
C	£35,001 - £45,000	8/9
D	£45,001 - £58,000	9/9
E	£58,001 - £80,000	11/9
F	£80,001 - £106,000	13/9
G	£106,001 - £212,000	15/9
H	Over £212,000	18/9

Councils can vary the rate of council tax discount for unoccupied homes with their area in accordance with the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004. The Council has agreed to grant a discount of 25 per cent to second homes and long term empty properties from 1 September 2005, previously the discount awarded was 50 per cent and from 1 April 2011 the discount has been set at 10 per cent. The additional council tax income collected due to the reduced level of discount requires to be transferred for the provision of new-build, affordable social housing in areas determined by the Council.

Additional income of £0.625m is included within the general fund and earmarked for use in relation to the affordable homes strategy.

Note 2 Calculation of the council tax charge base 2010-2011

	Valuation band								
Council tax band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Total number of properties	7,435	12,543	8,487	8,109	9,304	4,533	2,850	251	**53,512**
Less exemptions/deductions	299	313	251	179	115	56	28	3	**1,244**
Less adjustment for single discount	1,041	1,364	854	678	638	238	123	7	**4,943**
Less adjustment for double discount	83	108	86	88	100	43	29	5	**542**
Effective number of properties	**6,012**	**10,758**	**7,296**	**7,164**	**8,451**	**4,196**	**2,670**	**236**	**46,783**
Band D equivalent factor (D)	**6**	**7**	**8**	**9**	**11**	**13**	**15**	**18**	~
Band D equivalent number of properties	4,008	8,367	6,485	7,164	10,329	6,061	4,450	472	**47,336**
Class 17 & 24 dwellings	-	-	-	14	-	-	-	-	**14**
Total	**4,008**	**8,367**	**6,485**	**7,178**	**10,329**	**6,061**	**4,450**	**472**	**47,350**
Less provision for non-collection 2.5 per cent									1,184
Council tax base 2010-2011 (equivalent to a Band D Council tax of £1153.95)									**46,166**

Note 3 Council tax properties and council tax charges

	Valuation band								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Number of chargeable properties	6,012	10,758	7,296	7,178	8,451	4,196	2,670	236	**46,797**
Total council tax charge	£769.30	£897.52	£1,025.73	£1,153.95	£1,410.38	£1,666.82	£1,923.25	£2,307.90	

Note 4 Community Charge - Years prior to 31 March 1993

	31 March 2011 £000	**31 March 2010 £000**
Arrears written off now recovered	**5**	**5**

Section 10: Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2009-2010		2010-2011
£000		£000
44,982	**Gross charge**	45,240
	Deduct :	
(9,275)	Reliefs and remissions	(9,403)
(714)	Provision of bad debts	(717)
34,993	**Non domestic rate income**	**35,120**
(1,354)	Prior year adjustments	(885)
33,639	**Total non-domestic rate income**	**34,235**
	National non-domestic rate pool (NNDRP):	
47,008	NDRI distributable	44,685
(33,639)	Contribution to NNDRP	(34,235)
13,369		**10,450**

Notes to the non-domestic rate income account

Note 1 Non-domestic rate income / contribution from national non-domestic rate pool

With effect from 1993-1994, all non-domestic rate income collected by local authorities (from non-domestic ratepayers) is paid into a national pool and redistributed to levying authorities (unitary and island Councils). The non-domestic rate income is redistributed from the national pool in proportion to the resident population of each local authority concerned, and therefore bears no direct relationship to the amount collected by those authorities.

Note 2 Rateable subjects and values 2010-2011

Commercial subjects	Number	Rateable value £000
Shops	1,376	37,580
Public houses	115	3,287
Offices (Including banks)	675	11,276
Hotels, boarding houses, etc.	101	5,312
Industrial and freight transport subjects	880	17,156
Leisure, entertainment caravans and holiday sites	495	5,813
Garages and petrol stations	92	1,240
Cultural	28	522
Sporting subjects	146	655
Education and training	77	9,660
Public service subjects	194	5,873
Communications (non formula)	3	70
Quarries, mines etc.	9	457
Petrochemical	4	63
Religious	90	1,003
Health medical	93	4,319
Other	170	1,088
Care facilities	55	2,332
Advertising	41	81
Undertaking	28	2,832
Total all subjects	**4,672**	**110,619**

Rate levied 2010-2011: Rateable value greater than £35,000	41.40p
Rateable value less than or equal to £35,000	40.70p

Section 11: Common Good

The Common Good fund was inherited by South Ayrshire Council from Kyle and Carrick District Council following the 1996 local government re-organisation. The fund comprises five distinct sub-funds; Ayr, Troon, Prestwick, Maybole and Girvan. The Council controls 100 per cent of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves.

I) Income and expenditure account

2009-2010		Ayr	Troon	Prestwick	Maybole	Girvan	2010-2011
£000		£000	£000	£000	£000	£000	£000
	Expenditure						
446	Property costs	571	-	35	-	2	608
112	Donations and contributions	25	-	3	-	-	28
58	Other expenditure	67	-	-	-	-	67
616		**663**	**-**	**38**	**-**	**2**	**703**
	Income						
539	Rents	583	-	20	-	-	603
54	Interest on loans	22	-	3	-	-	25
13	Other income	18	-	-	-	2	20
606		**623**	**-**	**23**	**-**	**2**	**648**
(10)	**Surplus/(deficit) for year**	**(40)**	**-**	**(15)**	**-**	**-**	**(55)**
1,018	Surplus brought forward	626	34	343	2	3	1008
1,008	**Accumulated surplus**	**586**	**34**	**328**	**2**	**3**	**953**

II) Balance sheet as at 31 March 2011

2009-2010		2010-2011
£000		£000
13,583	**Long-term assets**	**14,535**
6	Long term investments	6
6	**Total long term investment**	**6**
	Current assets	
2	Inventory	2
3,405	Loans fund investment	3,142
3,407		**3,144**
16,996	**Total assets**	**17,685**
	Less: current liabilities	
21	Creditors	14
16,975	**Total assets less liabilities**	**17,671**
	Financed by:	
1,008	Revenue reserve	953
2,585	Usable capital receipts reserve	2,384
6	Available for sale financial instruments reserve	6
13,376	Revaluation reserve	14,328
16,975	**Total reserves**	**17,671**

Notes to Common Good Account

Note 1 Valuation of fixed assets

Property valuations were carried out by RICS professional staff within the Council's Directorate of Development and Environment and are at valuation dates between 2006-2007 and 2010-11 dependent on the category of asset.

Note 2 Movement in fixed assets

2010-2011 Movements

	Gross book value at 1 April 2010	Transfers	Revaluations and impairments	Gross book value at 31 March 2011
	£000	**£000**	**£000**	**£000**
Land				
Ayr	2,732	-	466	3,198
Prestwick	347	-	3	350
Troon	-	-	-	-
Girvan	10	(4)	-	6
Total land	**3,089**	**(4)**	**469**	**3,554**
Buildings				
Ayr	10,081	-	508	10,589
Prestwick	332	-	(25)	307
Troon	15	-	-	15
Girvan	-	4	-	4
Total buildings	**10,428**	**4**	**483**	**10,915**
Community assets				
Ayr	66	-	-	66
Total community assets	**66**	**-**	**-**	**66**
Total common good assets	**13,583**	**-**	**952**	**14,535**

In accordance with the Council's accounting policies no depreciation is charged on Common Good assets, as they comprise land, non-operational investment buildings and community assets.

Note 3 Usable capital receipts reserve

This reserve represents the proceeds of disposals of Common Good assets.

Note 4 Revaluation reserve

This represents the difference between the costs of fixed assets and the valuations adjusted for disposals.

Section 12: Trust Funds

At the start of 2010-2011 the Council administered 89 trust funds from local benefactors from which payments were made for specified purposes. 1 of these trust funds, Ayr Cy-pres is the amalgamation of 13 individual trusts. During 2010-11 Legal Services undertook a review of Trust funds and 5 trusts were identified as belonging to neighbouring authorities and have been transferred accordingly. One of these trusts had an external investment which is in the process of being transferred. Two trusts have been shut down during the year leaving 82 trusts currently being administered.

Of the 82 trusts held, 11 are registered with the Office of the Scottish Charity Regulator (OSCR) and have charitable status. These charitable Trusts are separately identified in the table below:

2009-2010		Registered charitable trusts	Other trusts	2010-2011
£000	**Revenue accounts**	**£000**	**£000**	**£000**
1,130	Balance at 1 April 2010	608	532	1,140
35	Income for year	18	10	28
(25)	Expenditure during year	(13)	(11)	(24)
1,140	**Balance at 31 March 2011**	**613**	**531**	**1,144**

2009-2010	Balance sheet as at 31 March	Registered charitable trusts	Other trusts	2010-2011
£000		**£000**	**£000**	**£000**
	Assets			
391	Investments	340	69	409
1,376	Current assets - temporary deposit in loans fund	754	627	1,381
1,767	**Total assets**	**1,094**	**696**	**1,790**
	Reserves			
1,140	Revenue	613	531	1,144
201	Available for sale financial instrument reserve	201	18	219
426	Capital	280	147	427
1,767	**Total reserves**	**1,094**	**696**	**1,790**

Other funds

The Council maintains additional funds in respect of the Sports Council and the Provost's Fund as shown in the table below:

2009-2010	Balance sheet as at 31 March	2010-2011
£000		**£000**
	Assets	
9	Balance due by loan fund	9
3	Investments	3
12	**Total assets**	**12**
	Reserves	
12	Revenue	12
12	**Total reserves**	**12**

Section 13: Group Accounts

Introduction

The Code of Practice requires local authorities to consider their interest in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Police, Fire and Valuation Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities.

Combining Entities

The Council has an interest in one subsidiary and six associate entities. Further details of each entity are detailed in the notes to the Group Accounts on pages 75 to 77. The subsidiary and associate entities share a common accounting period ending 31 March 2011.

The subsidiary incorporated is The Common Good Fund. The Council controls 100% of the fund, which is overseen by elected members through the appropriate Council panel.

The associate entities incorporated are:

- Strathclyde Police Joint Board
- The Board of Strathclyde Fire & Rescue
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Board
- Ayrshire Valuation Joint Board, and
- Ayr Renaissance

Five of the six associate entities are independent joint boards whose function is to provide services on behalf of its constituent councils. The representative members of each board are elected Councillors appointed by constituent authorities. South Ayrshire Council has two appointed members on each of the Strathclyde Police, and Fire Authority Joint Boards. The Council has one member representing its interests on each of the Transport Authority and Concessionary Travel Scheme Joint Boards and five members on the Ayrshire Valuation Joint Board. Ayr Renaissance was included as an associate in the group for the first time in 2009-2010. It is operated by an independent board whose function is to deliver the Council's regeneration strategy for Ayr Town Centre. The board consists of nine members in total, four Council members and five private sector members. Currently the Council members are the Executive Director – Development and Environment and three ward members.

Nature of Combination

The Council inherited its 100% interest in the subsidiary company from Kyle & Carrick District Council following the re-organisation of local government in 1996. The subsidiary has been consolidated into the group accounts on an acquisition basis. Shares of the associate companies have also been accounted for on an acquisition basis using the equity method – the Council's share of the net assets or liabilities of each entity is incorporated and adjusted each year by the Council's share of the entities' results (recognised in the Group Reserve), and its share of other gains & losses. The Council has not paid any consideration for its interests and thus there is no goodwill involved in the acquisitions.

Financial Impact of Consolidation

For two of the seven entities, the Council has a share in a net liability. The net liabilities of Police and Fire arise from the inclusion of liabilities related to the defined benefit pension scheme as required by IAS19.

The inclusion of the subsidiary and associate entities in the group Balance Sheet reduces both the reserves and net assets by £177.820m, representing the Council's share of the net assets or liabilities of the entities.

Group Core Financial Statements

I) Movement in Group Reserves Statement for the year ended 31 March 2011

This statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its subsidiaries and associates. The Council's reserves are analysed into those which are "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council's share of the reserves of its Subsidiaries and Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation).

2010-2011	Usable reserves	Unusable reserves	**Total Reserves of the Council**	Council's share of reserves of Subsidiaries and Associates	**Total Group reserves**
	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2010	34,483	185,086	**219,569**	(210,573)	**8,996**
Movement in reserves during 2010-2011					
Surplus or (deficit) on the provision of services*	46,760	-	**46,760**	16,638	**63,398**
Other comprehensive income and expenditure	-	94,844	**94,844**	16,115	**110,959**
Total comprehensive income and expenditure	46,760	94,844	**141,604**	32,753	**174,357**
Adjustments between accounting basis and funding basis	(46,915)	46,915	**-**	-	**-**
Net increase/(decrease before transfer to earmarked reserves	(155)	141,759	**141,604**	32,753	**174,357**
Transfers to/from earmarked reserves	-	-	**-**	-	**-**
Increase/(decrease) in 2010-2011	(155)	141,759	**141,604**	32,753	**174,357**
Balance at 31 March 2011	34,328	326,845	**361,173**	(177,820)	**183,353**

2009-2010 Comparative figures	Total usable reserve	Unusable reserves	**Total Reserves of the Council**	Council's share of reserves of Subsidiaries and Associates	**Total Group reserves**
	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2009	30,568	220,664	**251,232**	(127,432)	**123,800**
Movement in reserves during 2009-2010					
Surplus or (deficit) on the provision of services*	5,576	-	**5,576**	(7,267)	**(1,691)**
Other comprehensive income and expenditure	265	(37,504)	**(37,239)**	(75,874)	**(113,113)**
Total comprehensive income and expenditure	5,841	(37,504)	**(31,663)**	(83,141)	**(114,804)**
Adjustments between accounting basis and funding basis	(1,926)	1,926	**-**	-	**-**
Net increase/(decrease before transfer to earmarked reserves	3,915	(35,578)	**(31,663)**	(83,141)	**(114,804)**
Transfers to/from earmarked reserves	-	-	**-**	-	**-**
Increase/(decrease) in 2009-2010	3,915	(35,578)	**(31,663)**	(83,141)	**(114,804)**
Balance at 31 March 2010	34,483	185,086	**219,569**	(210,573)	**8,996**

**Full details provided on page72 of which there are differences in values relating to the effect of consolidating the Common Good Fund*

II) Group Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing the Council's services and its share of the results of it associates in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the *Movement in Reserves Statement*.

2009-2010				2010-2011		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
21,823	17,190	4,633	Central Services to the Public	29,860	22,473	7,387
20,394	8,624	11,770	Cultural and Related Services	22,033	8,443	13,590
104,121	5,522	98,599	Education Services	109,120	4,122	104,998
19,684	5,901	13,783	Environmental Services	18,979	4,713	14,266
7,592	-	7,592	Fire and Rescue Services	6,071	-	6,071
24,738	23,892	846	Housing Services	23,177	23,734	(557)
38,722	35,139	3,583	General Fund Housing	41,078	36,539	4,539
7,681	4,710	2,971	Planning and Development Services	6,592	3,475	3,117
10,559	-	10,559	Police Services	8,554	-	8,554
17,781	6,999	10,782	Roads and Transportation	18,656	7,787	10,869
86,228	16,359	69,869	Social Work	86,819	14,937	71,882
2,936	162	2,774	Corporate and Democratic Core	3,664	160	3,504
3,727	298	3,429	Non Distributed Costs	4,212	47,521	(43,309)
1,088	-	1,088	Exceptional Item	2,491	-	2,491
573	228	345	Common good fund	645	299	346
367,647	**125,024**	**242,623**	**Cost of services**	**381,951**	**174,203**	**207,748**
			Other Operating Expenditure			
		(113)	*(Gain) or loss on the disposal of fixed assets*			1,493
		(787)	*(Surplus) or deficit on Trading Services*			(542)
			Financing and Investment Income and Expenditure			
		13,870	*Interest payable and similar charges*			14,091
		(816)	*Interest and investment income*			(441)
		3,859	*Pension interest cost and expected return on pension assets*			(1,417)
		(549)	*Investment property income, expenditure and changes in fair value*			(502)
			Taxation and non-specific grant income			
		(155,399)	*Revenue support grant*			(163,039)
		(8,460)	*Recognised Capital Income*			(6,073)
		(47,008)	*Non domestic rates redistribution*			(44,685)
		(52,786)	*Council tax and community charge income*			(53,338)
		(5,566)	**(Surplus) or deficit on the provision of services**			**(46,705)**
		7,257	Share of the (surplus) or deficit on the provision of services by associates			(16,693)
		1,691	**Group (surplus)/deficit**			**(63,398)**
		(61,171)	(Surplus) or deficit on the revaluation of property, plant and equipment assets			(48,675)
		(69)	(Surplus) or deficit on revaluation of available for sale financial assets			(32)
		98,412	Actuarial (gains) or losses on pension fund assets and liabilities			(47,089)
		(369)	Other unrealised (gains) or losses			-
		76,310	Share of other comprehensive income and expenditure of associates			(15,163)
		113,113	**Other comprehensive income and expenditure**			**(110,959)**
		114,804	**Total comprehensive income and expenditure**			**(174,357)**

III) Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2011 of the assets and liabilities recognised by the Council and of its share of the net assets or liabilities of its associates. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).

01 April 2009 £000	31 March 2010 £000		£000	31 March 2011 £000
545,335	614,801	Property, Plant and Equipment	657,301	
7,918	7,922	Investment Properties	7,874	
227	7	Intangible assets	178	
4,590	4,363	Long term investments	3,477	
64	63	Long-term debtors	63	
558,134	**627,156**	**Long-term Assets**		**668,893**
-	-	Short term investments	1,103	
370	370	Assets held for sale	3,202	
503	513	Inventories	547	
18,596	18,135	Short-term debtors	19,669	
40,588	25,234	Cash and cash equivalents	23,045	
60,057	**44,252**	**Current Assets**		**47,566**
(2,677)	(135)	Short-term borrowing	(135)	
(39,555)	(41,528)	Short-term creditors	(40,736)	
(2,631)	(1,043)	Provisions	(1,367)	
(5,613)	(5,724)	Other short-term liabilities	(5,822)	
(50,476)	**(48,430)**	**Current Liabilities**		**(48,060)**
(5,005)	(4,312)	Provisions	(6,378)	
(143,981)	(227,548)	Investments in Associates	(195,491)	
(187,509)	(172,510)	Long-term borrowing	(172,453)	
(1,046)	(993)	Other long-term liabilities (finance leases)	(943)	
(39,368)	(139,869)	Other long-term liabilities (pensions)	(43,278)	
(67,006)	(68,750)	Other long-term liabilities	(66,503)	
(443,915)	**(613,982)**	**Long-term Liabilities**		**(485,046)**
123,800	**8,996**	**Net Assets**		**183,353**
30,568	34,483	Usable Reserves		34,328
220,664	185,086	Unusable Reserves		326,845
(127,432)	(210,573)	Group Reserves		(177,820)
123,800	**8,996**	**Total Reserves**		**183,353**

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

Eileen Howat

Eileen Howat BSc, CPFA

Executive Director - Corporate Services

30 September 2011

IV) Group cash flow statement for the year ended 31 March 2011

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Council's share of the cash flows of its associates is disregarded for the purpose of this statement as the Group Reserves are all unusable and cannot be used to fund services.

	2009-2010			2010-2011
£000	**£000**		**£000**	**£000**
	(5,566)	**Net (surplus) or deficit on the provision of services**		**(46,705)**
		Adjustments to net surplus or deficit on the provision of services for non cash movements		
(17,629)		*Depreciation & impairment of fixed assets*	(26,745)	
(220)		*Amortisation of intangible assets*	(65)	
(536)		*Increase in creditors*	(1,053)	
(1,230)		*Decrease in debtors*	1,271	
10		*Decrease in stock*	34	
(2,089)		*Pension liability*	49,502	
(815)		*Carrying amount of non-current assets sold*	(3,692)	
8,659	(13,850)	*Other non cash items*	9,008	28,260
		Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities		
927	927	*Proceeds from sale of property, plant and equipment, investment property and intangible assets*	2,199	2,199
	(18,489)	**Net cash flows from operating activities**		(16,246)
	15,669	Investing activities		19,728
	2,186	Financing Activities		(1,293)
	(634)	**Net increase or decrease in cash and cash equivalents**		2,189
	24,600	Cash and cash equivalents at the beginning of the reporting period		25,234
	25,234	**Cash and cash equivalents at the end of the reporting period**		**23,045**

Notes to Group Accounts

The notes required for the accounts of South Ayrshire Council as the holding company are disclosed separately within the financial statements on pages 21 to 61. The following notes provide additional information in relation to other combining entries.

Note 1 Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on page 21.

Note 2 Prior Year Adjustments

The Code of Practice requires that all group entities financial statements are fully IFRS compliant. No adjusting entries are therefore required to align South Ayrshire Council's accounts, in terms of IFRS requirements, with those of the other group entities in 2010-2011.

Further detail on the South Ayrshire Council adjustments can be found in Note 5 on page 30. All of the above adjustments have been fully incorporated in to the prior year comparators contained in the Group statements on pages 71 to 74.

Both the Strathclyde Police and Fire & Rescue Joint Boards have restated prior year information due to a change in accounting policy in relation to pension costs associated with injury benefits. The Group statements on pages 71 to 74 incorporate the required prior year adjustment.

Note 3 Balances held between the Council and its Associates

In accordance with UK accounting standards, no adjustments have been made in the Group Accounts for transactions conducted and balances held between the Council and its associates.

Note 4 Details of Combining Entities

In addition to the information included in the consolidated Group Accounts on pages 71 to 74, the accounting regulations require specific disclosures about the combining entities and the nature of their business.

The Common Good Fund was inherited by South Ayrshire Council from Kyle & Carrick District Council following the 1996 local government re-organisation. The Fund comprises 5 distinct sub-funds, Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves. All required disclosures are detailed on pages 67 to 68 of these accounts. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Common Good Fund.

	2010-11	2009-10
	£000	£000
Share of assets	17,685	16,996
Share of liabilities	(14)	(21)
Share of revenues	(648)	(606)
Share of (surplus)/Deficit	55	10

Strathclyde Police Joint Board is the statutory body established under the Strathclyde Combined Police Area Amalgamation Scheme Order 1995 and provides a range of policing on behalf of the 12 local authorities in the West of Scotland. In 2010-2011, South Ayrshire Council contributed £8.554m or 3.95% of the Board's estimated revenue running costs and contributed a further £0.395m in terms of a capital contribution. Its share of the year-end net liability of £161.337m (2009-2010 £182.956m) is included in the Group Balance Sheet. Copies of Strathclyde Police Service's accounts may be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2010-11	2009-10
	£000	£000
Share of assets	10,221	10,337
Share of liabilities	(171,558)	(193,293)
Share of revenues	(17,463)	(21,298)
Share of (surplus)/Deficit	(11,671)	6,796

The Board of Strathclyde Fire & Rescue is the statutory body responsible for overseeing the activities of Strathclyde Fire & Rescue, which provides emergency cover on behalf of the 12 local authorities in the West of Scotland. In 2010-11, South Ayrshire Council contributed £6.071m or 4.80% of the Board's estimated running costs. Its share of the year-end net liability of £43.706m (2009-2010 £53.369m) is included in the Group Balance Sheet. Copies of Strathclyde Fire Service's accounts may be obtained from the Treasurer to the Board of Strathclyde Fire & Rescue, Bothwell Road, Hamilton ML03 OEA. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2010-11	2009-10
	£000	£000
Share of assets	11,801	11,141
Share of liabilities	(55,507)	(64,510)
Share of revenues	(8,169)	(8,012)
Share of (surplus)/Deficit	(4,138)	2,061

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy on behalf of the twelve local authorities in the West of Scotland. The majority of its funding comes directly from the Scottish Government to fund the Rail Franchise payment and to ensure the delivery of rail services within the Board's area as specified in the rail franchise agreement. In 2010-11, South Ayrshire Council contributed £1.855m or 4.82% of the Board's estimated running costs. Its share of the year-end net asset of £7.836m (2009-10 £7.740m) is included in the Group Balance Sheet. Copies of Strathclyde Partnership for Transport accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2010-11	2009-10
	£000	£000
Share of assets	9,798	11,973
Share of liabilities	(1,962)	(4,233)
Share of revenues	(2,861)	(4,216)
Share of (surplus)/Deficit	(605)	(1,749)

Strathclyde Concessionary Travel Scheme Joint Board comprises the twelve local authorities in the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by the twelve local authorities and by a grant from the Scottish Executive. The Strathclyde Passenger Transport Executive administers the scheme on behalf of the Board. In 2010-2011, South Ayrshire Council contributed £0.157m or 6.21% of the Board's estimated running costs. Its share of the year-end net asset of £0.150m (2009-2010 £0.261m) is included in the Group Balance Sheet. Copies of Strathclyde Concessionary Travel Scheme's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2010-11	2009-10
	£000	£000
Share of assets	282	392
Share of liabilities	(132)	(131)
Share of revenues	(157)	(157)
Share of (surplus)/Deficit	112	148

Ayrshire Valuation Joint Board was established in 1996 at local government re-organisation by Act of Parliament. The Board maintains the electoral, Council tax and non-domestic rates registers for the three Councils of East, North and South Ayrshire. The Board's running costs are met by the three member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2010-2011, South Ayrshire Council contributed £0.778m or 33.35% of the Board's estimated running costs. Its share of the year-end net assets of £0.568m (2009-2010 £0.268m net liability) is included in the Group Balance Sheet. Copies of Ayrshire Valuation Joint Board's accounts may be obtained from the Treasurer to Ayrshire Valuation Joint Board, County Buildings, Wellington Square, Ayr KA7 1DR. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2010-11	2009-10
	£000	£000
Share of assets	608	284
Share of liabilities	(40)	(552)
Share of revenues	(783)	(269)
Share of (surplus)/Deficit	(384)	(6)

Ayr Renaissance was established by South Ayrshire Council as a separate arms length, Limited Liability Company, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by South Ayrshire Council. The Executive Director-Development and Environment of South Ayrshire Council sits on the board along with three council members and five private sector members. The organisations' running costs are met by South Ayrshire Council by way of an annual contribution. South Ayrshire Council contributed £0.133m during 2010-2011. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2010-11	**2009-10**
	£000	**£000**
Share of assets	1,059	1,318
Share of liabilities	(61)	(274)
Share of revenues	(172)	(161)
Share of (surplus)/Deficit	(7)	7

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Section 14: Independent Auditor's Report

Independent auditor's report to the members of South Ayrshire Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of South Ayrshire Council and its group for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the authority-only and group Movement in Reserves Statements, the Comprehensive Income and Expenditure Accounts, Balance Sheets, Cash Flow Statements, the authority-only Movement on the Housing Revenue Account Statement, the Comprehensive Housing Revenue Income and Expenditure Account, the Council Tax Income Account, the Non Domestic Rate Income Account, the Common Good Income and Expenditure Account and Balance Sheet, Trust and Other Funds Income and Expenditure Accounts and Balance Sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 6, the Executive Director-Corporate Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director-Corporate Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword by the Executive Director-Corporate Services to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the financial Statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of the local government body as at 31 March 2011 and of the income and expenditure of the group and the local government body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code or the Delivering Good Governance Framework annual Assurance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Peter Tait
Assistant Director of Audit (Local Government)
Audit Scotland
7th Floor
Plaza Tower
East Kilbride
G74 1LW

30 September 2011

Section 15: Glossary of Terms

While much of the terminology used in this report is intended to be self-explanatory, it may be useful to provide an additional definition and interpretation of the terms used.

Accounting Period
The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

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

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.

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 benefits to the Council and to the Services it provides for a period of more than one year.

Associates
These are entities (other than the subsidiary or a joint venture) in which the Council has a participating interest or over whose operating and financial policies the Council is able to exercise significant influence.

Audit of Accounts
An independent examination of the Council's financial affairs.

Balance Sheet
A statement of the record assets, liabilities and other balances at the end of the accounting period.

Capital Expenditure
Expenditures on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital Financing
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, capital receipts and grants, and revenue funding.

Capital Programme
The capital schemes the Council intends to carry out over a specified period of time.

Capital Receipt
The proceeds from the disposal of land or other non-current assets.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are municipal parks.

Consistency
The Concept that the accounting treatment of like terms within an accounting period and from one period to the next are the same.

Contingent Asset/Liability
A Contingent Asset/Liability is either:

- A possible benefit/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 benefit/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

Corporate and Democratic Core
The Corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

Creditor
Amounts owed by the council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Current Service Cost (Pension)
The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

Debtor
Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined Benefit Pension Scheme
Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

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 accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Discretionary Benefits (Pensions)
Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Entity
A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Events after the Balance Sheet Date
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

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 of use asset.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

Government Grants
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee.

IFRS
International Financial Reporting Standards

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

Infrastructure Assets
Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditures is only recoverable by the continued use of the asset created.

Intangible Assets
An intangible (non-physical asset) item may be defined as an asset when access to the future economic benefits it represents is controlled by the Council. This Council's intangible assets comprise solely of computer software licences.

Interest Cost (Pensions)
For a defined Benefit Scheme, the expected increase during the period of the scheme liabilities as benefits are one period closer to settlement.

Inventories
Items of raw materials and stores the Council has procured and holds in expectation of future use. Examples are consumables stores, raw materials and products and services in intermediate stages of completion.

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 or could be called in within the next accounting period e.g. creditors or cash overdrawn. 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 a period of time.

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

Non Distributed Costs
These are overheads for which no user now benefits and as such are not apportioned to services

National Non Domestic Rates Pool
All non domestic rates collected by local authorities are remitted to the national pool and thereafter distributed to councils by the Scottish Government.

Operating Lease
A lease where the ownership of the non-current asset remains with the lessor.

Past Service cost (Pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the “projected unit method”, reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post Employment Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment e.g. pensions in retirement.

Prior Year Adjustment
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions
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 of when they will arise are uncertain.

Public Works Loan Board (PWLB)
A Central Government Agency, which provides loans for one year and above to Councils at interest rates only marginally higher than those at which the Government can borrow itself.

Rateable Value
The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

Related Parties
Bodies or Individuals that have the potential to control or influence the Councils or to be controlled or influenced by the Council. For the Council’s purposes, related parties are deemed to include the Elected Members, the Chief Executive, its Corporate Directors and their close family and household members.

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as theses sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Reserves
The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

Residual Value
The net realisable value of an asset at the end of its useful life.

Revenue Expenditure
The day-to-day expenses of providing services.

Revenue Support Grant
A grant paid by the Scottish Government to Councils, contributing towards the general cost of their services.

Significant Interest
The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

SORP
Statement of Recommended Practice.

Temporary Borrowing
Money borrowed for a period of less than a year.

Trust Funds
Funds administered by the Council for such purposes as prizes, charities and specific projects.

Useful Economic Life
The period over which the local authority will derive benefits from the use of a non-current asset.

www.south-ayrshire.gov.uk

Corporate Services Directorate

County Buildings, Ayr, KA7 1DR