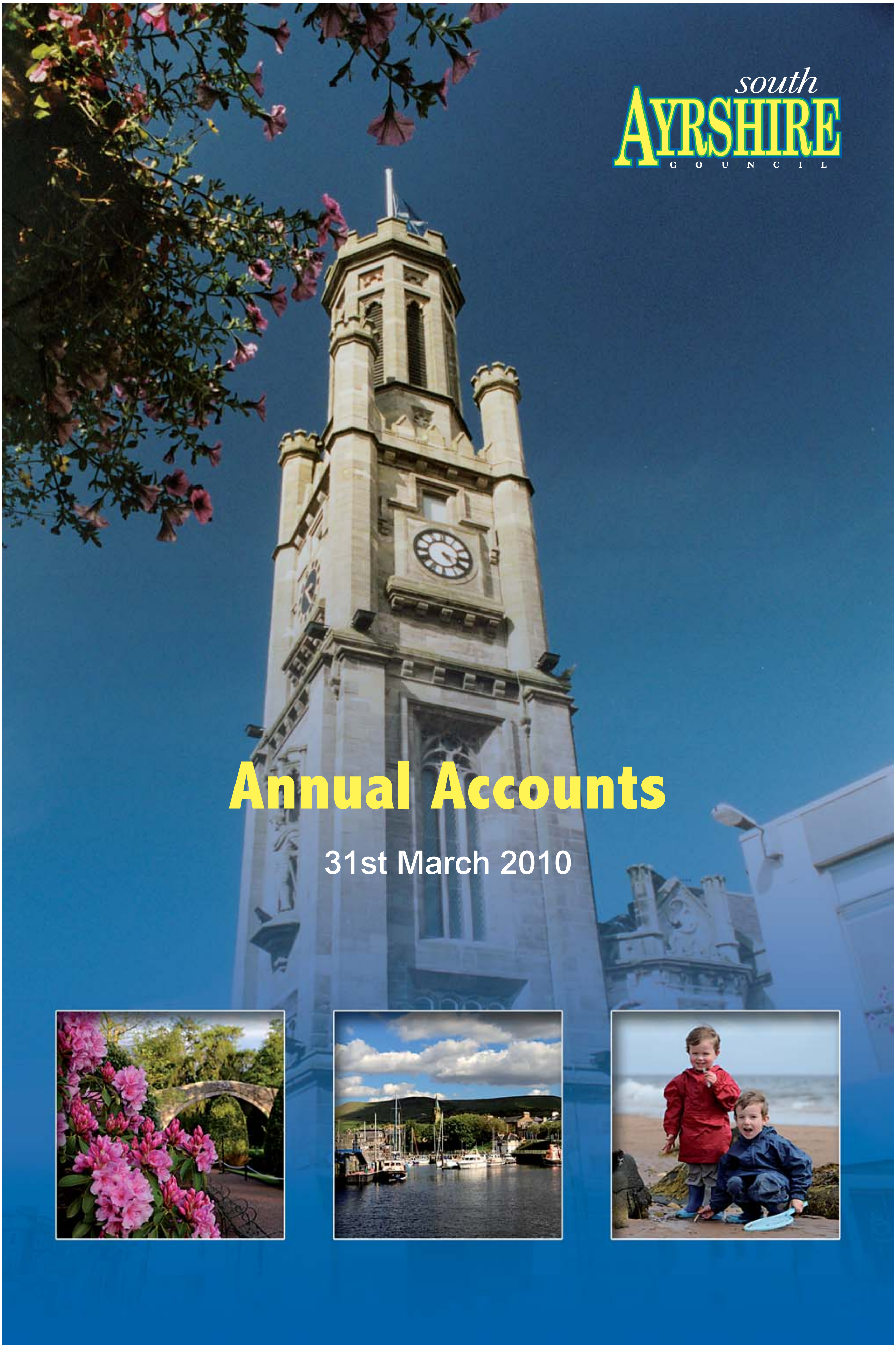

Annual Accounts

31st March 2010

Contents and Purpose

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 2010. The Statement of Accounting Policies on pages 7 to 12 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 2009/10 are set out on pages 13 to 59 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP).

The Financial Statements

Core Financial Statements:

- *The Income and Expenditure Account* 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 Statement of Movement on the General Fund Balance* shows how the Income and Expenditure Account reconciles to the movement on the Council's General Fund Balance.

- *The Statement of Total Recognised Gains and Losses* brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.

- *The Balance Sheet* provides a summary of the Council's assets, liabilities, reserves and balances at 31 March 2010. 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 HRA 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 Statement of Movement on the HRA Balance* shows how the HRA Income and Expenditure Account reconciles to the movement on the Housing Revenue Account Balance.
  - *The Notes to the Housing Revenue Account* 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 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 Reconciliation of the Single Entity Balance for the Year to the Group Balance for the Year explains the contribution of the subsidiary and associates operating results to the overall group surplus or deficit.
- The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council and its subsidiary and associates for the year and shows the aggregate change in the Group's net worth.
- 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.

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.

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.

Corporate Governance Compliance Statement

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

Financial Performance

General Fund

The Income and Expenditure Account on page 13 summarises the financial performance of the Council's General Fund and Housing Revenue Account during 2009/10. The Statement of Movement on the General Fund Balance, also on page 13, 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 £5.873m. When added to the surplus of £7.453m brought forward from 2008/09, this results in a General Fund Balance of £13.326m at 31 March 2010. The financial out-turn reflects favourably on the financial stewardship arrangements across all Council services during 2009/10.

Of the accumulated surplus of £13.326m to be carried forward to 2010/11, £0.528m requires to be set aside to assist with the financing of the Council's Schools PPP project and £2.534m is being carried forward to be spent on specific Council projects during 2010/11. Council Tax income collected in respect of second homes totalling £1.141m is earmarked to be used in delivering the Council's affordable homes strategy in future years. A further net £1.623 requires to be set aside to provide for specific projects and initiatives.

This leaves a balance of £7.500m (2.8% of the Council's total planned expenditure for 2010/11). Cipfa best practice recommends that councils should maintain reserves of between 2% and 4% of annual running costs, equivalent to between approximately £5.4m and £10.7m 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 2005/06 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 2006/07 and 2007/08, 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 2009/10 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.

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 2009/10 Accounts.

In accordance with proper accounting practice, severance costs associated with 2010/11 revenue budget decisions have been charged to the 2009/10 Income and Expenditure Account where the decision to release the member of staff was made prior to the date of signing the balance sheet. The funding included in the 2010/11 revenue budget for these severance costs is therefore available for alternative use.

Housing Revenue Account

The Housing Revenue Account on page 40 shows a reduction on the Housing Revenue Account balance of £1.550m for the year to 31 March 2010, which compares favourably to a budgeted reduction for the year of £3.119m. The planned reduction incorporated £3.119m expenditure to fund specific capital (£2.725m) and revenue projects (£0.394m), to be financed from accumulated reserves at 31 March 2010. The underspend before use of reserves is primarily due to lower than budgeted repairs spend partly related to delays in external maintenance due to the severe winter weather, lower employee costs due to vacancies and a saving in the amount set aside for the costs of job evaluation. These underspends were partly offset by lower interest received on revenue balances.

When added to the surplus brought forward from 2008/09 of £20.520m, this results in an accumulated surplus of £18.970m at 31 March 2010. The Council has already agreed that £0.550m should be held in reserve for weather emergencies, £10.632m is required to fund specific capital and revenue projects in future years, £0.563m is required to fund new build Council housing and £1.216m has been set aside as a general reserve for unforeseen events. This leaves a balance of £6.009m 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 2014/15.

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 5 on page 19, which achieved a surplus of £0.809m in 2009/10 and a cumulative surplus of £1.752m over the three-year period to 31 March 2010, thereby satisfying the statutory requirement to break-even.

Specific Capital and Revenue Funds

- *The Repair and Renewal Fund* balance increased from £0.137m at the start of the financial year to £0.139m at 31 March 2010 as a result of interest earned in the year. The Council currently has no plans for the use of this Fund and therefore plans to transfer the balance on the fund to general reserves during 2010/11. Following this transfer a review of the purpose of the fund will be undertaken.

- *The Insurance Fund* had a balance of £0.425m at 1 April 2009. Insurance premiums and payments in respect of uninsured losses totalling £0.964m were incurred during the year, offset by interest earned of £0.006m together with a contribution of £0.958m 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 2009/10.

- *The Capital Fund* was established during 2005/06, primarily to assist in funding the Council's Schools PPP project, with its main source of funding being capital receipts and interest earned. The balance on the Fund at 1 April 2009 was £1.463m. Capital receipts totalling £0.264m were invested in the Fund and interest of £0.022m was received. £0.510m was used to fund appropriate revenue expenditure during the year, leaving a balance of £1.239m at 31 March 2010. The Council has committed to using £1.215m to finance appropriate revenue expenditure during 2010/11.

Pension Fund

Financial Reporting Standard 17: Retirement Benefits (FRS17) 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 2008. The Council's balance sheet shows a pension liability of £139.869m at 31 March 2010 compared to a pension liability of £39.368m at 31 March 2009. 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 deterioration in the FRS17 position is principally due to the fact that the financial assumptions at 31 March 2010 are less favourable than they were at 31 March 2009, and the mortality assumptions have been strengthened to reflect improvements in life expectancy however 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 2009/10, will provide sufficient returns to finance future pension commitments.

Balance Sheet

The Balance Sheet on page 15 summarises the Council's net worth at 31 March 2010. Total assets have increased from £609.065m at 31 March 2009 to £661.389m at 31 March 2010, an increase of £52.324m. This is primarily due to the revaluation of council dwellings undertaken during the year. Total liabilities have increased by £89.959m to £461.649m, of which £100.501m is due to the pension fund liability increase which is offset by a combination of other factors such as reduced borrowing and reduced provisions.

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 £24.642m was incurred during the year as shown on page 23, of which £7.904m was spent on Council housing, £1.356m on private sector housing grants, £6.507m on educational properties, £2.614m on roads and transport improvements, £2.267m on Information and Communication Technology and £3.994m on other council projects.

Funding of capital expenditure included £0.927m from the sale of assets, £10.904m government grants received and £6.651m revenue funding. Long-term borrowing of £6.160m was undertaken, the repayment of which will be fully supported by government grant in future years. No prudential borrowing was undertaken in 2009/10.

Major capital projects for 2009/10 included:

- Forehill Primary School refurbishment - £1.640m
- Symington Primary School refurbishment - £0.783m
- ICT server and network infrastructure improvements - £1.292m
- Troon Hall and office complex refurbishment - £0.757m
- Internal component renewal within 342 houses - £2.525m

The Council approved a one-year capital programme for 2010/11 in February 2010. The Council is currently developing its longer-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 2010/11 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 2010 all three new primary schools, two secondary schools and the annex to the existing secondary school were fully operational. £8.675m was paid to the contractor in 'unitary charge' payments under the terms of the agreement during 2009/10. A further £0.052m was paid in respect of the purchase of additional equipment and works for the schools and £0.206m was charged to the 2009/10 Income and Expenditure Account in respect of the removal of asbestos from the old schools prior to demolition.

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. The deposits are currently subject to the Icelandic administration process, with the amount and timing of repayments determined by the appointed administrators, Ernst and Young. Following extensive discussions between CIPFA, Audit Scotland, the Accounts Commission, COSLA and the Local Government Association, it was agreed that, for those Councils with deposits in Landsbanki, the 2008/09 Accounts should be prepared based on information presented publicly by the Landsbanki Islands hf resolution committee to its creditors on 22 June 2009, i.e. a recovery of 83%. Throughout 2009/10 additional information has been released with the latest creditors meetings taking place in March and May of 2010 which indicated an increase in the likely recovery to 94.85%. 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 2008/09 and 2009/10. The extent of the potential loss will require to be kept under review by the Council when considering its overall financial position during 2010/11.

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. Further reviews will be undertaken during 2010/11 as financial markets stabilise and investors' confidence in the banking sector slowly returns.

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 £0.010m which, when added to the surplus brought forward from 2008/09, contributes to an accumulated surplus at 31 March 2010 of £1.008m. Total net worth increased in value by £0.426m to £16.975m, primarily due to the revaluation of assets held. Further detail relating to the Common Good Fund is provided on page 45.

Group Accounts

The Group Accounts on pages 48 to 55 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 £210.874m, representing the Council's share of the net liabilities in these entities.

Impact of the Recession

In recognition of the highly challenging financial environment facing the whole of the public sector, SOLACE, Directors of Finance and the Improvement Service commissioned work to provide an early planning assumption of the reduction in funding over the next spending review period. A real term reduction in funding of 12% over the period 2011/12 – 2013/14 was forecast and this equates to approximately £35m for South Ayrshire. It is also anticipated that there will be a significant reduction in capital funding over the same period.

The UK Government has announced a number of measures intended to tackle the UK budget deficit and these result in a total cut in public sector spending of £55 billion over the spending review period. The Scottish impact of this reduction will not be known until the results of the Comprehensive Spending Review due in October 2010.

During 2009/10 the recession has resulted in a fall in the level of income from rents, investments, planning fees and property sales with significant increases in demand for both housing and council tax benefit. The 2010/11 budget has been constructed to take account of the reduced income and increased demand for services.

In looking ahead the council recognises the well publicised squeeze on the Scottish Government budget post 2010/11. 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 to address the challenging financial position and is developing the Council's priorities.

Conclusion

The Council's financial position at 31 March 2010 compares favourably against the position brought forward at 1 April 2009 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 2010.

Eileen Howat

Eileen Howat BSc CPFA
Executive Director – Corporate Services
30 September 2010

Statement of Accounts Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP), and applying generally accepted accounting principles. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of fixed assets.

In accordance with FRS 18: Accounting Policies, the Council regularly reviews its accounting policies to ensure that they remain the most appropriate and further ensure that the annual accounts present fairly the financial position of the Council.

2. Prior Period Adjustments

Where material adjustments applicable to prior years have arisen due to changes in accounting policies or from the correction of fundamental errors, these have been accounted for by restating the appropriate comparative figures for the preceding period.

3. Exceptional Item – Equal Pay Compensation/Single Status Implementation

Exceptional items are items that are material in terms of an organisation's overall expenditure and are not expected to recur frequently or regularly. The cost to the Council of equal pay compensation payments and single status implementation have been classified as exceptional items and separately identified within the Net Cost of Services in the Income and Expenditure Account.

4. Accruals of Income and Expenditure

Transactions have been recorded on an accruals basis, whereby activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

5. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision.

6. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and included within the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

7. Government Grants (Revenue)

Specific government grants and subsidies are recognised as income at the date that the Council satisfies the conditions for receipt, and have been matched with the expenditure to which they relate within the Net Cost of Services.

General government grants, comprising Revenue Support Grant and Non-Domestic Rate Income, are credited to the Income and Expenditure Account after Net Operating Expenditure.

8. Overheads and Central Support Service Costs

In accordance with the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP), overheads and central support service costs have been allocated to those services that benefit from the supply or service. The costs have been allocated largely on the basis of time spent by staff. Office accommodation has been allocated on the basis of floor area occupied. Corporate and Democratic Core Costs and Non-Distributed Costs have been accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

9. Leases

Annual rentals payable under operating leases are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council had no finance lease agreements in place during 2009/10 with the exception of the Schools PPP facilities.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of service or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council for more than one financial year. Repairs and maintenance expenditure is charged to revenue as it is incurred.

Measurement: in accordance with the SORP, the following bases have been used for the valuation of fixed assets:

- Operational (specialised) properties - depreciated replacement cost/existing use (MV-DRC/EUV where available)
- Operational (non-specialised) properties - open market value in existing use (OMVEU/EUV)
- Non-operational properties - open market value (OMV/MV)
- Local authority housing stock - net realisable value 'Beacon principle' (EUVSH – Existing Use Value Social Housing)
- Infrastructure assets - historical cost
- Community assets - historical cost
- Vehicles - net realisable value (NRV)

Housing stock, land and property are re-valued on a five-year rolling programme. The latest five year revaluation programme was completed as at 31 March 2010. The valuations shown in these accounts reflect the final year of the latest five-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account.

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

Property valuations were carried out by RICS professional staff within the Council's Directorate of Development and Environment.

Impairment: where any category of fixed asset suffers an impairment loss in any financial period, this loss is recognised and charged to the Income and Expenditure Account as accelerated depreciation in that period.

Where an impairment loss is charged to the Income and Expenditure Account but where there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: When an asset is disposed or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The receipt is credited to the Useable Capital Receipts Reserve, and can then be used for new capital investment or set aside to reduce the council's underlying need to borrow. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable useful life by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

No depreciation has been charged on land, non-operational investment properties, non-operational assets under construction and community assets.

Infrastructure assets have been depreciated using the 'straight-line' method over 40 years.

Depreciation is provided on vehicles on the 'straight-line' basis at a rate based on the estimated remaining useful life of each vehicle.

All other assets have been depreciated using the 'straight-line' method over the remaining useful life of the asset. Technical officers within the owning departments determine the remaining useful lives of non-property assets. The Estates Manager determines the remaining useful lives of property assets.

Grants and Contributions: Where grants and contributions are received that are identifiable to fixed assets with a finite life, the amount is credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policies applied to them.

11. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Private sector housing grants are charged to the service revenue account in the year they are incurred and matched against the corresponding grant income.

12. Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- 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 reduce its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by this revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

13. Capital Financing

Receipts from the sale of assets, etc, are either used to fund capital expenditure or transferred to the Council's Capital Fund. Capital expenditure net of receipts, grants and contributions is financed by an advance from the Council's loans fund.

14. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term 'financial instrument' covers both financial liabilities and financial assets

a) Financial Assets

Trade Debtors: initially measured at fair value and carried at amortised cost in the Balance Sheet.

Loans Receivable, Bank Deposits and Investments: initially recognised at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principle receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available-for-sale assets: Available-for-sale assets are initially measured and carried 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.

b) Financial Liabilities

Trade Creditors: initially measured at fair value and carried at amortised cost in the Balance Sheet.

Borrowings: initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle payable (plus accrued interest) and interest debited to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

The Council actively takes advantage of prevailing interest rates in order to re-structure its debt and reduce interest charges to the revenue account. As a result of this strategy, premiums and discounts may be incurred and these are charged or credited to the General Fund in accordance with Statutory Guidance and Proper Accounting Practices. This is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15. Impairment of Financial Assets and Liabilities

In accordance with *FRS 26 Financial Instruments: Recognition and Measurement (FRS 26)*, *FRS 29 Financial Instruments: Disclosures (FRS 29)* and the SORP the Council, at each Balance Sheet date, makes an assessment as to whether there is objective evidence that financial assets or group of assets have been impaired. If such evidence exists then an appropriate impairment loss is calculated and is included in the Income and Expenditure Account.

16. Stocks and Work in Progress

Stocks are included in the balance sheet at either a weighted average price basis (computerised stock), or a 'first-in-first-out' (FIFO) basis. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

17. Interest in Companies and Other Entities

The council has material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures and therefore require it to prepare group accounts.

18. Retirement Benefits

Employees of the council have the option to join one of two separate pension schemes:

(a) ***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 *Financial Reporting Standard 17, Retirement Benefits* (FRS 17). The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to service revenue accounts in the year. An appropriation is made to/from the pension reserve so that the amount to be met from government grant and local taxpayers excludes amounts relating to pension costs and returns. The net pension asset or liability is reflected in the Balance Sheet. Full disclosure in respect of pensions is contained within the notes to the core financial statements.

(b) ***Teachers Pension Scheme*** - 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.

19. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

20. Foreign Currency Translation

The Council holds a Euro bank account. There was no balance on the bank account at 31 March 2010.

21. Private Finance Transactions

On 18 December 2006 the Council signed a Public Private Partnership (PPP) contract agreement which provided for the construction of five new schools and an annex to an existing secondary school. In addition to the construction, the contractor will provide a range of hard and soft facilities management services, including the maintenance of the schools concerned, for a 30 year concession. The Council will, in turn, provide the contractor with an appropriate interest in land on the respective sites and a unitary charge payment based on the level of service provided by the contractor to the Council.

Building work commenced in January 2007, with two primary schools and the annex to the existing secondary school made available for use by the Council during 2007/08 and a further primary and secondary school made available for use during 2008/09. The last school in the construction programme was made available for use during 2009/10.

PPP contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PPP contractor. As the Council is deemed to control the services that are provided under its PPP scheme and as ownership of the fixed assets will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used under the contract on the Balance Sheet.

The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The PPP fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment held 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 Account,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income & Expenditure Account,
- 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 Account,
- 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.

Income and Expenditure Account

2008/09 net expenditure £'000	*Service*	*2009/10 gross expenditure £'000*	*2009/10 gross income £'000*	*2009/10 net expenditure £'000*
111,594	Education Services	103,964	6,269	97,695
1,509	Housing Revenue Account	24,687	24,066	621
3,321	General Fund Housing	38,688	35,203	3,485
67,907	Social Work Services	86,018	16,423	69,595
12,657	Culture and Related Services	20,476	8,788	11,688
13,336	Environmental Services	19,622	5,951	13,671
11,206	Roads and Transport Services	17,765	7,289	10,476
3,264	Planning and Development Services	7,659	4,981	2,678
3,095	Corporate and Democratic Core	2,994	169	2,825
3,087	Non Distributed Costs	3,727	669	3,058
4,441	Other Central Services to the Public	21,169	17,285	3,884
18,099	Precepts and Levies	18,929	0	18,929
490	Exceptional item - equal pay compensation/Single Status (note 2)	1,088	0	1,088
254,006	**Net Cost of Services**	**366,786**	**127,093**	**239,693**
(440)	(Gain) or loss on the disposal of fixed assets			(112)
(819)	(Surplus) or deficit on Trading Services (note 5)			(820)
12,734	Interest payable and similar charges			13,866
(2,415)	Interest and investment income			(816)
(757)	Pension interest cost and expected return on pension assets (note 32)			3,859
262,309	**Net Operating Expenditure**			**255,670**
147,832	Revenue Support Grant			155,574
42,836	Non Domestic Rates redistribution			46,833
52,682	Council Tax and Community Charge income			52,786
243,350	**Total Income from Government Grants and Local Taxation**			**255,193**
18,959	**(Surplus) or Deficit for the Year**			**477**

Statement of Movement on the General Fund Balance

2008/09 £'000		**2009/10 £'000**
18,959	**Deficit for the year on the Income and Expenditure Account**	**477**
(23,669)	Net additional amount required by statute and non-statutory proper practice to be credited to the General Fund Balance for the year	(6,350)
(4,710)	**(Increase) or Decrease in the General Fund Balance for the year**	**(5,873)**
(2,743)	**General Fund Balance brought forward**	**(7,453)**
(7,453)	**General Fund Balance carried forward**	**(13,326)**

Supporting Analysis to the Statement of Movement on the General Fund Balance

2008/09 £'000		2009/10 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance for the year	
(220)	Amortisation of intangible fixed assets	(220)
(34,921)	Depreciation and impairment of fixed assets	(17,457)
1,293	Government grants deferred amortisation	1,769
440	Net gain on sale of fixed assets	112
(618)	Revenue funded from capital under statute	(433)
(744)	Difference between amounts debited/credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	27
(9,359)	Net charges made for retirement benefits in accordance with FRS17	(15,917)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
2,721	Loans fund principal repayments	4,811
7,108	Capital expenditure charged in-year to the General Fund Balance	9,167
12,202	Employers contributions payable to the Strathclyde Pension Fund	13,828
	Transfers to or (from) the General Fund Balance that are required to be taken into account when determining the Movement on General Fund Balance for the Year	
829	Housing Revenue Account balance	(1,550)
7	Transfer to/ (from) Repairs & Renewals Fund	2
(2,407)	Transfer to/ (from) Capital Fund	(489)
(23,669)	**Net additional amount required to be credited to the General Fund balance for the year**	**(6,350)**

Statement of Total Recognised Gains and Losses

2008/09 £'000		2009/10 £'000
18,959	**(Surplus) or deficit for the year on the Income and Expenditure Account for the year**	**477**
(710)	(Surplus) or deficit arising on revaluation of fixed assets	(60,773)
(523)	(Surplus) or deficit arising on revaluation of available-for-sale financial assets	(63)
44,170	Actuarial (gains) and losses on pension fund assets and liabilities (note 32)	98,412
1,338	Any other (gains) or losses	(383)
63,234	**Total recognised (gains) or losses for the year**	**37,670**

Balance Sheet as at 31 March 2010

2009 £'000			£'000	2010 £'000
	Fixed assets	(note 12)		
227	***Intangible fixed assets***		7	
	Tangible fixed assets:			
	Operational assets:			
191,618	Council dwellings		250,166	
277,125	Other land and buildings		282,942	
4,263	Vehicles, plant and equipment		6,226	
42,749	Infrastructure assets		43,968	
951	Community assets		950	
	Non-operational assets:			
15,092	Investment properties		15,128	
439	Assets under construction		2,099	
8,261	Surplus assets held for disposal		8,202	
540,725	**Total fixed assets**			**609,688**
4,590	Long-term investments	(note 22)		4,357
64	Long term debtors	(note 23)		63
545,379	**Total long-term assets**			**614,108**
	Current assets:			
501	Stocks and work in progress		511	
44,891	Debtors	(note 25)	45,100	
(26,294)	Provision for bad and doubtful debts	(note 25)	(26,983)	
44,588	Investments		28,618	47,246
609,065	**Total assets**			**661,354**
	Current liabilities:			
(2,677)	Borrowing repayable on demand or within 12 months		(2,443)	
(34,381)	Creditors	(note 25)	(33,446)	
(4,238)	PPP – Finance lease liability due within 12 months		(4,339)	
(4,000)	Cash overdrawn		(3,366)	
(4,785)	Due to Common Good/ sundry accounts	(note 27)	(4,790)	(48,384)
558,984	**Total assets less current liabilities**			**612,970**
	Long term liabilities:			
(187,509)	Borrowing repayable within a period in excess of 12 months	(note 28)		(172,510)
(67,006)	PPP – Finance lease liability due in excess of 12 months			(68,750)
(7,637)	Provisions	(note 26)		(5,355)
(20,089)	Government grants – deferred			(26,781)
(39,368)	Liability related to defined benefit pension scheme	(note 32)		(139,869)
237,375	**Total assets less liabilities**			**199,705**
	Financed by:	(note 29)		
4,605	Revaluation reserve			64,241
257,814	Capital adjustment account			257,014
(16,767)	Financial instruments adjustment account			(16,749)
570	Capital receipts reserve			383
523	Available for sale financial instruments reserve			586
137	Repair & renewal fund			139
1,463	Capital fund			1,239
425	Insurance fund			425
(39,368)	Pension reserve			(139,869)
7,453	General Fund balance			13,326
20,520	Housing Revenue Account balance			18,970
237,375	**Total net worth**			**199,705**

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

Eileen Howat

Eileen Howat BSc, CPFA
Executive Director - Corporate Services

30 September 2010

Cash Flow Statement

2008/09 £'000			2009/10 £'000
	Revenue activities		
	Cash outflows:		
142,864	Cash paid to or on behalf of employees	144,815	
167,473	Other operating cash payments	158,809	
11,859	Housing benefit paid out	14,459	
18,099	Precepts paid	18,929	
340,295		**337,012**	
	Cash inflows:		
6,949	Rents (after rebates)	6,996	
60,767	Council tax receipts	61,409	
42,836	National non-domestic rates receipts from national pool	46,833	
147,657	Revenue support grant	155,721	
11,908	DWP grants for benefits	13,320	
29,566	Other government grants	30,075	
15,460	Cash received for goods and services	16,952	
42,823	Other operating cash receipts	35,024	
357,966		**366,330**	
(17,671)	**Net cash outflow/ (inflow) from revenue activities (note 33)**		**(29,318)**
	Returns on investments and servicing of finance		
	Cash outflows:		
13,671	Interest paid	14,215	
	Cash inflows:		
2,882	Interest received	1,235	
10,789	**Net cash outflow/ (inflow) from returns on investments and servicing of finance**		**12,980**
	Capital expenditure and financial investment		
	Cash outflows:		
25,349	Purchase of fixed assets	26,480	
165	Other capital cash payments	0	
25,514		**26,480**	
	Cash inflows:		
4,568	Sale of fixed assets	927	
8,431	Other capital cash receipts	761	
7,229	Capital grant received	9,138	
20,228		**10,826**	
5,286	**Net cash outflow/ (inflow) from capital activities**		**15,654**
(1,596)	**Net cash outflow/ (inflow) before financing**		**(684)**
	Management of liquid resources		
1,845	Net increase/(decrease) in short-term deposits	(15,225)	
178	Net increase/(decrease) in other liquid resources	242	
2,023			**(14,983)**
	Financing		
	Cash outflows:		
1,042	Repayments of amounts borrowed	15,169	
1,042		**15,169**	
	Cash inflows:		
(679)	New loans raised	(136)	
(679)		**(136)**	
363	**Net cash outflow/ (inflow) from financing**		**15,033**
790	**(Increase)/ decrease in cash**		**(634)**

Notes to the Core Financial Statements

1. **Discontinued Operations**

District Court function – In late February 2010 the operation of the District Court was transferred to the Scottish Court Service. The net cost of this function for 2009/10, up to the date of transfer, was £0.030m (£0.258m in 2008/09) and is contained within Other Central Services to the Public within the Income and Expenditure Account on page 13.

2. **Prior Year Adjustments and Exceptional Items**

Prior Year Adjustments

Changes required by SORP – The 2009 SORP introduced three amendments to accounting practice that require previous year comparators to be restated;

- **accrued interest on loans & receivables** requires to be included within the principle outstanding or owed rather than within debtors or creditors. This means that the amount presented in the Balance Sheet is the outstanding principle receivable or due (plus accrued interest). The prior year 2008/09 effect of this amendment is to reduce debtors in the Balance Sheet by £0.763m and increase investments by the same amount and also reduce creditors by £2.508m and increase short term borrowing by the same amount.

- **PPP assets** require to be recognised as fixed assets on the balance sheet offset by a finance lease liability. The prior year effect of this is to replace the 2008/09 accounting treatment by removing £2.725m from long term debtors with a corresponding reduction in reserves and replace the this with a £71.460m asset within other land and buildings offset by short and long term liabilities of £4.238m and £67.006m respectively, together with an adjustment in the Capital Adjustment Account of £0.216m.

- **Non Domestic Rates (NDR)** debtors require to be restated in 2008/09 to show a net debtor owed by the Government from the National Non Domestic Rates (NNDR) pool. The prior year effect of this is to increase the NDR debtor shown in note 25 by £1.747m.

The comparator information in the core statements on pages 13 to 16 and associated notes to the core statements have all been restated to incorporate the changes above.

Exceptional Item:

Equal Pay and Job Evaluation/ Single Status - the Income and Expenditure Account includes an exceptional expenditure item of £1.088m in respect of an adjustment to the provision for equal pay claims dating from 2001/02 and the cost of successful appeals arising from the implementation of single status.

Icelandic bank investment – 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 investments of £3.000m and £2.000m deposited with Landsbanki, with the following maturity dates and interest rates:

	Date invested	Maturity date	Amount invested £'000	Interest rate	Carrying amount £'000	Impairment £'000
Investment 1	13 Aug 2008	13 Nov 2008	3,000	5.85%	3,473	1,233
Investment 2	2 Sept 2008	2 Dec 2008	2,000	5.82%	2,290	800

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 creditor report issued in March 2010 by Old Landsbanki's confirms that a settlement has been reached between Old Landsbanki and the successor bank in Iceland about the way in which the successor will compensate Landsbanki for the assets taken over. Compensation is being provided through a series of interest-bearing bonds in a range of currencies. Information regarding the bonds is available in the creditor's report which can be viewed on the Landsbanki Islands hf website and further information is included in the Statement of Assets Report presented at the second creditors meeting which took place in February 2010 which can also be viewed on its website. This and other relevant information 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.

Recovery is subject to the following uncertainties and risks:

- confirmation that deposits enjoy preferential creditor status which is currently being tested through Icelandic courts,
- 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,

In the autumn of 2009 the Landsbanki Winding Up Board (WUB) ruled that local authority deposits held in Landsbanki had preferential creditors status however this is now being challenged through the Icelandic court system. 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 38.19 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. It is therefore assumed that the repayment will be made each October from 2011 to 2018.

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 2008/09 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. The impairment has been re-assessed and re-calculated at 31 March 2010 based on updated information and a further £0.296m has been transferred to the Financial Instruments Adjustment Account in line with the regulations.

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	**Loan 1 £'000**	**Loan 2 £'000**
October 2011	692	460
October 2012	277	184
October 2013	277	184
October 2014	277	184
October 2015	277	184
October 2016	277	184
October 2017	277	184
October 2018	608	404

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

	Credited 2008/09 £'000	Received 2008/09 £'000	Credited 2009/10 £'000	Received 2009/10 £'000
Investment 1	297	0	176	0
Investment 2	173	0	116	0
Total	**470**	**0**	**292**	**0**

3. Undischarged Obligations arising from Long Term Contracts

South Ayrshire Council has entered into a Public Private Partnership 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 2007/08. The final unitary charge payment will be made in 2039/40, at which time the schools will transfer to Council ownership.

4. Directorate Service Expenditure Analysis

The Income and Expenditure Account on page 13 has been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP), which prescribes the categories against which all expenditure and income must be classified to enable comparability with other local authorities in the United Kingdom. The Council comprised four service directorates during 2009/10. The following table summarises directorate and corporate expenditure for the year and how this contributed to the increase in the general fund balance at 31 March 2010:

	2009/10 Actual Out-turn £'000
Chief Executive's Strategic Office	324
Children & Communities	169,998
Corporate Services	2,738
Development & Environment	40,492
Miscellaneous Services, debt charges, contributions etc	35,768
Total Expenditure to be Funded	**249,320**
Less: Aggregate External Finance	202,407
Council Tax & Community Charge income	52,786
Net (surplus)/ deficit	**(5,873)**

5. Trading Services

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 SORP, 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.

The table below shows the favourable financial position for Property and Design Trading for the three-year period ended 31 March 2010.

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
2007/08	(11,137)	11,003	(134)	(30)	23	(141)
2008/09	(11,154)	10,335	(819)	(5)	22	(802)
2009/10	(11,796)	10,976	(820)	(10)	21	(809)
3 Year (Surplus)/ Deficit			**(1,773)**	**(45)**	**66**	**(1,752)**

Property and Design Trading 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 8,259 houses and around 600 other buildings. During the year Property and Design Trading carried out in the order of 28,442 repairs to the housing stock. Approximately 1,350 properties belonging to Ayrshire Housing are also maintained by this operation.

6. Agency Income – Scottish Water

The Council received £0.306m (£0.425m in 2008/09) from Scottish Water as an agency fee in respect of water and sewerage charges collected by the Council on their behalf.

7. Summary of Members' Allowances Paid in the Year

The total amount paid in 2009/10 in respect of Members' allowances and salaries was £0.607m (£0.585m in 2008/09). This total comprised salaries and allowances of £0.567m (£0.548m in 2008/09) paid to Members for carrying out their duties, and a further amount of £0.040m (£0.037m in 2008/09) paid as reimbursement of expenses. Further detail on Members' remuneration is available on the South Ayrshire Council website at www.south-ayrshire.gov.uk

8. Officers' Remuneration – the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

2008/09 Number	*Remuneration Band*	*2009/10 Number*	*Left During Year*
39	£50,000 - £59,999	50	0
12	£60,000 - £69,999	8	0
6	£70,000 - £79,999	12	1
1	£80,000 - £89,999	0	0
2	£90,000 - £99,999	0	0
3	£100,000 - £109,999	3	0
2	£110,000 - £119,999	0	0
0	£120,000 - £149,999	1	0
1	£150,000 - £159,999	0	0
66	**Total**	**74**	**1**

Remuneration includes gross salary (exclusive of employer pension contributions), taxable expenses, the money value of benefits and any severance payments. Further detail on senior officer's remuneration is available on the South Ayrshire Council website at www.south-ayrshire.gov.uk

9. Related Party Transactions

Central Government - has effective control over the general operations of the Council, providing the statutory framework within which the Council operates, providing the terms of many transactions that the Council has with other parties (e.g. housing benefits) and also providing the majority of funding in the form of grants. Details of transactions with government departments are set out in note 33 relating to the cash flow statement and notes to the capital account.

Members of the Council - have direct control over the Council's financial and operating policies. During 2009/10, works and services to the value of £1.489m were commissioned from companies in which six members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

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 other income from Ayrshire and Arran Health Board in 2009/10 totalling £9.850m.

Assisted Organisations – during 2009/10 the Council provided funding to organisations including grants to voluntary organisations, Rural Communities grant funding and business grants. None of these grants exceeded 50% of the organisations' total funding, on terms that gave the Council effective control over their operations.

10. External Audit Fees

In 2009/10 the Council incurred the following fees relating to external audit and inspection services from the appointed auditor:

2008/09 £'000		***2009/10 £'000***
226	Fee payable to Audit Scotland with regard to external audit services carried out by appointed auditor	225
105	Notified fixed charge element payable	106
331	**Total**	**331**

11. Assets held under Leases

Operating lease expenditure during 2009/10 amounted to £1.377m (£1.553m in 2008/09).

The authority was committed at 31 March 2010 to making payments of £1.031m under operating leases in 20010/11, comprising the following elements:

2008/09 £'000	***Vehicles, Plant & Equipment***	***2009/10 £'000***
215	Leases expiring within one year	236
891	Leases expiring between one and five years	795
1,106	**Total due in next financial year**	**1,031**

12. Summary of Capital Expenditure and Fixed Asset Disposals

(i) Movement on Intangible Fixed Assets

Intangible assets relate wholly to software licenses purchased during the year and are shown at cost. The asset is amortised to the Income and Expenditure Account over the economic life of the licenses, assessed as three years. The movement in intangible assets during 2009/10 was:

	Intangible assets £'000
Opening balance at 1 April 2009	**227**
Movement 2009/10	
Amortised to Income and Expenditure Account	(220)
Net book value at 31 March 2010	**7**

(ii) Movement on Tangible Fixed Assets

The tables below illustrate the movement in tangible fixed assets, analysed by asset category, arising from the additions, disposals, revaluations and depreciation during the year. As a result of these movements, the net book value of tangible fixed assets held at 31 March 2010 was £609.681m.

Operational assets	Council dwellings £'000	Other land and buildings £'000	Vehicles, plant, etc £'000	Infrastructure £'000	Community assets £'000	Total £'000
Cost or Valuation						
At 1 April 2009	**227,519**	**290,545**	**12,228**	**51,855**	**951**	**583,098**
Additions	7,385	11,572	3,307	2,578	0	24,842
Revaluations	24,744	0	0	0	0	24,744
Transfers	0	(178)	0	0	(1)	(179)
Disposals	(715)	0	0	0	0	(715)
At 31 March 2010	**258,933**	**301,939**	**15,535**	**54,433**	**950**	**631,790**
Depreciation and impairments						
At 1 April 2009	**(35,901)**	**(13,420)**	**(7,965)**	**(9,106)**	**0**	**(66,392)**
Depreciation	(8,771)	(5,594)	(1,344)	(1,359)	0	(17,068)
Revaluations	35,905	0	0	0	0	35,905
Transfers	0	17	0	0	0	17
At 31 March 2010	**(8,767)**	**(18,997)**	**(9,309)**	**(10,465)**	**0**	**(47,538)**
NBV at 31 Match 2010	***250,166***	***282,942***	***6,226***	***43,968***	***950***	***584,252***
NBV at 1 April 2009	***191,618***	***277,125***	***4,263***	***42,749***	***951***	***516,706***
Nature of asset holding						
Owned	250,166	208,937	6,226	43,968	950	510,247
PPP	0	74,005	0	0	0	74,005
Total	***250,166***	***282,942***	***6,226***	***43,968***	***950***	***584,252***

Non-operational assets	Investment properties £'000	Assets under construction £'000	Surplus assets £'000	Total £'000
Cost or Valuation				
At 1 April 2009	**15,092**	**439**	**8,983**	**24,514**
Additions	0	1,660	3	1,663
Revaluations	103	0	0	103
Transfers	(65)	0	244	179
Disposals	0	0	(102)	(102)
At 31 March 2010	**15,130**	**2,099**	**9,128**	**26,357**
Depreciation and impairments				
At 1 April 2009	**0**	**0**	**(722)**	**(722)**
Depreciation	0	0	(189)	(189)
Revaluations	(2)	0	2	0
Transfers	0	0	(17)	(17)
At 31 March 2010	**(2)**	**0**	**(926)**	**(928)**
NBV at 31 March 2010	***15,128***	***2,099***	***8,202***	***25,429***
NBV at 1 April 2009	***15,092***	***439***	***8,261***	***23,792***
Nature of asset holding				
Owned	15,128	2,099	8,202	25,429
Total	***15,128***	***2,099***	***8,202***	***25,429***

(iii) Capital Expenditure and Financing

The Local Government Scotland Act 2003 introduced the new "Prudential Framework" for local authority capital investment replacing the former Section 94 consent. The Prudential Code plays a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality services.

The Prudential Code was developed by CIPFA, the Chartered Institute of Public Finance and Accountancy, as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties in Scotland under part 7 of the Local Government in Scotland Act 2003.

The undernoted table shows the capital investment for General Services and Housing for 2009/10 together with the sources of finance used to fund the investment.

2008/09 £'000		**2009/10 £'000**
	Capital investment by service:	
15,473	General Services	15,382
11,293	Housing Revenue Account	7,904
26,766	**Capital expenditure additions**	**23,286**
312	Covenant	0
1,294	Private sector housing grants	1,356
28,372	**Total capital investment**	**24,642**
	Financed by:	
14,731	Capital receipts, grants and contributions	11,831
13,641	Net funding from external borrowing and capital funded from current revenue (CFCR)	12,811
28,372	**Total financing**	**24,642**

Not all capital expenditure necessarily increases the value of the Council's fixed assets in the year in which the expenditure occurs. Certain expenditure may maintain current values, work-in-progress may result in a further increase in value and other expenditure may not result in an equivalent enhancement of value.

Private sector housing grants (PSHG) expenditure does not result in the creation of a fixed asset for the Council, nor does the Council control the economic benefit arising from the expenditure therefore, as stated in the Statement of Accounting Policies, all PSHG expenditure is charged to revenue in the year in which it is incurred and matched against the corresponding grant income.

(iv) Schools Public Private Partnership

On 18 December 2006 the Council signed a Public Private Partnership (PPP) contract agreement which provided for the construction of five new schools and an annex to an existing secondary school. In addition to the construction, the contractor will provide a range of hard and soft facilities management services, including the maintenance of the schools concerned, for a 30 year concession. Building work commenced in January 2007, with two primary schools and the annex to the existing secondary school made available for use by the Council during 2007/08 and a further primary and secondary school made available for use during 2008/09. The last school in the construction programme was made available for use during 2009/10.

In accordance with the requirements of Appendix E of the Sorp 2009, Accounting for PFI Transactions and Similar Contracts, the resultant assets and liabilities have been recognised on the Balance sheet of the Council as follows;

PPP Asset	**£'000**
Cost or Valuation	
At 1 April 2009	**72,354**
Additions	3,928
At 31 March 2010	**76,282**
Depreciation	
At 1 April 2009	**894**
Depreciation for the year	1,383
At 31 March 2010	**2,277**
NBV at 31 Match 2010	**74,005**
NBV at 1 April 2009	**71,460**

The PPP asset is contained within Other Land and Buildings in the table (ii), Movement on Tangible Fixed Assets, above.

PPP Liability	**£'000**
Net outstanding liability as at 1 April 2009	**71,244**
(Repayment)/Increase of liability during the year	1,845
Net outstanding liability as at 31 March 2010	**73,089**

13. Capital Commitments in Future Years

The following table shows the approved capital investment programmes for both General Services and Housing for 2010/11.

	General Services £'000	**Housing £'000**	**Total £'000**
Expenditure:			
Capital investment	11,112	11,492	22,604
Externally funded projects	6,003	0	6,003
	17,115	**11,492**	**28,607**
Sources of finance:			
Supported borrowing	7,279	0	7,279
Prudential borrowing	2,000	0	2,000
Capital grants and contributions	7,836	8,180	16,016
Capital funded from current revenue	0	3,312	3,312
	17,115	**11,492**	**28,607**

14. Information on Assets held

The undernoted table shows a summary of the assets held by the Council which were used in the wide range of services provided during 2009/10.

Number as at 31 March 2009		Number as at 31 March 2010
8,294	Council dwellings	8,259
776	Operational assets	846
830	Non-operational assets	831
	Infrastructure assets:	
1,154	Road lengths (km)	1,150
336	Bridges	339
19,254	Street lighting units	19,271
1	Pontoons	1
	Community assets:	
49	Cemeteries	49
39	Parks, open spaces and estates	38
1,269	Works of art	1,270
82	Other community assets	80
184	Vehicles and equipment	219

15. Valuation Information

The following table shows the progress on the Council's rolling programme for the revaluation of fixed assets. The financial year 2009/10 is the fifth year of the latest five-year rolling programme cycle. Additional information will be added as the programme progresses. The valuations are carried out by RICS professional staff within the Council's Directorate of Development and Environment.

Valued at current value in:	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Non Operational £'000	Total £'000
2005/06	0	229,789	30	1,242	**231,061**
2006/07	0	1,529	0	15,307	**16,836**
2007/08	0	21,244	0	38	**21,282**
2008/09	0	4,042	0	2,174	**6,216**
2009/10	251,547	0	0	368	**251,915**

16. Information about Depreciation Methodologies

As highlighted in the Accounting Policies on page 9, depreciation is provided for on all assets with a determinable useful life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below.

Useful life	*Category*	*Valuer*	*Basis of Valuation*	*Date of last Full Valuation*
10 to 40 years	Operational (specialised) Properties	Estates Manager	Depreciated Replacement Cost /Existing use (MV-DRC/EUV)	31 March 2006
5 to 99 years for buildings/ up to 999 years for land	Operational (non-specialised) Properties	Estates Manager	Open Market Value Existing Use (OMVEU/EUV)	31 March 2008
10 to 99 years for buildings/ up to 999 years for land	Non-operational Properties	Estates Manager	Market Value (OMV/MV)	31 March 2007
30 years	Local Authority Housing Stock	Estates Manager	Net Realisable Value 'Beacon Principle' (EUVSH)	31 March 2010
Up to 40 years	Infrastructure Assets	Not applicable	Historical Cost	Not Applicable
99 to 999 years	Community Assets	Not applicable	Historical Cost	Not Applicable
0 to 7 years	Vehicles	Transport Manager	Net Realisable Value (NRV)	Not Applicable

17. Analysis of Net Assets Employed

The undernoted table shows the net assets employed by the various operations of the Council.

31 March 2009 £'000		*31 March 2010 £'000*
130,193	General Fund	63,025
107,755	Housing Revenue Account	141,342
(573)	Trading Operation	(4,662)
237,375	**Total**	**199,705**

18. Categories of Financial Instruments

Financial instruments are defined as the investments, lending and borrowing of the Council and include investments, bank deposits, borrowings, debtors and creditors. These are shown on the face of the Balance Sheet and the following table analyses them into prescribed categories.

31 March 2009			*31 March 2010*	
Long-term £'000	*Current £'000*		*Long-term £'000*	*Current £'000*
		Investments and Lending:		
4,091	63,185	Loans and receivables	3,794	46,735
563	0	Available-for-sale financial assets	626	0
4,654	**63,185**	**Total Investments and Lending**	**4,420**	**46,735**
		Borrowing:		
254,515	**45,296**	**Financial liabilities amortised at cost**	**241,260**	**43,594**

19. Gains and Losses on Financial Instruments

The following table analyses the gains and losses on financial instruments recognised in the Income and Expenditure Account and STRGL.

	Financial Assets		Financial Liabilities	
2010	**Loans and Receivables £'000**	**Available-for-sale Assets £'000**	**Liabilities Measured at Amortised Cost £'000**	**Total £'000**
Interest income	**743**	**0**	**0**	**743**
Interest expense	0	0	(14,188)	
Impairment losses	(588)	0	0	
Interest payable and similar charges	**(588)**	**0**	**(14,188)**	**(14,776)**
Gains on revaluation	**0**	**63**	**0**	**63**
Net gain/(loss) for the year	**155**	**63**	**(14,188)**	**(13,970)**
2009	**Loans and Receivables £'000**	**Available-for-sale Assets £'000**	**Liabilities Measured at Amortised Cost £'000**	**Total £'000**
Interest income	**2,160**	**0**	**0**	**2,160**
Interest expense	0	0	(13,037)	
Impairment losses	(1,445)	0	0	
Interest payable and similar charges	**(1,445)**	**0**	**(13,037)**	**(14,482)**
Gains on revaluation	**0**	**523**	**0**	**523**
Net gain/(loss) for the year	**715**	**523**	**(13,037)**	**(11,799)**

20. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets and liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For HM Treasury's Public Works Loans Board (PWLB) and other loans receivable and payable, fair values have been calculated on comparable new borrowing rates from comparable lenders for similar financial instruments;
- No early repayment is recognised; and
- the fair value of trade and other receivables and payables is taken to be the invoiced or billed amount.

The fair values are calculated in the following two tables:

31 March 2009			***31 March 2010***	
Carrying Amount £'000	***Fair Value £'000***	***Investments and Lending:***	***Carrying Amount £'000***	***Fair Value £'000***
67,839	67,279	Loans and receivables	51,155	51,156

The fair value is more than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at 31 March 2010. The commitment to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans. The carrying amount and fair value of loans and receivables includes the impact of the impairment of deposits held with Landsbanki.

31 March 2009			*31 March 2010*	
Carrying Amount £'000	***Fair Value £'000***	***Borrowing:***	***Carrying Amount £'000***	***Fair Value £'000***
299,811	315,687	Financial liabilities	284,854	302,532

The fair value is more than the carrying amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at 31 March 2010. The commitment to pay interest above current market rates increases the amount that the Council would pay if it agreed to early repayment of the loans.

21. 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 meet its commitments to make payments; and
- 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 management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFAs Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

(i) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's policy is to place deposits only with banks and financial institutions whose credit ratings are independently assessed by the Council's treasury advisers as sufficiently secure, and to restrict lending to a prudent maximum amount for each institution.

The following table summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	31 March 2010 £'000	**Historical Experience of Default adjusted for Market Conditions %**	**Estimated Maximum Exposure to Default and Uncollectability £'000**
Deposits with banks and financial institutions – net of impairment	32,348	0.00	0
Customers (excluding Council Tax, Community Charge and Non-Domestic Rate Income) – net of provision	13,608	0.00	0

In relation to deposits held with Landsbanki, failure to secure preferential creditor status would have a significant impact on the amount of the deposit that is recoverable (refer to note 2 on page 17 of the Statement of Accounts).

The Council's gross debtor (excluding Council Tax, Community Charge and Non-Domestic Rate Income) was £17.707m against which a provision of £4.099m 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.

The Council does not generally allow credit for customers, such that £6.047m of the £17.707m balance is past its due date for payment. The past due amount is analysed by age in the following table:

31 March 2009 £'000		***31 March 2010 £'000***
2,310	Less than three months	2,319
793	Three to six months	657
1,451	Six months to one year	1,647
1,766	More than one year	1,424
6,320		**6,047**

(ii) Liquidity Risk

The Council's main source of borrowing is PWLB. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that no more than 25% of loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of careful planning of new loans taken out and, where it is economically advantageous to do so, making early repayments.

The following table shows the maturity analysis of financial liabilities.

31 March 2009 £'000		***31 March 2010 £'000***
43,141	Less than one year	41,409
2,289	Between one and two years	2,351
7,032	Between two and five years	10,733
247,349	More than five years	230,361
299,811		**284,854**

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

(iii) Market Risk

Interest Rate Risk - Changes in market interest rates influence the interest payable on financial liabilities and the interest receivable on financial assets. For example, an increase in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the interest income received on lending at variable rates and a reduced cost to the taxpayer.

Changes in market rates also affect the notional fair value of financial assets and liabilities. For example, an increase in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer.

The Council has a number of strategies for managing interest rate risk. The Council has a policy to limit its exposure to variable rate borrowing to a maximum of 25% of its total borrowings. During periods of falling interest rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt. The Council takes daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and the restructure of existing borrowings. The risk of loss remains fully with the Council, however in the longer term the Scottish Government reviews the grant support it provides for local authority borrowing every three years. At this review stage the Scottish Government may, at its discretion, provide more or less support to recognise underlying changes in interest rates.

As the Council is not party to any variable rate borrowing or lending there is no impact to taxpayers and rent payers of changes in interest rates. The following table shows the financial effect on fair values if rates had been 1% higher at 31 March 2010, with all other variables held constant.

	31 March 2010 £'000
Decrease in fair value of fixed rate lending (disclosed in STRGL)	7
Decrease in fair value of fixed rate borrowing (no impact on Income and Expenditure Account or STRGL)	25,189

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 £0.626m in Freeport (Scotland) Ltd, which exists to allow the Council voting rights within the company. As the shareholding has arisen in the acquisition of a specific interest, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Although the shares are not openly traded they are classified as available for sale, meaning that the Council is exposed to losses arising from a movement in the value of these shares below the original acquisition cost.

Foreign Exchange Risk - The Council holds one bank account denominated in Euros. No balance remained in the account at 31 March 2010. Accordingly the Council is not materially exposed to gains or losses arising from movements in exchange rates.

22. Long Term Investments

31 March 2009 £'000		*31 March 2010 £'000*
563	Freeport (Scotland) Ltd (74,000 ordinary shares)	626
1	SC Enterprise Fund	1
4,026	Landsbanki deposit	3,730
4,590		**4,357**

Freeport (Scotland) Ltd – The Council's shareholding in Freeport (Scotland) Ltd. was revalued during the year. In the absence of an active market share price, the valuation was based on the proportion of the company's shareholders' funds attributable to the Council at 31 March 2010. Although these shares are classified as available for sale, the Council's shareholding exists to retain voting rights within the company and as such the Council does not intend to trade them.

Landsbanki deposit – As outlined in note 2 the Icelandic Bank investment is scheduled for repayment between October 2011 and 2018 therefore it has been included within long-term investments.

23. Long Term Debtors

31 March 2009 £'000		*31 March 2010 £'000*
64	Home loans	63
64		**63**

24. Deferred Premium on the Early Repayment of Debt

In accordance with the SORP, all premiums and discounts on the early repayment of debt are treated as unattached to existing loans. This allows the premiums and discounts to be held in the Financial Instruments Adjustment Account within the Balance Sheet and charged to the General Fund as originally planned.

25. Debtors and Creditors

Debtors - the Statement of Accounts includes debtors totalling £45.100m at 31 March 2010 and provisions against these debtors totalling £26.983m, analysed as follows:

31 March 2009 Net Debtor £'000		***Gross Debtor £'000***	***Bad Debt Provision £'000***	***31 March 2010 Net Debtor £'000***
2,434	Council Tax/ Community Charge	25,701	22,884	2,817
604	Department of Works & Pensions	1,832	0	1,832
2,492	Non-Domestic Rates	1,692	0	1,692
210	Council House Rents	934	726	208
175	Revenue Support Grant	28	0	28
4,100	Her Majesty's Revenue and Customs	2,184	0	2,184
8,582	Sundry Debtors	12,729	3,373	9,356
18,597	**Total**	**45,100**	**26,983**	**18,117**

Creditors - the Statement of Accounts includes creditors totalling £33.446m at 31 March 2010, analysed as follows:

31 March 2009 £'000		***31 March 2010 £'000***
1,425	Scottish Government	1,636
3,017	Her Majesty's Revenue and Customs	3,024
2,709	Other Public Bodies	1,343
27,230	Trade and Other Creditors	27,443
34,381	**Total**	**33,446**

26. Provisions

Total provisions for liabilities amount to £5.355m, representing provisions made in respect of equal pay claims outstanding at 31 March 2010, provision for the cost of successful appeals resulting from the implementing single status with effect from 16 August 2008, provision for business and other grant payments outstanding at 31 March 2010 and insurance costs in respect of South Ayrshire Council's share of the former Strathclyde Regional Council's insurance claims.

27. Due to Common Good/ Sundry Accounts

The net creditor shown in the balance sheet of £4.790m is made up of deposits by the Common Good, Trusts and various Sundry Accounts with the Council's loans fund. An analysis of these accounts is provided on pages 45 to 47 of the financial statements.

28. Borrowing Repayable Within a Period in Excess of 12 Months

31 March 2009 £'000		*31 March 2010 £'000*
	Analysis of loan by type	
143,598	Public Works Loan Board	128,463
43,911	Market loans	44,047
187,509	**Total outstanding**	**172,510**
	Analysis of loan by maturity	
135	1 to 2 years	135
406	2 to 5 years	4,337
22,606	5 to 10 years	21,029
40,978	10 to 25 years	43,489
123,384	25+ years	103,520
187,509	**Total outstanding**	**172,510**

29. Reserves

The tables below detail the movement on reserves in the year:

	Opening balance at 1 April 2009 £'000	**Gains/(losses) on the fund £'000**	**Net amount transferred between reserves £'000**	**Closing Balance at 31 March 2010 £'000**
Revaluation reserve	4,605	60,773	(1,137)	64,241
Capital adjustment account	257,814	(9,779)	8,979	257,014
Financial instruments adjustment account	(16,767)	18	0	(16,749)
Capital receipts reserve	570	7,919	(8,106)	383
Available-for –sale financial instrument reserve	523	63	0	586
Repair & renewal fund	137	2	0	139
Capital fund	1,463	(488)	264	1,239
Insurance fund	425	0	0	425
Pension reserve	(39,368)	(100,501)	0	(139,869)
General fund balance	7,453	5,873	0	13,326
HRA balance	20,520	(1,550)	0	18,970
Total	**237,375**	**(37,670)**	**0**	**199,705**

Revaluation Reserve and Capital Adjustment Account

- ***Revaluation Reserve*** **-** Store of gains on revaluation of fixed assets not yet realised through sales.
- ***Capital Adjustment Account*** – Store of capital resources set aside to meet past expenditure.

Financial Instruments Adjustment Account

The 2007 SORP introduced the requirement to maintain a Financial Instruments Adjustment Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Regulations issued in March 2009 allow the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account.

The movement on the account is analysed as follow:

	£'000	£'000
Opening balance at 1 April 2009		**(16,767)**
Standard adjustments		
New premiums paid	(10)	
Effective interest rate adjustment	(131)	
Net premium/discount release to revenue	455	**314**
Impaired Investment adjustments		
Impairment transferred from General Fund	(588)	
Interest earned transferred from General Fund	292	**(296)**
Closing balance at 31 March 2010		**(16,749)**

Under the regulations, the Council must transfer the balance on the Financial Instrument Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the account with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Financial Instrument Adjustment Account	Balance at 31 March 2010 £'000	Transfers during 2010/11 £'000	Balance at 31 March 2011 £'000
Impaired investment	(1,343)	1,343	0

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds of fixed asset sales and other contributions available to finance capital investment. The balance on the reserve at 1 April 2009 was £0.570m, £8.277m was added to the reserve during 2009/10, £8.200m was applied to fund capital investment and £0.264m transferred to the Capital Fund.

Available-for-Sale Financial Instruments Reserve

The Available-for-sale Financial Instrument Reserve holds the gains on revaluation of investments not yet realised through sales. During 2009/10 the shares in Freeport (Scotland) Ltd. held by the Council were re-valued resulting in a gain of £0.063m.

Repair and Renewal Fund

The balance on the Repair and Renewal Fund at 1 April 2009 was £0.137m. Interest of £0.002m was applied to the fund during 2009/10 resulting in a balance at 31 March 2010 of £0.139m. The Council currently has no plans for the use of this fund and therefore plans to transfer the balance on the fund to general reserves during 2010/11.

Capital Fund

The Council's Capital Fund was established during 2005/06, primarily to assist in funding the Council's Schools PPP project. The balance on the fund at 1 April 2009 was £1.463m. Capital receipts during 2009/10 of £0.264m were invested in the fund and interest of £0.022m was applied, with contributions of £0.510m made from the fund during 2009/10 to fund appropriate expenditure, resulting in a balance at 31 March 2010 of £1.239m.

Insurance Fund

The balance on the Insurance Fund at 1 April 2009 was £0.425m. During 2009/10 payments for premiums and uninsured losses of £0.964m were paid from the fund with contributions of £0.964m being made by the Council to maintain the balance in the fund at the previously ascertained level of £0.425m.

Pension Reserve

The Pension Reserve is a balancing account which allows the inclusion of the pension liability in the balance sheet as detailed in note 31.

General Fund Balance

The accumulated General Fund surplus at 31 March 2010 is £13.326m. As explained in the Foreword by the Executive Director - Corporate Services on pages 1 to 6 of the financial statements, a total of £5.826m requires to be set aside for various projects and initiatives, leaving an uncommitted balance of £7.500m.

Housing Fund Balance

The accumulated Housing Revenue Account surplus at 31 March 2010 is £18.970m. As explained in the Foreword by the Executive Director - Corporate Services on pages 1 to 6 of the financial statements, £12.961m has been set-aside for specific purposes. Options for the use of the remaining £6.009m will be considered as part of the annual review of the HRA 30 year business plan during 2010/11.

30. Contingent Liabilities and Contingent Assets

Contingent Liability

As 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, funding of £2.750m has been set aside to assist in meeting the potential liability required to facilitate a reduction in the workforce and deliver property savings.

Contingent Asset

The Council has no material contingent assets at 31 March 2010.

31. Scheme of Delegation for Schools

The Council approved a revised Scheme of Delegation for Schools on 9 June 2004. 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 pages 1 to 6, funds totalling £2.534m have been earmarked by directorates to be spent in 2010/11, of which £0.200m relates to schools.

32. Retirement Benefits

The Council contributes to two pension schemes:

- ***Local Government Superannuation (Scotland) Scheme -*** The Council subscribes to the Strathclyde Pension Fund, a funded defined benefits scheme. The scheme is supported by contributions from both employer and employee. The Council's contribution to the Fund is expressed as a percentage of employees' contributions and for 2009/10 was set at 288%. During 2009/10 the Council made employers' contributions of £11.025m (£9.627m in 2008/09). The increase in contributions arises mainly from the increase in levels from 280% to 288%. In accordance with FRS 17, the £11.025m contribution meets the obligation on the Council for the year to 31 March 20010.

  The employers' contribution rate is determined by the Fund's Actuary based upon triennial actuarial valuations which determine whether employers are contributing sufficiently to maintain the Fund's solvency, the most recent valuation being carried out as at 31 March 2010. The employers' contribution will increase to 303% in 2010/11.

  In accordance with FRS17 the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

(i) Analysis of Amount Charged to Operating Profit

2008/09 £'000		2009/10 £'000
	Amount charged to Net Cost of Services	
8,479	Current service costs	7,624
298	Past service costs	3,228
1,339	Curtailment and settlements	1,206
10,116		**12,058**
	Amount credited to Net Operating Expenditure	
(27,065)	Expected return on employers assets	(19,355)
26,308	Interest on pension liabilities	23,214
(757)		**3,859**
9,359	**Net Charge to the Income and Expenditure Account**	**15,917**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £98.412m (£44.170m loss in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £110.338m.

(ii) Reconciliation of defined benefit obligation

2008/09 £'000		2009/10 £'000
379,333	**Opening Defined Benefit Obligation**	**337,222**
8,479	Current service cost	7,624
26,308	Interest cost	23,214
3,577	Contributions by members	3,852
(66,682)	Actuarial losses/ (gains)	191,051
298	Past service costs	3,228
1,339	Losses/(gains) on curtailments	1,084
0	Liabilities extinguished on settlements	(458)
(1,553)	Unfunded benefits paid	(1,694)
(13,877)	Benefits paid	(14,901)
337,222	**Surplus/ (deficit) at end of year**	**550,222**

(iii) Reconciliation of fair value of employer assets

31 March 2009 £'000		31 March 2010 £'000
379,639	**Opening fair value of employers assets**	**297,854**
27,065	Expected return on assets	19,355
3,577	Contributions by members	3,852
10,649	Contribution by the employer	12,134
1,553	Contribution in respect of unfunded benefits	1,694
(109,199)	Actuarial gains/(losses)	92,639
0	Assets distributed on settlements	(580)
(1,553)	Unfunded benefits paid	(1,694)
(13,877)	Benefits paid	(14,901)
297,854	**Closing fair value of employers assets**	**410,353**

The expected return on assets is based on the long-term expected investment return for each asset class as at the beginning of the period.

(iv) Analysis of the Council's Assets and Liabilities in respect of Strathclyde Pension Fund

31 March 2009 £'000	*%*		*%*	*31 March 2010 £'000*
217,433	73.0	Equity investments	77.0	315,971
47,657	16.0	Bonds	13.0	53,346
23,828	8.0	Property	7.0	28,725
8,936	3.0	Cash	3.0	12,311
297,854	**100.00**	**Share of assets**	**100.00**	**410,353**
(316,683)	93.9	Scheme liabilities	94.9	(521,943)
(20,539)	6.1	Unfunded liabilities	5.1	(28,279)
(337,222)	**100.00**	**Share of estimated liabilities**	**100.00**	**(550,222)**
(39,368)		**Net assets/ (liabilities) in Strathclyde Pension Fund**		**(139,869)**

(v) Basis for estimating assets and liabilities

The valuations are as at 31 March 2010, and are provided by Hymans Robertson, the independent actuaries to Glasgow City Council 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 growth and inflation – and discounts them to their present value.

The main assumptions used in the calculations are:

31 March 2009		*31 March 2010*
	Long-term expected rate of return on assets in the scheme	
7.0%	- Equity investments	7.8%
5.4%	- Bonds	5.0%
4.9%	- Property	5.8%
4.0%	- Cash	4.8%
	Mortality assumptions (prior year not available)	
	Longevity at 65 for current pensioners (years):	
20.3	- Men	20.6
23.2	- Women	23.9
	Longevity at 65 for future pensioners (years):	
21.7	- Men	22.6
24.6	- Women	25.0
	Financial assumptions	
3.1%	Rate of inflation/pension increase rate	3.8%
4.6%	Rate of increase in salaries	5.3%
6.5%	Expected return on assets	7.2%
6.9%	Rate for discounting scheme liabilities	5.5%

The Hymans Robertson actuarial valuation at 31 March 2010 includes the financial impact of the assumption that 50% of pension fund members retiring after that date will elect to take an additional tax-free lump sum in lieu of part of their pension (50% at 31 March 2009).

(vi) Scheme history

The overall movement of the schemes assets, liabilities and actuarial gains and losses can be analysed into the following categories at 31 March 2010.

	2009/10 £'000	***2008/09 £'000***	***2007/08 £'000***	***2006/07 £'000***	***2005/06 £'000***
Fair value of employers assets	410,353	297,854	379,639	386,376	357,041
Present value of defined benefit obligation	(550,222)	(337,222)	(379,333)	(428,999)	(435,866)
Surplus/(deficit) in pension reserve	(139,869)	(39,368)	306	(42,623)	(78,825)
Experience gains/(losses) on assets	92,639	(109,199)	(39,574)	(4,682)	56,360
Percentage of the fair value of assets	*22.6%*	*(36.7%)*	*(10.4%)*	*(1.2%)*	*15.8%*
Experience gains/(losses) on liabilities	(1,578)	41,751	(849)	925	8,019
Percentage of the fair value of assets	*(0.4%)*	*14.0%*	*(0.2%)*	*0.2%*	*2.2%*

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

- ***Scottish Teachers' Pension Scheme*** – the teachers' pension scheme is administered directly by the Scottish Government. The Council is not required to record information related to the teachers' scheme as the liability for payment of pensions rests ultimately with the Scottish Government. During 2009/10 the employer's contribution was set at 14.9% of the employees' contribution rate. The Council paid £6.309m (£5.651m at 13.5% employer's contribution rate in 2008/09) for employer's contributions to the Scottish Government.

33. Notes relating to Cash Flow

(i) Reconciliation of Net Surplus or Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Cash Flow Statement

2008/09 £'000			**2009/10 £'000**
18,959	General Fund (surplus)/ deficit	477	
(23,669)	Net additional amount required by statute and non-statutory proper practice to be credited to the General Fund Balance for the year	(6,350)	
(4,710)	**(Increase)/Decrease in the General Fund balance for the year**		**(5,873)**
836	Housing Revenue Account (surplus)/ deficit	3,372	
(1,665)	Net additional amount required by statute and non-statutory proper practice to be credited to the HRA Balance for the year	(1,822)	
(829)	**(Increase)/decrease in the HRA balance for the year**		**1,550**
(5,539)	**Net (increase)/ decrease in the General Fund and HRA balance for the year**		**(4,323)**
	Adjust surplus for items accounted for elsewhere in cash flow statement:		
(7,652)	Loans fund interest	(8,860)	
(2,721)	Loans fund principal	(4,811)	
(3,137)	PPP Finance lease interest	(4,120)	
7,229	Capital grant received	9,138	
(5,412)	Capital financed from current revenue	(6,651)	
(11,693)			**(15,304)**
	Adjust surplus for internal items:		
(360)	Contributions to funds	(288)	
4,703	Use of funds	722	
38	Other internal items	(10,477)	
4,381			**(10,043)**
	Adjust surplus for movements in working capital		
450	Increase/ (decrease) in debtors	(1,225)	
(7)	Increase/ (decrease) in stock and work in progress	10	
(5,496)	(Increase)/ decrease in sundry creditors	3,417	
233	(Increase)/ decrease in other creditors	(1,850)	
(4,820)			**352**
(17,671)	***Net cash outflow/ (inflow) from revenue activities***		**(29,318)**

(ii) Reconciliation of Movement in Cash to Movement in Net Debt

	Balance at 1 April 2009 £'000	***2009/10 Movement £'000***	***Balance at 31 March 2010 £'000***
Cash on hand	0	0	0
Overdrafts	4,000	(634)	3,366
(Increase)/ decrease in cash	***4,000***	***(634)***	***3,366***
Debt due within 1 year	169	(34)	135
Debt due after 1 year	187,509	(14,999)	172,510
Increase/ (decrease) in debt	***187,678***	***(15,033)***	***172,645***
Short term investments	(44,019)	15,225	(28,794)
(Increase)/ decrease in liquid resources	***(44,019)***	***15,225***	***(28,794)***
Movement in Net Debt	**147,659**	**(442)**	**147,217**

(iii) Reconciliation of Relevant Movements in Financing and Management of Liquid Resources to the Balance Sheet

	Balance at 1 April 2009 £'000	*2009/10 Movement £'000*	*Balance at 31 March 2010 £'000*
Management of Liquid Resources			
Short term investments	**(44,019)**	**15,225**	**(28,794)**
Management of Financing			
Short-term borrowing	169	(34)	135
Local Bonds/EIB Loans	43,911	136	44,047
PWLB Loans	143,598	(15,135)	128,463
	187,678	**(15,033)**	**172,645**

Liquid resources include short term lending by the Council. Any lending is in accordance with Treasury Management policies which have been amended to account for the significant changing market conditions which occurred during 2009/10. These changes have been agreed by the Council.

(iv) Analysis of Other Government Grants

2008/09 £'000		*2009/10 £'000*
	Children and Communities	
1,495	Criminal justice management	1,338
1,234	Fairer Scotland Fund	1,452
258	Housing Support Grant	113
213	New Futures Fund Successor Fund	0
97	Changing Children's Services Fund	99
76	Telecare	112
47	NASSO/ SOLO	0
0	Homeless strategy	129
31	Supported Employment	22
407	Determined to succeed	664
81	School of Ambition	156
45	English as a second language	27
25	Education Maintenance Allowance	25
0	16+ funding educational development	44
0	Education psychologists	28
0	Community Education CLD training	3
0	Zimbabwe resettlement programme	9
8	Continuous professional development	9
	Corporate Services	
15,343	Rent rebates benefit subsidy	15,988
8,056	Council tax benefit subsidy	8,104
557	Council tax benefit administration	612
557	Rent rebate administration	612
0	Future Jobs Fund	220
98	Local Housing Allowance	0
76	Discretionary Housing Grant	72
45	Employment Support Allowance	0
6	SPT training grant	15
	Development and Environment	
373	Strategic Waste Fund	0
266	Leader	93
42	Ayrshire and Arran Training Consortium	0
20	Anti-social behaviour noise unit	43
15	School travel co-ordinator	0
13	Air quality management	11
13	Vehicle emissions testing	13
0	E planning project	28
9	Elementary Food & Health Training	2
0	Private water supplies	3
20	Safer streets	12
9	Imported food – FSA	9
0	Food hygiene – FSA	7
7	Do the right thing	0
15	PDP activities	0
	Other	
9	Sundry Grants	1
	Capital grants	
5,736	General Capital Grant	7,887
1,481	Private Sector Housing Grant	1,129
12	20mph	122
36,795	**Total**	**39,213**

HRA Income and Expenditure Account

2008/09 £'000		2009/10 £'000
	Income	
(21,126)	Dwelling rents	(22,221)
(1,346)	Non dwelling rents	(1,514)
(311)	Other income	(331)
(22,783)	**Total Income**	**(24,066)**
	Expenditure	
9,702	Repairs and maintenance	9,645
5,193	Supervision and management	5,149
8,255	Depreciation and impairment of fixed assets	8,866
1,013	Other expenditure	878
129	Increase in bad debt provision	149
24,292	**Total Expenditure**	**24,687**
1,509	**Net Cost of HRA Services as included in the Council Income and Expenditure Account**	**621**
166	HRA share of Corporate and Democratic Core	169
1,675	**Net Cost of HRA Services**	**790**
(2,463)	(Gain) or Loss on disposal of fixed assets	(202)
3,092	Interest payable and similar charges	3,180
(136)	Amortisation of premiums and discounts	(139)
(1,298)	Interest and investment income	(398)
(34)	Pension interest cost and expected return on pension assets	141
836	**(Surplus) or deficit for the year on HRA services**	**3,372**

Statement of Movement on the HRA Balance

2008/09 £'000		2009/10 £'000
836	**(Surplus) or deficit for the year on the HRA Income and Expenditure Account**	**3,372**
	Additional amounts required by statute and non-statutory proper practice to be taken into account when determining the increase or decrease in the HRA balance	
180	Difference between any item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory requirements	190
2,463	Gain or loss on sale of HRA fixed assets	202
128	HRA share of contributions to or from the Pension Reserve	(76)
5,289	Capital expenditure funded by the Housing Revenue Account	6,599
(9,725)	Transfer to or from the Capital Adjustment Account	(8,737)
(829)	**(Increase) or decrease in the Housing Revenue Account Balance**	**1,550**
(19,691)	**Housing Revenue Account surplus brought forward**	**(20,520)**
(20,520)	**Housing Revenue Account surplus carried forward**	**(18,970)**

Notes to the Housing Revenue Account

1. A provision of £0.726m is included in the balance sheet for doubtful debts on housing rents.

2. At 31 March 2010, the Council held various types of accommodation and had the following number and types of houses.

31 March 2009 Number of Houses	*Type of accommodation*	*31 March 2010 Number of houses*
2,494	1 and 2 apartment	2,484
3,586	3 apartment	3,573
2,043	4 apartment	2,032
171	5 or more apartment	170
8,294	***Total***	***8,259***

31 March 2009 Number of Houses	*By area*	*31 March 2010 Number of houses*
4,766	Ayr	4,744
1,019	Troon	1,014
733	Prestwick	732
779	Maybole	778
997	Girvan	991
8,294	***Total***	***8,259***

3. At 31 March 2010, rent arrears amounted to £0.934m, being 4.6% of gross rent collectable (£0.837m in 2008/09, being 3.7% of gross rent collectable).

4. The deficit for the year of £1.550m, when added to the surplus brought forward from 2008/09 of £20.520m, results in an accumulated surplus of £18.970m at 31 March 2010. Members have already agreed that £0.550m should be held in reserve for weather emergencies and £10.632m is required to fund specific capital and revenue projects in future years, £0.563m is required to fund new build Council housing and £1.216m has been set aside as a general reserve for unforeseen events. This leaves a balance of £6.009m 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 2014/15.

5. The rental income lost due to void properties amounted to £0.413m in 2009/10 (£0.343m in 2008/09).

Collection of Council Tax, Rates and Community Charge

Council Tax Income Account

2008/09 £'000			2009/10 £'000
61,520	**Gross council tax levied**		**61,879**
(1,802)	***Deduct:***	Exemptions	(1,779)
(89)		Disabled relief	(88)
(5,541)		Discounts	(5,675)
54,088	**Net Council tax**		**54,337**
(8,147)	***Deduct:***	Council tax benefits	(8,753)
8,161		***Less*** government grants	8,744
14		Other items	16
(1,170)	Provision for bad debts		(1,152)
31	(Gain)/loss on benefits to be transferred to Miscellaneous Services		30
(104)	Grant on claimant error transferred to cost of collection		(88)
52,873	**In year Council tax income**		**53,134**
(197)	Prior year adjustments		(353)
52,676	**Transfer to General Fund**		**52,781**

Notes to the Council Tax Income Account

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 8 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 fractions 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 within 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% to second homes and long term empty properties from 1 September 2005, previously the discount awarded was 50%. The additional council tax income collected due to the reduced level of discount requires to be transferred to registered social landlords for the provision of new-build, affordable social housing in areas determined by the Council.

Additional income of £1.141m is included within the general fund and earmarked for use by registered social landlords.

2. Calculation of the Council Tax Charge Base 2009/10

	Valuation band								
Council tax band	***A***	***B***	***C***	***D***	***E***	***F***	***G***	***H***	***Total***
Total number of properties	7,452	12,508	8,452	8,121	9,274	4,519	2,842	247	**53,415**
Less exemptions/ deductions	347	346	271	121	109	56	32	2	**1,284**
Less adjustment for single discount	1,015	1,324	830	660	620	236	115	7	**4,807**
Less adjustment for double discount	69	101	93	86	94	44	29	5	**521**
Effective number of properties	6,021	10,737	7,258	7,254	8,451	4,183	2,666	233	**46,803**
Band D equivalent factor (ratio)	6	7	8	9	11	13	15	18	
Band D equivalent number of properties	4,014	8,351	6,452	7,254	10,329	6,042	4,443	466	**47,351**
Class 17 & 24 Dwellings	0	0	0	13	0	0	0	0	**13**
Total	**4,014**	**8,351**	**6,452**	**7,267**	**10,329**	**6,042**	**4,443**	**466**	**47,364**
Less provision for non-collection 2.5 per cent									1,184
Council tax base 2009/10 (*equivalent to a Band D Council tax of £1,153.95*)									**46,180**

3. Council Tax Properties and Council Tax Charges

Valuation band	***Number of chargeable properties***	***Total Council tax charge***
A	6,021	£769.30
B	10,737	£897.52
C	7,258	£1,025.73
D	7,267	£1,153.95
E	8,451	£1,410.38
F	4,183	£1,666.82
G	2,666	£1,923.25
H	233	£2,307.90
Total	**46,816**	

Non-Domestic Rate Income Account

2008/09 £'000		2009/10 £'000
43,413	**Gross charge**	***44,982***
(7,493)	***Deduct:*** Reliefs & Remissions	(9,275)
(4)	Payment of Interest	0
(1,071)	Provision for bad debts	(714)
34,845	**Net non-domestic rate income**	***34,993***
(1,301)	Prior year adjustments	(1,354)
33,544	**Total non-domestic rate income**	**33,639**
	National non-domestic rate pool (NNDRP):	
42,836	NDRI Distributable	47,008
(33,544)	Contribution to NNDRP	(33,639)
9,292	**Net contribution from NNDRP**	**13,369**

Notes to the Non-Domestic Rate Income Account

1. **Non-Domestic Rate Income / Contribution from National Non-Domestic Rate Pool** - with effect from 1993/94, 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.

2. **Rateable Subjects and Values 2009/10**

Commercial Subjects	***Number***	***Rateable Value £'000***
Shops	1,389	32,603
Public Houses	118	2,944
Offices (Including Banks)	664	10,132
Hotels, Boarding Houses, etc	103	3,970
Industrial & Freight Transport subjects	896	16,746
Leisure, Entertainment, Caravans and Holiday sites	557	5,082
Garages and petrol stations	93	1,155
Cultural	29	341
Sporting subjects	12	334
Education and Training	78	7,036
Public Service Subjects	197	4,682
Communications (non-formula)	4	119
Quarries, Mines, etc	10	361
Petrochemical	4	45
Religious	90	800
Health Medical	91	3,336
Other	180	933
Care Facilities	56	1,832
Advertising	45	66
Undertaking	30	2,588
Total all subjects	**4,646**	**95,105**

Rate levied 2009/10: 48.50p (rateable value greater than £29,000)
48.10p (rateable value less than or equal to £29,000)

Community Charge - Years prior to 31 March 1993

2008/09 £'000		2009/10 £'000
5	**Arrears written off now recovered**	**5**

Former community charge debt continues to be vigorously pursued, and this debt is now fully provided for.

Common Good

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 five 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.

Common Good Income and Expenditure Account

Total 2008/09 £'000		*Ayr* *£'000*	*Troon* *£'000*	*Prestwick* *£'000*	*Maybole* *£'000*	*Girvan* *£'000*	*Total 2009/10 £'000*
	Expenditure						
305	Property costs	412	0	30	0	4	**446**
127	Donations & contributions	97	0	15	0	0	**112**
56	Other expenditure	56	0	1	0	1	**58**
488		**565**	**0**	**46**	**0**	**5**	**616**
	Income						
621	Rents	521	0	18	0	0	**539**
184	Interest on loans	47	1	6	0	0	**54**
9	Other Income	8	0	0	0	5	**13**
814		**576**	**1**	**24**	**0**	**5**	**606**
326	**Surplus/(deficit) for year**	**11**	**1**	**(22)**	**0**	**0**	**(10)**
692	**Surplus brought forward**	**615**	**33**	**365**	**2**	**3**	**1,018**
1,018	**Accumulated surplus**	**626**	**34**	**343**	**2**	**3**	**1,008**

Balance Sheet as at 31 March 2010

2009 *£'000*		*2010* *£'000*
13,138	**Fixed assets**	**13,583**
0	Long-term investment	6
0	**Total long-term investment**	**6**
	Current assets	
2	Stock	2
3,410	Loans Fund investment	3,405
3,412		**3,407**
16,550	**Total assets**	**16,996**
	Less: Current liabilities	
1	Creditors	21
16,549	**Total assets less liabilities**	**16,975**
	Financed by:	
1,018	Revenue Reserve	1,008
2,600	Usable Capital Receipts Reserve	2,585
0	Available for sale financial instrument reserve	6
12,931	Revaluation Reserve	13,376
16,549	**Total net worth**	**16,975**

Notes to the Common Good Account

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 2004/05 and 2009/10 dependant on the category of asset.

2. Movement in Fixed Assets

	Gross Book Value at 1 April 2009 £'000	Additions £'000	Revaluations/ Impairments £'000	Gross Book Value at 31 March 2010 £'000
Land				
Ayr	2,732	0	0	2,732
Prestwick	347	0	0	347
Girvan	0	10	0	10
Total Land	**3,079**	**10**	**0**	**3,089**
Buildings				
Ayr	9,661	0	420	10,081
Prestwick	332	0	0	332
Troon	0	15	0	15
Total Buildings	**9,993**	**15**	**420**	**10,428**
Community Assets				
Ayr	66	0	0	66
Total Community Assets	**66**	**0**	**0**	**66**
Total Common Good Assets	**13,138**	**25**	**420**	**13,583**

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.

During 2009/10 a review of all fixed assets held by South Ayrshire Council was undertaken by the Estates Service in collaboration with Legal Services which identified 5 asset titles that were being held by South Ayrshire Council but in fact belonged to Girvan & Troon Common Good Funds. The appropriate land and buildings associated with the 5 titles have been transferred to Common Good and are shown as additions in the table above.

3. Usable Capital Receipts Reserve

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

4. Revaluation Reserve

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

Trust Funds

The Council currently administers 101 trust funds from local benefactors from which payments are made for specified purposes. It is proposed to amalgamate 99 of these trusts into a reduced number to ensure they can be used effectively and beneficially for the residents of South Ayrshire.

Of the 101 trusts held, eleven 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:

2008/09 Total £'000	*Revenue accounts*	*Registered Charitable Trusts £'000*	*Other Trusts £'000*	*2009/10 Total £'000*
1,094	Balance at 1 April 2009	598	532	1,130
86	Income for year	24	11	35
(50)	Expenditure during year	(14)	(11)	(25)
1,130	**Balance at 31 March 2010**	**608**	**532**	**1,140**

2009 Total £'000	*Balance Sheet as at 31 March*	*Registered Charitable Trusts £'000*	*Other Trusts £'000*	*2010 Total £'000*
	Assets			
190	Investments	324	67	391
1,366	Current assets – temporary deposit in Loans Fund	749	627	1,376
1,556	**Total assets**	**1,073**	**694**	**1,767**
	Reserves			
1,130	Revenue	608	532	1,140
0	Available for sale financial instrument reserve	185	16	201
426	Capital	280	146	426
1,556	**Total reserves**	**1,073**	**694**	**1,767**

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 £'000		*2010 £'000*
	Assets	
8	Balance due by Loans Fund	9
3	Investments	3
11	**Total assets**	**12**
	Reserves	
11	Revenue	12
11	**Total reserves**	**12**

Group Accounts

Introduction

The 2009 SORP 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 53 to 55. The subsidiary and associate entities share a common accounting period ending 31 March 2010.

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, and
- Ayrshire Valuation Joint Board
- 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, Fire, and Transport Authority Joint Boards. The Council has one member representing its interests on the Concessionary Travel Scheme Joint Board and five members on the Ayrshire Valuation Joint Board. Ayr Renaissance is a new associate which has been included in the group for the first time in 2009/10. 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 leader of the Council, the Chief Executive and two 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 three of the seven entities, the Council has a share in a net liability. The net liabilities of Police, Fire and AVJB arise from the inclusion of liabilities related to the defined benefit pension scheme as required by FRS17.

The inclusion of the subsidiary and associate entities in the group Balance Sheet reduces both the reserves and net assets by £210.874m, representing the Council's share of the net assets or liabilities of the entities.

Group Income and Expenditure Account

Year ended 31 March 2010

2008/09 net expenditure £'000	***Service***	***2009/10 gross expenditure £'000***	***2009/10 gross income £'000***	***2009/10 net expenditure £'000***
111,594	Education Services	103,964	6,269	97,695
1,509	Housing Revenue Account	24,687	24,066	621
3,313	General Fund Housing	38,680	35,203	3,477
67,907	Social Work Services	86,018	16,423	69,595
12,476	Culture and Related Services	20,295	8,788	11,507
13,336	Environmental Services	19,622	5,951	13,671
11,206	Roads and Transport Services	17,765	7,289	10,476
3,264	Planning and Development Services	7,659	4,981	2,678
2,911	Corporate and Democratic Core	2,940	169	2,771
3,087	Non Distributed Costs	3,727	669	3,058
4,267	Other Central Services to the Public	21,034	17,242	3,792
490	Exceptional item - equal pay compensation/Single Status	1,088	0	1,088
18,099	Precepts and levies	18,929	0	18,929
221	Common Good fund	573	228	345
(2,405)	Share of operating results of associates	330	4,466	(4,136)
251,275	**Net Cost of Services**	**367,311**	**131,744**	**235,567**
(426)	(Profit) or loss on disposal of assets			(114)
(819)	Trading Services			(820)
12,734	Interest payable and similar charges			13,866
659	Share of interest payable of associates			450
(2,415)	Interest and investment Income			(816)
(353)	Share of interest and investment income of associates			(64)
(757)	Pension interest cost and expected return on pension assets			3,859
10,729	Share of pension interest cost and expected return on pension assets of associates			11,166
270,627	**Net Operating Expenditure**			**263,094**
147,832	Revenue Support Grant			155,574
42,836	Non Domestic Rates redistribution			46,833
52,682	Council Tax and Community Charge income			52,786
243,350	**Total income from government grants and local taxation**			**255,193**
27,277	**Group Income and Expenditure (surplus)/ deficit for year**			**7,901**

Reconciliation of the Single Entity Surplus/ Deficit to the Group Surplus/ Deficit

2008/09 £'000		2009/10 £'000
18,959	**(Surplus)/ deficit for the year on the Council's Income and Expenditure Account**	**477**
	Surplus/ deficit in the Group Income and expenditure account attributable to group entities (adjusted for intra-group transactions):	
(326)	Subsidiaries	10
8,644	Associates	7,414
27,277	**(Surplus)/ deficit for the year on the Group Income and Expenditure Account**	**7,901**

Statement of Total Recognised Gains and Losses

2008/09 £'000		2009/10 £'000
27,277	**(Surplus)/ deficit for the year on the Group Income and Expenditure Account**	**7,901**
(2,071)	(Surplus) or deficit arising on revaluation of fixed assets	(61,316)
(523)	(Surplus) or deficit on the revaluation of available for sale financial assets	(69)
40,103	Actuarial (gains) or losses on pension fund assets and liabilities	173,797
1,498	Any other (gains) or losses	(1,225)
66,284	**Total recognised (gains) or losses for the year**	**119,088**

Group Balance Sheet as at 31 March 2010

31 March 2009 £'000			31 March 2010 £'000
	Fixed assets		
227	***Intangible fixed assets***	7	
	Tangible fixed assets:		
	Operational assets:		
191,618	Council dwellings	250,166	
290,197	Other land and buildings	296,459	
4,263	Vehicles, plant etc	6,226	
42,749	Infrastructure assets	43,968	
1,017	Community assets	1,016	
	Non-operational assets:		
15,092	Investment properties	15,128	
439	Assets under construction	2,099	
8,261	Surplus assets held for disposal	8,202	
553,863	**Total fixed assets**		**623,271**
4,590	Long term investments		4,363
64	Long term debtors		63
15,776	Share of investment in associates		17,549
574,293	**Total long-term assets**		**645,246**
	Current assets:		
503	Stocks and work in progress	513	
44,891	Debtors	45,262	
(26,294)	Provision for bad and doubtful debts	(26,983)	
44,588	Short term investments	28,618	**47,410**
637,981	**Total assets**		**692,656**
	Current liabilities:		
(2,677)	Borrowing repayable on demand or within 12 months	(2,443)	
(34,382)	Creditors	(32,578)	
(4,238)	PPP – Finance lease liability due within 12 months	(4,339)	
(4,000)	Bank overdraft	(3,366)	
(1,375)	Due to sundry accounts	(1,385)	**(44,111)**
591,309	**Total assets less current liabilities**		**648,545**
	Long term liabilities		
(187,509)	Borrowing repayable within a period in excess of 12 months		(172,510)
(67,006)	PPP – Finance lease liability due in excess of 12 months		(68,750)
(7,637)	Provision for liabilities		(5,355)
(20,089)	Government grant deferred		(26,781)
(201,149)	Liability related to defined benefit pension scheme		(386,318)
107,919	**Total assets less liabilities**		**(11,169)**
	Financed by:		
24,067	Revaluation reserve		84,219
263,605	Capital adjustment account		264,227
(16,807)	Financial instruments adjustment account		(16,775)
523	Available–for-sale financial instruments reserve		592
3,708	Capital receipts reserve		4,612
(201,149)	Pension reserves		(386,311)
3,974	Group reserves		4,168
137	Repair & renewal fund		139
425	Insurance fund		425
1,463	Capital fund		1,239
7,453	General fund balance		13,326
20,520	Housing Revenue Account balance		18,970
107,919	**Total net worth**		**(11,169)**

The unaudited accounts were issued on 29 June 2010 and the audited accounts were authorised for issue on 30 September 2010.

Eileen Howat

Eileen Howat BSc, CPFA
Executive Director - Corporate Services

30 September 2010

Group Cash Flow Statement

2008/09 £'000			2009/10 £'000
(17,998)	**Net cash outflow/ (inflow) from revenue activities**		**(29,329)**
	Returns on investments and servicing of finance		
13,671	Interest paid	14,215	
(3,066)	Interest received	(1,289)	
10,605	**Net cash outflow/ (inflow) from returns on investments and servicing of finance**		**12,926**
	Capital expenditure and financial investment		
	Cash outflows:		
25,349	Purchase of fixed assets	26,480	
550	Other capital cash payments	0	
25,899		**26,480**	
	Cash inflows:		
4,618	Sale of fixed assets	927	
8,441	Capital cash receipts	771	
7,229	Capital grants	9,138	
20,288		**10,836**	
5,611	**Net cash outflow/ (inflow) from capital activities**		**15,644**
(1,782)	**Net cash outflow/ (inflow) before financing**		**(759)**
	Management of liquid resources		
1,826	(Decrease)/ increase in investments	(15,230)	
178	(Decrease)/ increase in other liquid resources	242	
2,004			**(14,988)**
	Financing		
	Cash outflows		
1,042	Repayments of amounts borrowed	15,169	
		15,169	
	Cash inflows		
(679)	New loans raised	(136)	
		(136)	
363	**Net cash outflow/ (inflow) from financing**		**15,033**
585	**(Increase)/ decrease in cash**		**(714)**

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 17 to 39. The following notes provide additional information in relation to other combining entries.

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 pages 7 to 12.

Prior Year Adjustments

As a result of the introduction of the Statement of Recommended Practice (SORP 2006), for accounting periods ending on or after 31 March 2007 all group entities financial statements are now fully UK GAAP compliant. No adjusting entries are therefore required to align South Ayrshire Council's accounts, in terms of UK GAAP requirements, with those of the other group entities in 2009/10.

There were four prior year adjustments required to various single entity accounts as detailed below:

- *South Ayrshire Council* - adoption of changes required by 2009 SORP in relation to accrued interest;
- *South Ayrshire Council* – adoption of changes required by 2009 SORP in relation to Public Private Partnership assets being included in fixed assets offset by short and long term liabilities in the Balance Sheet;
- *South Ayrshire Council* - adoption of changes required by 2009 SORP in relation to non domestic rates debtor and bad debt provisions now being netted of within debtors;
- *Strathclyde Police Joint Board* – adoption of changes required by 2009 SORP in relation to Public Private Partnership assets being included in fixed assets offset by short and long term liabilities in the Balance Sheet. The effect of this restatement is to increase the investment in the Police Joint Board associate by £0.166m for 2008/09.

Further detail on the South Ayrshire Council adjustments can be found in note 2 on page 17, Notes to the Core Statements. All of the above adjustments have been fully incorporated in to the prior year comparators contained in the Group statements on pages 49 to 52.

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.

2. Details of Combining Entities

In addition to the information included in the consolidated Group Accounts on pages 49 to 52, 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 45 to 46 of these accounts.

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 2009/10, South Ayrshire Council contributed £10.559m or 3.95% of the Board's estimated revenue running costs and contributed a further £0.420m in terms of a capital contribution. Its share of the year-end net liability of £180.180m (2008/09 £117.506m) 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 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 2009/10, South Ayrshire Council contributed £7.592m or 4.80% of the Board's estimated running costs. Its share of the year-end net liability of £52.650m (2008/09 £32.607m) 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.

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 2009/10, South Ayrshire Council contributed £1.855m or 4.84% of the Board's estimated running costs. Its share of the year-end net asset of £3.933m (2008/09 £3.334m) 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.

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 2009/10, 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 £0.262m (2008/09 £0.410m) 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.

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 2009/10, South Ayrshire Council contributed £0.778m or 33.35% of the Board's estimated running costs. Its share of the year-end net liabilities of £0.258m (2008/09 £0.364m net asset) 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 additional disclosures are required under accounting regulations for the Ayrshire Valuation Joint Board due to the Council's share of the net assets exceeding 25%.

2008/09 £'000	***Council's Share (33.35%) of AVJB***	***2009/10 £'000***
745	Gross income	786
15	Net operating expenditure (surplus)/deficit	7
172	Fixed assets	225
86	Current assets	59
(67)	Liabilities due within one year	(38)
(173)	Liabilities due after one year	504
(364)	Capital and reserves	258

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 Chief Executive 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 £0.161m during 2009/10.

The following additional disclosures are required under accounting regulations for the Ayr Renaissance due to the Council's share of the net assets exceeding 25%.

Council's Share (99.999%) of Ayr renaissance	***2009/10 £'000***
Gross income	161
Net operating expenditure (surplus)/deficit	7
Current assets	1318
Liabilities due within one year	(267)
Liabilities due after one year	(7)
Capital and reserves	(1,044)

3. Financial Impact of Combination

The effect of the inclusion of the above bodies on the group Balance Sheet is to reduce both the reserves and net assets by £210.874m, representing the Council's share of the net liabilities of the entities.

4. Group Cash Flow Statement

The incorporation of the Common Good Fund as a subsidiary within the group cash flow statement increases the net cash inflow position by £0.011m and reduces the net fund position for the year by £0.010m. The incorporation of the associate companies has no effect on the Group Cash Flow statement. A reconciliation of the surplus for the year of £4.313m to the net cash inflow from revenue activities of £29.329m is as follows:

2008/09 £'000			***2009/10 £'000***
(4,710)	(Increase)/ decrease in South Ayrshire Council General Fund balance for year	(5,873)	
(829)	(Increase)/ decrease in HRA balance for year	1,550	
(326)	(Increase)/ decrease in Common Good Fund balance for year	10	
(5,865)			**(4,313)**
440	Movement in current assets	(1,215)	
(5,238)	Movement in current liabilities	1,547	
4,381	Movement in fund balances	(10,043)	
(11,716)	Adjustment for non-cash transactions	(15,305)	
(12,133)			**(25,016)**
(17,998)	**Net Cash outflow/ (inflow) from revenue activities**		**(29,329)**

Statement of Responsibilities for the Statement of Accounts

The Authority'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; and

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

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.

Statement on the System of Internal Financial Control

This statement applies to the 2009/10 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 48 to 55, 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 provide only reasonable and not absolute assurances that assets are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

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 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 undertakes an annual programme of work approved by the Council and is based on a five-year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is revised as required to reflect evolving risks and changes within the Council.

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 all audit recommendations. An ongoing review process is in place to monitor the progress on the implementation of those issues and to assist managers in the performance of their duties and responsibilities in these areas. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are reported directly to the Chief Executive and the Council.

The effectiveness of internal financial control is dependent on the actions of officers of South Ayrshire Council and on the work of Internal and External Audit. No system of control can ever give an absolute assurance that all transactions are properly processed, or that all errors have been prevented, and to that end the Council is continually seeking to improve the effectiveness of its system of internal financial control.

During 2009/10 weaknesses were identified in the operation of satisfactory internal controls with regard to timely and complete reconciliations of the council's bank account to the ledger. All bank accounts were reconciled as at 31 March 2010 with the exception of the number 2 account (main income) and the unified benefit account. On identification of this issue immediate steps were taken to clear all the unmatched items and provide a complete reconciliation. At 31 March 2010 a net £0.006m of income remained under review with information being sought from the council's bankers (Bank of Scotland) to assist in identifying the remaining items. The introduction of the new cash receipting system, "Aim" and paye.net, an online cash collection system, together with the introduction of revised procedures, will ensure that this situation does not occur again in future years.

Eileen Howat

Eileen Howat BSc, CPFA
Executive Director - Corporate Services **30 September 2010**

South Ayrshire Council – Delivering Good Governance Framework

Assurance Statement for South Ayrshire Council for 2009/10

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. At its subsequent meeting in April 2010, it agreed that the corporate governance sign off for 2009-10 should be based on this new framework, involving the 'corporate owners' signing off the assessments against their respective principles, and then the Chief Executive and the Leader of the Council signing off for the whole framework. This decision was based on the value of looking forward, rather looking back to our former arrangements and structures, as had been in place since April 2003, under the Council's Local Code of Corporate Governance.

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	Claire Monaghan
2. Roles	Structures; Delegation; Research	David Anderson
3. Values	Values; Perceptions	David Anderson
4. Decision Making	Reporting Decisions; Effective Information; Risk Management	Valerie Andrews & David Alexander
5. Skills	Competencies; Training; Development	Angela Wilson
6. Accountability	Public Reporting; Consultation; Communication; Partnerships	Claire Monaghan

The self assessments of 'what do we need', 'what have we in place' and 'what additionally needs to improve' were first prepared in November 2009, with the oversight of five corporate owners. These owners were designated in relation to their responsibilities within the Council's Improvement agenda, to help ensure that the linkages between good governance, best value and continuous improvement are fully appreciated and realised.

Assessment for 2009/10:

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 22 June 2010. Their observations and decisions were reviewed at the full Council meeting on 1 July 2010.

These assessments 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.

Development programme for 2010/11:

Principle	Areas
1. Direction	• Performance reporting to Leadership Panels and Scrutiny Panels. • Finalisation of service review guidance and annual review programme. • Refinement of scrutiny arrangements.
2. Roles	• Improved information on what people think of Council services
4. Decision Making	• Six monthly scrutiny of the Council's risk arrangements
5. Skills	• Development opportunities for members of the community to participate in the work of the Council
6. Accountability	• Development of a comprehensive approach to community engagement • Review the reach and effectiveness of current public performance reporting channels • Assess the impact of the Community Planning Partnership Improvement Programme.

Review Programme by Scrutiny and Governance Panel during 2010/11:

Date of Panel	Governance Work Programme
28 Sept 2010	Review principles 1&2 - 'Direction' and 'Roles'
07 Dec 2010	Review principles 3&4 – 'Values' and 'Decision Making'
01 Mar 2010	Review principles 5&6 - 'Skills' and 'Accountability'
03 May 2011	Approve 2010/11 assessment

Assurance for 2009/10:

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 Improvement Agenda for 2009/10 to 2011/12.

The Council also recognises the need to strengthen procedures and governance around procurement arrangements and this will be progressed during 2010/11.

Signed: ______________________ Date: **30 September 2010**

David Anderson, Chief Executive

Signed: ______________________ Date: **30 September 2010**

Bill McIntosh, Leader of the Council

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 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the HRA Balance, the Council Tax Income Account, the Non-Domestic Rate Income Account, Common Good and Sundry Accounts, the Group accounts, the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with 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 Executive Director, Corporate Services and auditor

The Executive Director, Corporate Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the financial statements.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

I review whether the Statement on the System of Internal Financial Control and the Corporate Governance Compliance Statement reflect compliance with the SORP, and I report if, in my opinion, they do not. I am not required to consider whether these statements cover all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Executive Director, Corporate Services in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the local authority and its group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of South Ayrshire Council and its group as at 31 March 2010 and its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

30 September 2010

www.south-ayrshire.gov.uk

Corporate Services Directorate

County Buildings, Ayr, KA7 1DR