



South Ayrshire Council

31st March

2012

Annual Accounts

south
AYRSHIRE
COUNCIL

South Ayrshire Council Annual Accounts

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Section 1: Foreword by the Executive Director - Corporate Services

Introduction

This foreword provides an overview of the financial performance of South Ayrshire Council (the Council) for the year ended 31 March 2012. The Statement of Accounting Policies on pages 25 to 35 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 2011-2012 are set out on pages 20 to 89 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*).

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.

Annual governance statement

This statement sets out the framework within which the Council has put in place proper arrangements (known as the governance framework) for the governance of the Council's affairs thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal financial control are in place.

Remuneration report

The Remuneration Report provides details of the local authority's remuneration policy for senior councillors and senior employees and details of any role the local authority has in determining the remuneration policy for any local authority subsidiary body. The report is subject to audit and forms part of the 2011-2012 annual audit by the Council's external auditors, Audit Scotland.

The Financial statements

Core Financial Statements:

- *The Movement in Reserves Statement:* shows the movement in the year on the Council's reserves, analysed into Usable Reserves i.e. those that can be applied to fund expenditure or reduce local taxation; and Unusable Reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the *Comprehensive Income and Expenditure Statement*. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Other Statutory Reserves shows the General Fund Balance before any discretionary transfers to and from the other statutory reserves of the Council.
- *The Comprehensive Income and Expenditure Statement:* reports the income raised by the Council during the year and how it was spent on services, financing costs and contributions to or from reserves. The surplus or deficit on the Income and Expenditure Account is carried to the Balance Sheet.
- *The Balance Sheet:* provides a summary of the Council's assets, liabilities, reserves and balances at 31 March 2012. 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 has three elements:
 - *The Movement on the HRA Statement:* shows the movement in the year on the HRA Usable reserves. The Surplus or (Deficit) on the Provision of HRA Services shows how the HRA Comprehensive Income and Expenditure Account reconciles to the movement on the Housing Revenue Account Reserve.
 - *The HRA Comprehensive Income and Expenditure Account:* summarises expenditure on repairs, maintenance and management of the Council's housing stock and how this was funded by rental income and other charges for services during the year.
 - *The Notes to the Accounts:* provide further information on the Housing Revenue Account.
- **The Council Tax & 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, Trusts and Other Funds** summarise the financial performance of the Common Good, Trusts and other funds administered by the Council.
- **Group Accounts Financial Statements** - 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 the following statements:

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

Financial Review

- **General Fund Revenue**

The Financial performance of the Council's General Fund and Housing Revenue Account for 2011-2012 is contained within the Movement In Reserves Statement on page 20. The Statement shows how the surplus for the year, when adjusted for contributions to and from funds and reserves held by the Council and other statutory and non-statutory adjustments, results in a surplus for the year of £2.724m. After application of the planned 2011-12 contribution of £1.000m from reserves this increases the in year surplus to £3.724m

A Summary of the general fund out-turn position against the agreed budget is shown below. Directorate budgets include the utilisation of £2.197m of balances brought forward for use in 2011-2012.

	Budget	Actual	Variance
	£'000	£'000	£'000
Chief Executive's Strategic Office	2,334	2,254	80
Children & Community	181,423	176,353	5,070
Corporate Services	3,803	3,189	614
Development & Environment	42,617	43,633	(1,016)
Directorate expenditure	230,177	225,429	4,748
Miscellaneous - Capital financing, Police, Fire	28,291	28,062	229
Provision transfer	0	1,191	(1,191)
Total Net Expenditure	258,468	254,682	3,786
Revenue Support Grant	(168,962)	(168,962)	-
Non Domestic Rate Income	(34,835)	(34,835)	-
Council tax/community charge income	(53,671)	(53,609)	(62)
Planned 2011-12 draw on surplus	(1,000)	(1,000)	-
Total Funding	(258,468)	(258,406)	(62)
General Fund surplus for the year	-	(3,724)	3,724

The surplus position of £3.724m is net of an increase in Equal Pay provisions of £0.991m and insurance provisions of £0.200m. When added to the surplus of £14.302m brought forward from 2010-2011 following the application of £1.000m of the surplus to fund 2011-2012 identified in the table above, this results in a General Fund Balance of £18.026m at 31 March 2012. The financial out-turn reflects favourably on the financial stewardship arrangements across Council services during 2011-2012.

The most significant variances from budget outlined in the table above are in relation to the Directorate of Children & Community (£5.070m favourable) and Development & Environment (£1.016m unfavourable). The favourable position within Children & Community includes variances due to the reduced number of care packages required and the time taken to fill vacant posts within the directorate. The unfavourable variance with Development & Environment is due to the reduced trading conditions brought about by the loss of a number of major contracts during the year within the Council's trading operation, Property Maintenance and Construction Trading.

Of the accumulated surplus of £18.026m to be carried forward to 2012-2013, £0.537m requires to be set aside to assist with the financing of the Council's Schools PPP project and £3.327m is being carried forward to be spent on specific Council projects during 2012-2013. Council Tax income collected in respect of second homes totalling £0.843m is earmarked to be used in delivering the Council's affordable homes strategy in future years. In December 2011 the Council agreed to specifically set aside £1.300m of the 2011-2012 then anticipated surplus to assist in funding 2012-2013 budgeted service expenditure. A further net £3.225m requires to be set aside to provide for specific projects and initiatives.

This leaves a balance of £8.794m (3.3% of the Council's total planned expenditure for 2012-2013). CIPFA best practice recommends that councils should maintain reserves of between 2% and 4% of annual running costs, equivalent to between approximately £5.341m and £10.682m for South Ayrshire Council. At 31 March 2011 the uncommitted reserve balance amounted to £7.532m therefore the overall uncommitted balance has increased by £1.262m during 2011-2012. 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, it committed to achieving uncommitted reserves of £8.000m by 31 March 2013. The Council has now achieved the target set one year in advance of this date.

In accordance with proper accounting practice, severance costs associated with 2011-2012 revenue budget decisions have been charged to the 2011-2012 Comprehensive Income and Expenditure Account where the decision to release the members of staff was made prior to the date of signing the balance sheet.

• Housing Revenue Account

The Housing Revenue Account on page 71 shows an increase on the Housing Revenue Account balance of £1.754m for the year to 31 March 2012, which compares favourably to a budgeted on line position for the year. The under spend is primarily due to reduced planned maintenance costs resulting from delays in commencement of contracts and lower employee costs due to vacancies.

When added to the surplus brought forward from 2010-2011 of £13.960m, this results in an accumulated surplus of £15.714m at 31 March 2012. The Council has already agreed that £0.550m should be held in reserve for weather emergencies and £11.732m is required to fund specific capital and revenue expenditure in future years. In addition £1.500m has been set aside as a general reserve for unforeseen events. This leaves a balance of £1.932m which will be considered as part of the review of the HRA Business Plan including the ability to meet the Scottish Housing Quality Standards by 2014-2015.

• **Trading Operations**

The Local Government in Scotland Act requires Councils to maintain statutory trading accounts for 'significant trading operations'. These trading accounts require to at least break-even over a three-year rolling period. The Council operates one statutory trading account for Property, Maintenance and Construction Trading as detailed in Note 27 on page 55, which incurred a deficit of £0.798m in 2011-2012 (£0.795m before application of notional interest) and a cumulative surplus of £0.503m over the three-year period to 31 March 2012 (£0.534m before application of notional interest), thereby satisfying the statutory requirement to break-even.

Following a review of the options for the future delivery of repairs and maintenance services to Council owned buildings, in March 2012 it was decided that there would no longer be a requirement to operate a statutory trading account from 2013-2014 onwards.

• **Council Tax Collections**

The Council budgeted to collect £53.671m in council tax during 2011-2012. This equated to 20.77% of the overall funding required to meet net expenditure for the year. An in year collections rate of 94.8% was achieved in 2011-2012 which was 0.30% higher than the targeted 94.5%.

• **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. In addition to the £1.752m of equipment purchased through new finance lease arrangements, capital expenditure of £22.053m was incurred during the year as shown in Note 32 on page 58, of which £11.818m was spent on Council housing, £6.322m on educational properties, £1.356m on roads and transport improvements, £1.026m on Information and Communication Technology and £1.531m on other Council projects.

Funding of capital expenditure included £1.639m from the sale of assets, £11.541m government grants and other contributions received and £4.922m revenue funding. Long-term borrowing of £3.951m was undertaken, the repayment of which will be either fully supported by government grant in future years or through Council planned expenditure.

Major capital projects for 2011-2012 included:

- Braehead Primary School refurbishment - £1.005m
- Forehill Primary School refurbishment - £1.098m
- Heathfield Primary School refurbishment £3.061m
- Internal component renewal within council houses - £3.813m
- New build council houses (Thornyflat) – £3.373m
- New build council houses (Somerset) - £2.607m

The Council approved a three-year capital programme for 2012-2015 in December 2011. The Council is continuing to develop its long-term asset management strategy alongside reviewing its future educational provision. Key issues currently under consideration include modernisation of the schools estate, the need for substantial investment in roads infrastructure and the scope for rationalisation of office accommodation.

• **Long-term Borrowing**

The majority of the Council's borrowing for capital investment purposes comes from the Public Works Loan Board (PWLB), a Government sponsored body set up with the primary purpose of lending to UK local authorities. The remainder of funding comes from money market borrowing. Further details can be found in Note 14 on Pages 46 to 48.

• Prudential Indicators

The Prudential Code for Capital Finance in Local Authorities allows greater flexibility for capital investment decisions that are informed and supported by various performance indicators. The Council's overall performance against these indicators provides a firm basis for the monitoring and control of capital investment and borrowing and determining that it is prudent, affordable and financially sustainable. Certain key indicators are outlined below:

In terms of prudence:

- *The Capital Financing Requirement (CFR)* measures the underlying need to borrow for capital purposes. As at 31 March 2012, the CFR stood at £186.7m, while the *Net external borrowing* stood £52.2m lower at £134.5m. This is a measure of prudence, demonstrating that borrowing has only been undertaken for capital investment purposes. It is also reflective of the Council's treasury management strategy, where it has been deemed prudent to make use of internal funds and to minimise exposure to investment risk.

In terms of affordability:

- *The Ratio of Financing Costs to Net Revenue Stream* provides an indication of affordability of capital investment. As at 31 March 2012, ratio of financing cost to net revenue stream was 5.46%. The Council's ability to meet its borrowing costs is integral to investment decisions.
- A fundamental indicator of affordability for councils to consider in setting forward plans is the impact on Council Tax and Housing Rents. Capital and revenue budgets are closely linked with the revenue implications of capital investment plans reflected within the Council's revenue budget forecasts. Future capital investment decisions will have no incremental impact on the Council Tax or Housing rents as the ongoing revenue implications of investment decisions are being managed within existing budgetary levels.

• Fund Balances and Reserves

In addition to the General Fund and the HRA fund balances, the Council operates a further three reserve funds as empowered under Schedule 3 of the Local Government (Scotland) Act 1975. The three funds are as follows:

- *The Repair and Renewal Fund* balance increased from £4.280m at the start of the financial year to £4.420m at 31 March 2012 as a result of £0.041m of interest earned in the year and the decision to transfer £0.250m of funds to the reserve less draws from the fund of £0.151m approved during 2011-2012.
- *The Insurance Fund* had a balance of £0.425m at 1 April 2011. Insurance premiums and payments in respect of uninsured losses totalling £1.392m were incurred during the year, offset by interest earned of £0.004m together with a contribution of £1.388m 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 2011-2012.
- *The Capital Fund* was established during 2005-2006, primarily to assist in funding the Council's Schools PPP project. The balance on the Fund at 1 April 2011 was £0.033m. As part of the 2012-2013 revenue budget it was agreed that the balance remaining in the fund would be transferred to the Change Fund held in revenue to assist in meeting investment in asset rationalisation, leaving a zero balance in the fund at 31 March 2012.

Movements on the fund balances and reserves during 2011-2012 are summarised in the table below.

	General Fund balance £'000	Repairs and Renewals fund £'000	Insurance Fund £'000	Capital Fund £'000	HRA balance £'000
Opening balance as at 1 April 2011	15,302	4,280	425	33	13,960
Surplus/(deficit) for the year	3,724	-	-	-	2,384
Appropriations (to)/from revenue/capital	-	140	-	(33)	-
Planned use of Surplus	(1,000)	-	-	-	(630)
Closing balance as at 31 March 2012	18,026	4,420	425	-	15,714

A comprehensive analysis of the Council's reserves is provided in the Movement In Reserves Statement on page 20.

• Balance sheet

The Balance Sheet on page 23 summarises the Council's assets and liabilities at 31 March 2012. Total assets have increased from £703.247m at 31 March 2011 to £714.799m at 31 March 2012, an increase of £11.552m. This is primarily due to a reduction in the value of property, plant and equipment, due to disposals and revaluations undertaken during the year combined with an increase in cash and cash equivalents. Total liabilities have increased by £48.830m to £390.904m, of which the most significant increase of £46.183m is due to the pension fund liability movement.

Provisions, Contingencies and Write-offs

The Council has provided £7.582m for eventualities which may have a material effect on the financial position of the authority. The reason for the provisions is outlined in Note 21 on page 49. While the Council has made provision for potential equal pay claims, as outlined in Note 21, there may be additional costs arising under the terms of the Equal Pay Act 1970 (As Amended). The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. The process will incur costs related to the release of employees through redundancy and early retirement.

As outlined within Financial Review (General Fund Revenue), the Council has also earmarked £9.232m within the General Fund Balance for specific purposes.

During 2011-2012 there were a number of write offs of irrecoverable debt due to the Council approved by the relevant panel or the Executive Director – Corporate Services under delegated authority.

Pension fund

International Accounting Standard 19: Employee Benefits (IAS19) requires the disclosure of the Council's share of Strathclyde Pension Fund's assets and liabilities, both current and future. The disclosure information is provided to the Council by the Pension Fund actuaries following their annual valuation of the Fund. Formal valuations take place every three years, with the latest formal valuation having taken place on 31 March 2011. The Council's balance sheet shows a pension liability of £89.461m at 31 March 2012 compared to a pension liability of £43.278m at 31 March 2011. 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 IAS19 position is principally due to the fact that the financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011, and that asset returns were less than anticipated. 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 2011-2012, will provide sufficient returns to finance future pension commitments.

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 2012 all three new primary schools, two secondary schools and the annex to the existing secondary school were fully operational. £9.488m was paid to the contractor in 'unitary charge' payments under the terms of the agreement during 2011-2012.

Treasury management - Icelandic bank investment

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

In the intervening period, since the collapse of Landsbanki, South Ayrshire Council has been party to Icelandic Court proceedings, through COSLA and the Local Government Association who, acting on behalf of all affected local authorities, have worked to obtain the best possible outcome and recovery of deposits held in the affected banks. This culminated in the Icelandic Courts agreeing that Councils be classed as having preferential creditor status and thereby securing the maximum return possible for the Council, which based on the latest information, will likely mean a recovery rate of 100% of the original deposit. During January of 2012 the Council received its first distribution of deposits outstanding, equating to approximately 30% of the amount owed. A further distribution has also been received in May 2012, equating to approximately 12.20% of the amount owed.

The Council, alongside all other affected Scottish local authorities, took advantage of the Scottish Government legislation to defer the impact of the anticipated loss or impairment on the General Fund in 2008-09 and 2009-10 with £1.157m being charged to the Comprehensive Income and expenditure account in 2010-11. The net impact for 2011-2012 based on revised estimated recovery amounts and timings, results in the General fund receiving an unbudgeted credit of £0.210m in 2011-2012. The HRA also received a credit in 2011-2012 of £0.090m. Further detail regarding the impact of the impaired deposit is outlined in Note 41 on page 65 within the Notes to the Core Financial Statement.

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

Common Good and Trust funds

The Council administers the Common Good Fund. In addition the Council controls a number of sundry trusts, some of which are registered charities. The 2011-2012 Code prescribes that, where a trust fund is a registered charity, it should follow the financial reporting requirements of the Office of the Scottish Charity Regulator (OSCR). In order to comply with *The Code* and OSCR requirements, the Council has opted to obtain independent verification of the financial statements of the registered charitable trusts.

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 £0.019m which, when added to the surplus brought forward from 2010-2011, contributes to an accumulated surplus at 31 March 2012 of £0.934m. Total reserves increased in value by £0.804m to £19.550m, primarily due to the purchase and revaluation of assets held and income from the disposal of assets. Further detail relating to the Common Good Fund is provided on page 76.

The reserves of the registered charitable trusts where the Council is the sole trustee remained static at £0.492m at 31 March 2012. The reserves of the other trusts administered by the Council (where the Council is sole trustee) reduced by £0.043m to £0.586m at 31 March 2012. Further details relating to the trusts are provided on pages 79 to 81.

Group Accounts

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

The Group Accounts on pages 82 to 89 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 £190.817m, representing the Council's share of the net liabilities in these entities.

Changes in Accounting Policy

In the 2007 Budget the Chancellor announced that there would be a requirement for local authorities to adopt International Financial Reporting Standards (IFRS) from 2010-2011. This was a significant departure from UK Generally Accepted Accounting Practice (UK GAAP) on which previous versions of the Code were based. The adoption of IFRS required a significant revision of the accounting policies operated by the council in 2010-2011. For 2011-2012 *The Code* has introduced the following material changes to accounting policies;

- Heritage Assets (FRS30) – *The Code* requires the adoption of FRS 30 which requires separate recognition of certain assets, previously included within the Community Assets category that are held and maintained by the authority in trust for future generations because of their cultural, environmental or historical association.
- Carbon Reduction Commitment -The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014.

Events after the Balance Sheet date

The annual accounts were signed by the Executive Director – Corporate Services on 28 June 2012. Events taking place after this date have not been reflected in the financial statements.

Impact of the economic climate

Following the Comprehensive Spending Review announced in October of 2010 by the UK Government, the Scottish Government implemented a number of measures intended to tackle the Scottish budget shortfall. In December 2010 all Scottish Councils, including South Ayrshire, were issued with reduced revenue and capital funding allocations for 2011-2012. South Ayrshire Council's total government support for revenue expenditure in 2011-2012 was £211.178m which represents a reduction of 2.38% from the level of funding provided in 2010-2011. December 2011 saw the Scottish Government announce similar levels of funding for the three year period from 2012-2013 to 2014-2015.

In looking ahead the Council recognises the well publicised squeeze on the Scottish Government budget post 2010-2011. While the exact size and length of this squeeze will depend on a number of factors, there is little doubt that real term reductions in the resources available to the Council will occur in the coming years and will result in the Council facing strong challenges in attempting to accommodate these reductions. The Council will continue to develop its longer term financial planning arrangements, which will ensure that the Council is pro-active in taking a longer term view to support the identification of key financial risks and facilitate the development of financial strategies to mitigate the risks identified.

Conclusion

The Council's financial position at 31 March 2012 compares favourably against the position brought forward at 1 April 2011 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 2012.



Eileen Howat BSc CPFA

Executive Director – Corporate Services

27 September 2012



Section 2: Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In South Ayrshire Council the designated officer is the Executive Director - Corporate Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Executive Director - Corporate Services responsibilities'

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Executive Director - Corporate Services has also:

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

The Statement of Accounts represents a "true and fair view" of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

Section 3: Annual Governance Statement

Scope of responsibility:

South Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also have a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging its overall responsibility, the Council's members and the corporate management team are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Cipfa has issued statements on the role of chief financial officers in local government and the role of head of internal audit in public sector organisations. Both officers within South Ayrshire Council fulfil the principles set out in these statements.

The Council has put in place a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives but can provide reasonable if not absolute assurance.

The Council has a formal risk strategy and during 2011-2012 progress on the implementation and use of council-wide risk registers was maintained. Updated directorate service plans were approved by the Leadership Panel in April 2011. The Strategic Risk Register was approved by Corporate and Community Planning Standing Scrutiny Panel in its role as the Council's audit committee and Leadership Panel in April 2011 and November 2011. Directorate risk registers, and the embedding of risk management processes, allows for the prioritisation of risk in order to assist with the effective achievement of the Council's, and directorates' objectives.

This statement applies to the 2011-2012 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 82 to 89, where reliance has been placed on the individual bodies' Annual Governance Statement or Statement of Internal Financial Control.

Background:

South Ayrshire Council's Delivering Good Governance Framework has been in place since 1 April 2010. It is subject to annual review by the Council's Scrutiny and Governance Management Panel. During 2011-2012 development has continued through work undertaken as part of the Council's Directorate Plans, the Improvement Agenda and in response to audit reports. This work has focused on refining and strengthening the arrangements and their effectiveness. Reflecting this, year-end assessments have been prepared and signed off by each of the corporate owners, identifying the Council's current arrangements, together with planned developments for 2012-2013 wherever appropriate.

Governance Framework:

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

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

Assessment for 2011-2012:

The year-end assessment for all six principles have been agreed and signed off by the corporate owners, with the Executive Director - Corporate Services taking responsibility where posts were vacant and/or duties temporarily reassigned. These assessments were put before the Scrutiny and Governance Management Panel on 24 April 2012, their observations and confirmation of the assessments being taken to the Council meeting on 26 April 2012.

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

Principle	Main developments over 2011-2012
1. Direction	Refresh of Community Plan underway. Corporate 'How Good is our Council' assessment undertaken by CMT. Service review toolkit introduced to provide focus on consistency of approach.
2. Roles	Updated scheme of delegation, including the Audit Committee Handbook. Extensive range of consultation exercises undertaken to understand the views of the public and service users.
3. Values	Training for Members and officers on the Bribery Act 2010. Continued roll out of leadership development programme. Updated complaints, comments and feedback policy at final draft stage.
4. Decision Making	Updated scheme of delegation for schools. Panel and Council reports supported by Equality Impact Assessments, Sustainability considerations and assessment of risk. The Strategic and updated Directorate Risk Registers are being managed and reported upon through Covalent.
5. Skills	Continued development of appraisal, leadership & training opportunities for both Members and officers.
6. Accountability	Pilot of community engagement through urban and rural forums underway. Consultation and Engagement Framework agreed by CMT. Continued delivery against the Council's Communications Strategy.

Programme for 2012-2013:

Principle	Planned developments for 2012-2013
1. Direction	Complete the refresh of the Community Plan and continue through the strategic planning framework. Review arrangements following the May 2012 election.
2. Roles	Review arrangements following the May 2012 election.
3. Values	Development of robust anti-corruption procedures in line with the Bribery Act 2010. Introduction of the Council's new customer complaints, comments and feedback process. Bi-annual employee survey. Bi-annual Member survey.
4. Decision Making	Review arrangements following the May 2012 election.
5. Skills	Review arrangements following the May 2012 election.
6. Accountability	Complete the review of the Public Performance Reporting Strategy. Roll out the Consultation and Engagement Framework. Review arrangements following the May 2012 election.

Over the course of 2012-2013, the Scrutiny and Governance Management Panel will review progress against each of the principles within the Framework, starting with the 2011-2012 year-end assessment being presented as baseline information to the first meeting of the Panel following the Elections.

Internal financial control:

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

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

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

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

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

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

The Internal Audit function within South Ayrshire Council is responsible directly to the Chief Executive for the independent appraisal of the Council's internal systems of control. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in United Kingdom. The section undertook an annual programme of work approved, for 2011-2012, by the Corporate and Community Planning Standing Scrutiny Panel.

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

During 2011-2012 there have been a number of investigations carried out by internal audit. These have been mainly undertaken by internal audit staff, but there were three instances where the investigations were passed over to the police on the basis of suspected fraudulent activity. In each of these cases, staff have resigned from their posts and all three cases are still under active consideration by the police.

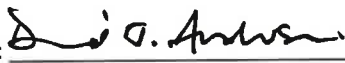
In addition there have been two further investigations into the application of Standing Orders and the subsequent award of contracts to outside suppliers. In one of these cases the council withdrew its intended participation in a collaborative contract organised on behalf of four councils. In the second instance investigations by internal audit are still ongoing into the award of a major contract.

The deficiencies in the application of standing orders, while significant in each case, were not material in the overall value of the business transacted by the council. Nonetheless these instances of poor internal control were detrimental to good governance. This area was also highlighted in the assurance statement for 2010-2011. Management have continued to react positively to audit reports and have given assurance that measures will be, or already have been, put in place to minimise the potential recurrence of such issues.

Assurance for 2011-2012:

We consider the governance and internal control environment operating during 2011-2012 to provide reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. A number of improvements are proposed to further strengthen our governance arrangements and these are set out in the programme for 2012-13 section above. Implementing the action plan is a priority and progress will be reported to the Scrutiny and Governance Management panel.

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

Signed:  _____

David Anderson, Chief Executive
27 September 2012

Signed:  _____

Councillor Bill McIntosh, Leader of the Council
27 September 2012

Section 4: Remuneration report

Introduction

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

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

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

Arrangements for remuneration

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

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

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. In accordance with the regulations South Ayrshire Council may have up to 1 Leader, 1 Provost and 14 senior councillors. The regulations set out the maximum that the Council may pay as remuneration of senior councillors. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salary grade within these maximum limits. In 2011-2012 South Ayrshire Council had 1 leader, 1 provost and 13 senior councillors and the remuneration paid to these Councillors totalled £342,366. The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme. Remuneration of elected members, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 12 March 2009. All allowances and expenses paid to elected members follow policies and procedures and are reviewed regularly to ensure continued relevance and compliance with legislation.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committees (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/144 sets the amount of salary for the Chief Executive of South Ayrshire Council for the period 2008 to 2011. South Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS). The scheme is described in the Pension Benefits section below.

Remuneration

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

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

The annual return of senior councillors' & senior employees' salaries and total expenses paid for 2011-2012 is available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours and is also available on the Council's website. Please follow the links on the Council's website as follows: www.south-ayrshire.gov.uk/council/expenses.

a) Remuneration of Senior Councillors and Chair of Joint Boards

Name	Post title	Gross salary & allowances	Non-cash expenses & benefits-in-kind	2011-2012 Total remuneration	2010-2011 Total remuneration
		£	£	£	£
Councillor W McIntosh	Leader of the Council	32,470		32,470	32,470
Councillor W Sloan	Provost	24,353		24,353	24,353
Councillor D Campbell	Senior Councillor (1)	21,607		21,607	21,505
Councillor P Convery	Senior Councillor (1)	21,507		21,507	21,502
Councillor H Davies	Senior Councillor (1)	21,494		21,494	21,276
Councillor N McFarlane	Senior Councillor (1)	21,494		21,494	21,494
Councillor R Reid	Senior Councillor (1)	21,494		21,494	21,494
Councillor M Toner	Senior Councillor (1)	21,607		21,607	21,498
Councillor J Allan	Senior Councillor (2)	18,854	263	19,117	19,552
Councillor B Connolly	Senior Councillor (2)	18,920		18,920	18,920
Councillor I Douglas	Senior Councillor (2)	19,660		19,660	19,393
Councillor I Fitzsimmons	Senior Councillor (2)	19,393		19,393	19,393
Councillor J Hampton	Senior Councillor (2)	19,393		19,393	19,393
Councillor M Kilpatrick	Senior Councillor (2)/ Depute Provost	19,393		19,393	19,393
Councillor J McDowall	Senior Councillor (2)	20,023		20,023	19,393
Councillor A Oattes	Councillor	20,441		20,441	20,556
		342,103	263	342,366	341,585

Note 1 – Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2011-2012 Annual Return which is available on the Council's website.

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

Note 3 – Councillor A Oattes is the Chair of Ayrshire Valuation Board and is remunerated for this position. An amount of £4,060 plus on-costs were recharged to The Ayrshire Valuation Board during 2011-2012.

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

b) Remuneration paid to Councillors

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

	2011-2012 Total remuneration	2010-2011 Total remuneration
	£	£
Salaries	567,843	567,810
Expenses	31,861	35,868
	599,704	603,678

The annual return of councillors' salaries and expenses for 2011-2012 is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI) which results in a minor difference.

c) Remuneration of Senior Employees

Name	Post title	Year ended 31 March 2012				2010-2011
		Gross salary & allowances	Taxable expenses	Non-cash expenses & benefits-in-kind	Total Remuneration	Total Remuneration
		£	£	£	£	£
D J Anderson	Chief Executive	*126,226	182	409	126,817	129,214
L Bloomer	Executive Director-Development and Environment from 4th October 2010	104,664	-	-	104,664	50,702
J G Peterkin	Deputy Chief Executive and Executive Director-Development & Environment until 30th September 2010	-	-	-	-	58,016
H M Garland	Executive Director-Children & Communities	104,612	-	470	105,082	107,201
E Howat	Executive Director-Corporate Services	*106,664	-	-	106,664	105,685
V Andrews	Head of Legal & Administration	*77,215	-	-	77,215	75,739
C Monaghan	Head of Policy, Performance & Communication	*75,055	167	690	75,912	75,716
H McLaughlin	Audit Services Programme Review Manager	48,858	-	196	49,054	49,264
		643,294	349	1,765	645,408	651,537

*Includes election fees: D. Anderson £4,500, E. Howat £2,000, V. Andrews £1,750 and C Monaghan £500

The senior employees in the table above include any Council employee who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money) or reports directly to the Chief Executive, during the year to which the report relates, whether solely or collectively with other persons.

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

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

d) Remuneration of the Council's subsidiary/associate body

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

Name	Post title	Total remuneration 2011-2012	Total remuneration 2010-2011
		£	£
D Bell	Managing Director of Ayr Renaissance	75,465	75,426

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

e) Officers' Remuneration

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

Remuneration Bands	Number of Employees 2011-2012	Number of Employees 2010-2011
£50,000 - £54,999	38	39
£55,000 - £59,999	13	22
£60,000 - £64,999	5	5
£65,000 - £69,999	2	1
£70,000 - £74,999	4	2
£75,000 - £79,999	9	12
£100,000 - £104,999	3	2
£120,000 - £124,999	1	1
	75	84

Pension benefits

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

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

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

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

The tiers and members' contribution rate for 2011-2012 are as follows:

Full time pay	Contribution rate 2011-2012	Contribution rate 2010-2011
On earnings up to and including £18,000	5.50%	5.50%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.50%	8.50%
On earnings above £30,000 and up to £40,000	9.50%	9.50%
On earnings above £40,000	12.00%	12.00%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service (prior to 2009 the actual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option of commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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

a) Pension benefits of senior councillors

The pension entitlements for senior councillors for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

Name	Post title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2012 £	For year to 31 March 2011 £		As at 31 March 2012 £	Difference from 31 March 2011 £
Councillor D Campbell	Senior Councillor(1)	4,148	3,922	Pension	1,639	404
				Lump sum	1,588	41
Councillor H Davies	Senior Councillor(1)	4,148	3,922	Pension	1,669	406
				Lump sum	1,617	35
Councillor N McFarlane	Senior Councillor(1)	4,148	3,922	Pension	1,619	403
				Lump sum	1,568	45
Councillor M Toner	Senior Councillor(1)	4,148	3,922	Pension	1,669	406
				Lump sum	1,616	34
Councillor I Douglas	Senior Councillor (2)	3,743	3,539	Pension	1,509	366
				Lump sum	1,466	32
Councillor M Kilpatrick	Senior Councillor (2)	3,743	3,539	Pension	1,507	366
				Lump sum	1,460	32
Councillor A Oattes	Councillor	3,917	3,703	Pension	1,466	376
				Lump sum	1,420	56
		27,995	26,469		21,813	3,002

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

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

b) Pension benefits of senior employees

The pension entitlements of senior employees for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

Name	Post title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2012 £	For year to 31 March 2011 £		As at 31 March 2012 £	Difference from 31 March 2011 £
D J Anderson	Chief Executive	23,484	22,575	Pension	50,130	2,311
				Lump Sum	131,446	157
L Bloomer	Executive Director-Development & Environment	20,200	9,278	Pension	19,118	18,263
				Lump Sum	49,540	49,540
J G Peterkin	Deputy Chief Executive and Executive Director – Development & Environment until 30 th September 2010	-	9,707	Pension	-	(53,614)
		-	-	Lump Sum	-	(152,659)
H M Garland	Executive Director - Children & Communities	20,200	19,089	Pension	38,795	1,749
				Lump Sum	100,671	-
E Howat	Executive Director - Corporate Services	20,200	19,089	Pension	38,304	2,463
				Lump Sum	98,913	1,855
V Andrews	Head of Legal & Administration	14,565	13,764	Pension	9,174	1,469
				Lump Sum	15,930	361
C Monaghan	Head of Policy, Performance & Communication	14,565	13,764	Pension	3,590	1,285
				Lump Sum	-	-
H McLaughlin	Audit Services Programme Review Manager	9,492	8,975	Pension	10,407	822
				Lump Sum	23,836	-
		122,706	116,241		589,854	(125,998)

c) Pension benefits of the Council's subsidiary bodies

Name	Post title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2012 £	For year to 31 March 2011 £		As at 31 March 2012 £000	Difference from 31 March 2011 £000
D Bell	Managing Director of Ayr Renaissance	14,565	13,764	Pension	3,890	1,261
				Lump Sum	341	-
		14,565	13,764		4,231	1,261

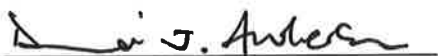
Exit packages of employees

The table below sets out the number and costs of exit packages for both 2010-11 and 2011-12 financial years. The in year costs include redundancy, pay in lieu of notice, pension strain costs and compensatory lump sums for all retirees. The table also includes notional values for compensatory added years pension payments, which represents the present value of all future payments to the retiree until death. This value is based on pension providers' actuarial assumptions on pensioner longevity and other factors. As such, these figures are subject to change and will not reflect actual costs incurred.

Exit package cost band (including special payments)	2011-2012			2010-2011		
	Number of exit packages	Cost £	Notional CAY cost £	Number of exit packages	Cost £	Notional CAY cost £
£0 - £20,000	56	163,404	228,335	48	163,530	32,525
£20,001 - £40,000	31	332,272	587,637	3	34,852	41,327
£40,001 - £60,000	8	174,656	257,243	4	95,886	103,228
£60,001 - £100,000	7	139,342	329,311	3	135,544	81,445
£100,001 - £200,000	5	428,660	293,388	-	-	-
Total	107	1,238,334	1,695,914	58	429,812	258,525

There were no compulsory redundancies during 2010-2011 and 2011-2012.

Signed:



David Anderson, Chief Executive

27 September 2012

Signed:



Councillor Bill McIntosh, Leader of the Council

27 September 2012

Section 5: Core Financial Statements

I) Movement in council reserves statement for the year ended 31 March 2012

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

2011-2012

	General fund balance	Housing revenue account balance	Capital Grants unapplied Account	Capital receipts reserve	Repair and renewal fund	Insurance fund	Capital fund	Total usable reserve	Unusable reserves	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	15,302	13,960	195	133	4,280	425	33	34,328	326,845	361,173
Movement in reserves during 2011-2012										
Surplus or (deficit) on the provision of services	13,601	(9,057)	-	-	-	-	-	4,544	-	4,544
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	(41,822)	(41,822)
Total comprehensive income and expenditure	13,601	(9,057)	-	-	-	-	-	4,544	(41,822)	(37,278)
Adjustments between accounting basis and funding basis (Note 8)	(10,770)	10,811	856	(133)	-	-	-	764	(764)	-
Net increase/(decrease) before transfer to earmarked reserves	2,831	1,754	856	(133)	-	-	-	5,308	(42,586)	(37,278)
Transfers to/from earmarked reserves (Note 9)	(107)	-	-	-	140	-	(33)	-	-	-
Increase/(decrease) in 2011-2012	2,724	1,754	856	(133)	140	-	(33)	5,308	(42,586)	(37,278)
Balance at 31 March 2012	18,026	15,714	1,051	-	4,420	425	-	39,636	284,259	323,895

**2010-2011
Comparative
figures**

	General fund balance £000	Housing revenue account balance £000	Capital Grants unapplied Account £000	Capital receipts reserve £000	Repair and renewal fund £000	Insurance fund £000	Capital fund £000	Total usable reserve £000	Unusable reserves £000	Total reserves £000
Revised Opening Balance as at 1 April 2010	13,326	18,970	384	-	139	425	1,239	34,483	185,086	219,569
Movement in reserves during 2010-2011										
Surplus or (deficit) on the provision of services	48,559	(1,799)	-	-	-	-	-	46,760	-	46,760
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	94,844	94,844
Total comprehensive income and expenditure	48,559	(1,799)	-	-	-	-	-	46,760	94,844	141,604
Adjustments between accounting basis and funding basis (Note 8)	(43,648)	(3,211)	(189)	133	-	-	-	(46,915)	46,915	-
Net increase/(decrease) before transfer to earmarked reserves	4,911	(5,010)	(189)	133	-	-	-	(155)	141,759	141,604
Transfers to/from earmarked reserves (Note 9)	(2,935)	-	-	-	4,141	-	(1,206)	-	-	-
Increase/(decrease) in 2010-2011	1,976	(5,010)	(189)	133	4,141	-	(1,206)	(155)	141,759	141,604
Balance at 31 March 2011	15,302	13,960	195	133	4,280	425	33	34,328	326,845	361,173

II) Comprehensive Income and Expenditure Account

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

2010-2011				2011-2012			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
28,139	20,675	7,464	Central Services to the Public		26,940	21,104	5,836
22,214	8,443	13,771	Cultural and Related Services		20,799	7,966	12,833
109,120	4,122	104,998	Education Services		105,359	3,823	101,536
18,979	4,713	14,266	Environmental Services		18,926	4,576	14,350
6,071	-	6,071	Fire and Rescue Services		5,901	-	5,901
23,177	23,734	(557)	Housing Services		26,319	25,082	1,237
41,086	36,539	4,547	General Fund Housing		42,948	39,309	3,639
6,592	3,475	3,117	Planning and Development Services		5,910	2,739	3,171
8,554	-	8,554	Police Services		8,450	-	8,450
18,656	7,787	10,869	Roads and Transportation		19,453	6,938	12,515
86,819	14,937	71,882	Social Work		84,658	14,612	70,046
3,689	160	3,529	Corporate and Democratic Core		3,598	164	3,434
4,212	47,521	(43,309)	Non Distributed Costs		3,359	-	3,359
2,491	-	2,491	Exceptional Item	5	991	-	991
379,799	172,106	207,693	Cost of services		373,611	126,313	247,298
			Other operating expenditure				
		1,493	(Gain) or loss on the disposal of non current assets				7,785
		(542)	(Surplus) or deficit on trading services	27			795
			Financing and Investment Income and Expenditure				
		14,091	Interest payable and similar charges				14,093
		(441)	Interest and investment income				(536)
		(1,417)	Pension interest cost and expected return on pension assets	36			(3,820)
		(502)	Investment property income, expenditure and changes in fair value				(503)
			Taxation and non-specific grant income	30			
		(163,039)	Revenue support grant				(168,962)
		(6,073)	Recognised capital income				(12,250)
		(44,685)	Non domestic rates redistribution				(34,835)
		(53,338)	Council tax and community charge income				(53,609)
		(46,760)	(Surplus) or deficit on the provision of services				(4,544)
		(47,723)	(Surplus) or deficit on the revaluation of property, plant and equipment assets				(8,079)
		(32)	(Surplus) or deficit on the revaluation of available for sale financial assets				(16)
		(47,089)	Actuarial (gains) or losses on pension fund assets and liabilities	36			49,917
		(94,844)	Other comprehensive income and expenditure				41,822
		(141,604)	Total comprehensive income and expenditure				37,278

III) Balance sheet as at 31 March 2012

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges). The second category of reserves is those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the *Movement in Reserves Statement* line "Adjustments between accounting basis and funding basis".

The 2010-2011 Balance Sheet has been restated to incorporate the change in accounting policy in relation to Heritage Assets as outlined in Note 42 of Section 6: Notes to Core Financial Statements.

31 March 2011 £000	Restated 31 March 2011 £000		Note	£000	31 March 2012 £000
642,766	642,187	Property, plant and equipment	10	638,650	
-	579	Heritage assets	11	2,549	
7,874	7,874	Investment properties	12	7,952	
178	178	Intangible assets	13	74	
3,471	3,471	Long term investments	14	2,634	
63	63	Long-term debtors	14	20	
654,352	654,352	Long-term assets			651,879
1,103	1,103	Short-term investments	14	989	
3,202	3,202	Assets held for sale	19	3,554	
545	545	Inventories	15	627	
21,000	21,000	Short-term debtors	17	21,074	
23,045	23,045	Cash and cash equivalents	18	36,676	
48,895	48,895	Current assets			62,920
(135)	(135)	Short-term borrowing	14	(135)	
(42,053)	(42,053)	Short-term creditors	20	(40,119)	
(1,367)	(1,367)	Provisions	21	(854)	
(8,964)	(8,964)	Other short-term liabilities		(9,377)	
(52,519)	(52,519)	Current liabilities			(50,485)
(6,378)	(6,378)	Provisions	21	(6,728)	
(172,453)	(172,453)	Long-term borrowing	14	(177,311)	
(943)	(943)	Other long-term liabilities (finance leases)	33	(2,607)	
(43,278)	(43,278)	Other long-term liabilities (pensions)	36	(89,461)	
(66,503)	(66,503)	Other long-term liabilities	14	(64,312)	
(289,555)	(289,555)	Long-term Liabilities			(340,419)
361,173	361,173	Net assets			323,895
34,328	34,328	Usable reserves			39,636
326,845	326,845	Unusable reserves	22		284,259
361,173	361,173	Total reserves			323,895

The unaudited accounts were issued on 28th June 2012 and the audited accounts were authorised for issue on 27th September 2012.



Eileen Howat BSc, CPFA

Executive Director - Corporate Services

27 September 2012

IV) Cash Flow Statement

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

2010-2011			2011-2012
£000	£000	Note	£000
(46,760)	Net (surplus) or deficit on the provision of services		(4,544)
	Adjustments to net surplus or deficit on the provision of services for non cash movements		
(26,745)	Depreciation & impairment of fixed assets		(23,693)
(65)	Amortisation of intangible assets		(36)
(1,060)	Increase in creditors		523
1,534	Decrease in debtors		(448)
34	Decrease in stock		82
49,502	Pension liability		3,734
(3,692)	Carrying amount of non-current assets sold		(9,425)
9,008	Other non cash items		12,361
28,516	Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities		(16,902)
2,199	Proceeds from sale of property, plant and equipment, investment property and intangible assets		1,640
(16,045)	Net cash flows from operating activities		(19,806)
19,527	Investing activities	24	10,688
(1,293)	Financing Activities	25	(4,513)
2,189	Net (increase) or decrease in cash and cash equivalents		(13,631)
25,234	Cash and cash equivalents at the beginning of the reporting period		23,045
23,045	Cash and cash equivalents at the end of the reporting period	18	36,676

Section 6: Notes to the Core Financial Statements

Note 1 Accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2011-2012 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an annual "statement of accounts" by the *Local Authority Accounts (Scotland) Regulations 1985*. Section 12 of the *Local Government in Scotland Act 2003* requires such accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012* and the *Best Value Accounting Code of Practice*, supported by *International Financial Reporting Standards (IFRS)*. For 2011-2012 the *Best Value Accounting Code Of Practice (BVACOP)* has been updated and expanded to keep pace with the needs of modern local government. To reflect this, it has been renamed the *Service Reporting code of Practice for local authorities (SeRCOP)*.

The Code & SeRCOP are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of expenditure and income

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

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

3. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to Loans Fund principal charges. Depreciation, impairment losses and amortisations are therefore replaced by Loans Fund principal charges in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Employee benefits

Benefits payable during employment

Short term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned during the year are included in the Statement of Accounts irrespective of when payment was made. The Council has made provision for the costs of settling claims for equal pay arising before the Council implemented its equal pay strategy. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post employment benefits

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

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

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

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

The Local Government pension scheme

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

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

In relation to retirement benefits, Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Discretionary benefits

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

6. Events after the balance sheet date

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

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

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

7. Exceptional items

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

8. Prior period adjustments

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

9. Financial assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council's short term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Available-for-Sale assets

Available-for-sale assets are recognised on the Balance sheet when the Council becomes a party to contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available-for-sale assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

10. Financial liabilities

Borrowing

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account in the year of extinguishment of the original debt in accordance with accounting regulations. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

11. Foreign currency translation

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

12. Government grants and contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

13. Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

14. Inventories

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

15. Investment property

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

16. Landfill allowance trading scheme

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

17. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Council as lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

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

The Council as lessor

Finance leases

The Council has no finance leases.

Operating leases

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

18. Property, plant and equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

Impairment

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

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

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

Disposals and non-current assets held for sale

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

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

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

Depreciation

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

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

The periods of depreciation and categories of assets are detailed within Note 10 on page 41 of the South Ayrshire Council accounts.

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council approved policy for material assets with a value in excess of £1 million. Significant components are deemed to be those whose cost is 25% or more of the total cost of the asset.

19. Heritage assets

The Council holds and conserves heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of South Ayrshire.

Heritage assets are recognised and measured in accordance with the Council's accounting policy on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

Heritage assets shall be measured at historic cost or fair value. Where the Council considers that it is not practicable to obtain a valuation at a cost commensurate with the benefits to users of the financial statements, and that reliable cost or valuation information cannot be obtained, the asset shall not be recognised on the balance sheet.

Where assets are measured at fair value, valuations shall be made by any method that is appropriate. This shall include valuations for insurance purposes. Individual valuations shall be made of the most important artefacts; otherwise a global figure shall be determined for similar categories of asset, where appropriate. Valuations have a cost implication and decisions can and will be made not to seek valuations on certain artefacts or categories of artefacts. Surpluses or deficits in valuation shall be recognised in the Comprehensive Income and Expenditure Statement.

The heritage asset collections are accounted for as follows:

Museum and art gallery collections

The Council's collections of objects at the Rozelle Gallery, Ayr and McKechnie Institute, Girvan form the major part of the heritage assets held by the Council and have been developed over a number of years for the purposes of reference, research and education.

The figure disclosed in the balance sheet is based on the assessment by the Council's insurers of the replacement value for the combined collections. No depreciation shall be charged on any heritage asset in view of the indeterminate life and high residual value.

The collections are largely stagnant in nature with very little turnover in objects. The museum occasionally makes available on loan objects to national and international exhibitions and accepts objects on loan in association with various projects. Since inception of South Ayrshire Council donations are included at current valuation. Purchases are at cost. Donations prior to inception are held at historic cost where this information is available. It is the policy of the Council not to ordinarily accept any donations with attached conditions. Disposals are rare and require the prior approval of the Council and are subject to restrictions. Further information is available in the Museum's acquisitions and disposals policy document.

Civic regalia and other civic effects

The civic regalia and other civic effects in the County Buildings and Rozelle Gallery are reported in the balance sheet at a replacement cost insurance valuation by external valuers.

Heritage assets not recognised in the balance sheet

A considerable number of heritage assets (such as collections that have primarily a scientific and cultural value rather than a financial one, public space statues, monuments, memorials, fountains, and outdoor artworks) are not recognised in the balance sheet. The Council does not consider that reliable cost of valuation information can be obtained for the vast majority of items held. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values.

Heritage assets – general

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets that have a doubtful provenance or are unsuitable for public display. The proceeds of any items disposed of are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

20. Overheads and support services

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

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

These two cost categories are defined in the CIPFA *Service Reporting Code of Practice 2011-2012* and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services. All overheads not defined as corporate and democratic core or non-distributable costs are fully charged to service expenditure headings. The method of allocation is determined by the individual support services and is based on the seven principles laid down in the Service Reporting Code of Practice. A proportion of the costs of central support services is recharged to capital projects on a similar basis.

21. Provisions, contingent assets and liabilities

Provisions

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

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

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

Contingent assets and liabilities

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

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

22. Public private partnership schemes

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

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

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

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

23. Reserves

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

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

Usable reserves

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

Unusable reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council. The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former of these represents the store of gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure. The accounting reserve arising from the restatement of "financial instruments" to "fair value" is the Financial Instruments Adjustment Account. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council. The Pensions Reserve arises from IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council's share of the Pension Fund liability chargeable to the Comprehensive Income and Expenditure Statement. The Employee Statutory Adjustment Account absorbs the difference that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March each year.

24. VAT

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

25. Carbon reduction commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Note 2 Accounting Standards issued not adopted

For 2011-2012, the only accounting policy change that requires to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfer of financial assets).

IFRS 7 has already been incorporated into *The Code* and the next raft of changes will not impact until the financial year 2013-2014, if adopted by the EU and following interpretation by CIPFA/LASAAC.

Note 3 Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels of funding for local government in Scotland. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The assets and liabilities of the Council have reduced by £37.279m from £361.173m at 31 March 2011 to £323.894m at 31 March 2012. It is recognised that £46.183m of this is due to an increase in the Council's share of the net liability of Strathclyde Pension Fund. The deterioration in the pension fund reflects the fact that the financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011.
- The Council has entered in to a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council is deemed to control the services provided under the agreement and ownership of the schools will pass to the Council at the end of the contract for no additional charge. The asset used to provide services at the schools are recognised on the Council's Balance Sheet.
- Unused holiday entitlement earned at 31 March 2012 but not taken at that date has been quantified on the basis of a 5% sample of all non term time council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement earned as at 31 March and no estimation is required for these staff. The liability shown in the 2011-2012 financial statements in respect of this is £4.326m.
- South Ayrshire Council has two deposits with Icelandic banks which are currently in default and have been impaired within the Balance Sheet in previous years. Assumptions have been made in terms of the expected timing of payments and the likely percentage of recovery.

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if results differ from assumptions
Equal pay claims	The Council has made a provision of £6.673m for the potential outcome of outstanding claims arising from equal pay claims, equal value claims and job evaluation appeals. As a result of recent equal pay compensation payments, there may be other groups of employees who will raise a potential claim against the Council.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.667m to the provision needed.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate would result in an increase of £51.492m in the pension liability, equating to a 10% increase.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may create uncertainty around the valuations of the assets and their existing lives.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.

Note 5 Exceptional item

Equal Pay - the Comprehensive Income and Expenditure Account includes an exceptional expenditure item of £0.991m in respect of an adjustment to the provision for the settlement of back pay arising from equal pay claims, based on the number of actual claims received and potentially receivable.

Note 6 Material items of income and expense

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES), *The Code* requires a disclosure of the nature and amount of material items. In 2011-2012 there were no material items of income and expense requiring additional disclosure.

Note 7 Events after the balance sheet date

The Executive Director – Corporate Services issued the unaudited Statement of Accounts on 28 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012 the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

Non-Adjusting Event after the reporting period – The Police and Fire Reform (Scotland) Act 2012 received royal assent on 7 August 2012. Responsibility for Police and Fire and Rescue Services will transfer from local government to new central government bodies on 1 April 2013. The full impact of the reform process is currently being assessed.

Note 8 Adjustments between accounting basis and funding basis under regulations

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

General fund

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Council are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing revenue account balance

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

Capital receipts reserve

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

Capital grants unapplied account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

2011-2012	Usable reserves				Unusable reserve
	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Capital receipts reserve £000	Net movement £000
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	38	-	(38)
Adjustments primarily involving the capital adjustment account:					
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>					
Charges for depreciation and impairment of non-current assets	(12,669)	(11,024)	-	-	23,693
Amortisation of intangible assets	(36)	-	-	-	36
Capital grants and contributions applied	10,390	1,860	(894)	133	(11,489)
Revenue expenditure funded from capital under statute	(429)	-	-	-	429
Net gain or (loss) on sale of non-current assets	(756)	(7,029)	-	-	7,785
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for the financing of capital investment	8,016	406	-	-	(8,422)
Capital expenditure charged against the general fund and HRA balances	646	4,733	-	-	(5,379)
Adjustments primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	317	135	-	-	(452)
Adjustments primarily involving the employee benefit statutory mitigation account:					
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,679	(14)	-	-	(1,665)
Adjustments primarily involving the pensions reserve:					
Reversal of items relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 36)	3,612	122	-	-	(3,734)
Total Adjustments	10,770	(10,811)	(856)	133	764

Figures for 2010-2011 are provided in an additional table below for the purposes of comparison.

2010-2011 Comparative information	Usable reserves				Unusable reserve
	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Capital receipts reserve £000	Net movement £000
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	189	-	(189)
Adjustments primarily involving the capital adjustment account:					
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>					
Charges for depreciation and impairment of non-current assets	(17,345)	(9,400)	-	-	26,745
Amortisation of intangible assets	(65)	-	-	-	65
Capital grants and contributions applied	5,680	393	-	-	(6,073)
Revenue expenditure funded from capital under statute	(397)	-	-	-	397
Net gain or (loss) on sale of non-current assets	(1,546)	53	-	(133)	1,626
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for the financing of capital investment	7,351	(129)	-	-	(7,222)
Capital expenditure charged against the general fund and HRA balances	1,170	10,120	-	-	(11,290)
Adjustments primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,195	514	-	-	(1,709)
Adjustments primarily involving the employee benefit statutory mitigation account:					
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(234)	(3)	-	-	237
Adjustments primarily involving the pensions reserve:					
Reversal of items relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 36)	47,839	1,663	-	-	(49,502)
Total Adjustments	43,648	3,211	189	(133)	(46,915)

Note 9 Transfers to or from other statutory reserves

This note sets out the amounts set aside from the General Fund in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2011-2012. Figures for 2010-2011 are provided in an additional table below for the purposes of comparison.

2011-2012

General Fund Balance	Transfers to or from Other Statutory Reserves		
	Repair and Renewals Fund	Insurance Fund	Capital Fund
	£000	£000	£000
Use of the Capital Fund to finance capital expenditure	33	-	(33)
Contribution to Capital Fund from General Fund	-	-	-
Contribution to Repair & Renewal Fund from General Fund	(140)	140	-
Use of Insurance Fund to meet claims and other costs of insurance	1,292	(1,292)	-
Contribution to Insurance Fund from General Fund	(1,292)	1,292	-
Total adjustments	(107)	140	(33)

2010-2011 Comparative information

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

Note 10 Property, plant and equipment
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Movement on balances

The movements on balances for Property, Plant and Equipment are shown in the following table. Figures for 2010-2011, restated on an IFRS basis to provide consistent information, are provided in an additional table below for the purposes of comparison.

2011-2012 Movements

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2011	257,864	277,250	76,347	16,924	56,216	370	3,563	5,907	694,441
Addition in year	11,804	2,388	-	2,903	1,390	-	-	5,385	23,870
Disposals in year	(9,264)	(894)	-	(9)	-	-	(62)	-	(10,229)
Revaluation adjustments to revaluation reserve	122	4,307	28	(47)	-	-	91	(102)	4,399
Revaluation adjustments to CIES	(1,620)	(1,898)	-	(20)	-	-	(158)	(810)	(4,506)
Reclassification to held for sale	-	-	-	-	-	-	-	-	-
Other reclassifications	3,285	140	-	(162)	-	-	(1)	(3,424)	(162)
At 31 March 2012	262,191	281,293	76,375	19,589	57,606	370	3,433	6,956	707,813
Depreciation and impairment									
At 1 April 2011	17,347	8,248	3,807	10,840	11,871	-	141	-	52,254
Depreciation charge for the year	9,136	4,868	1,532	1,509	1,439	-	54	-	18,538
Revaluation adjustments to revaluation reserve	-	(315)	-	(49)	-	-	(8)	-	(372)
Impairment losses to CIES on disposals	-	(137)	-	-	-	-	(3)	-	(140)
	(884)	(71)							(955)
Reclassification to held for sale	-	-	-	-	-	-	-	-	-
Other reclassifications	-	-	-	(162)	-	-	-	-	(162)
At 31 March 2012	25,599	12,593	5,339	12,138	13,310	-	184	-	69,163
Balance Sheet amount at 31 March 2012	236,592	268,700	71,036	7,451	44,296	370	3,249	6,956	638,650
Nature of asset holding									
Owned	236,592	267,827	-	5,717	44,296	370	3,249	6,956	565,007
Finance lease	-	873	-	1,734	-	-	-	-	2,607
PPP	-	-	71,036	-	-	-	-	-	71,036
	236,592	268,700	71,036	7,451	44,296	370	3,249	6,956	638,650

2010-2011
Comparative movements

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Asset Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2010	258,933	234,225	76,282	15,817	54,433	950	8,724	2,099	651,463
Addition in year	9,755	10,036	-	1,287	1,786	-	-	4,270	27,134
Disposals in year	-	-	-	-	-	-	(2,638)	-	(2,638)
Revaluation adjustments to revaluation reserve	(9,752)	43,598	65	-	-	-	(136)	-	33,775
Revaluation adjustments to CIES	-	(7,598)	-	(23)	(3)	-	(1,015)	-	(8,639)
Reclassification to held for sale	(1,072)	(3,024)	-	(5)	-	(1)	(1,372)	(462)	(5,936)
Other reclassifications	-	13	-	(152)	-	(579)	-	-	(718)
At 31 March 2011	257,864	277,250	76,347	16,924	56,216	370	3,563	5,907	694,441
Depreciation and impairment									
At 1 April 2010	8,767	18,287	2,277	9,548	10,465	-	901	-	50,245
Depreciation charge for the year	9,266	4,968	1,530	1,292	1,406	-	112	-	18,574
Impairment losses to revaluation reserve	(650)	(12,243)	-	-	-	-	-	-	(12,893)
Impairment losses to CIES on disposals	-	(2,537)	-	-	-	-	(371)	-	(2,908)
	(36)	(240)	-	-	-	-	(501)	-	(777)
Reclassification to held for sale	-	-	-	-	-	-	-	-	-
Other reclassifications	-	13	-	-	-	-	-	-	13
At 31 March 2011	17,347	8,248	3,807	10,840	11,871	-	141	-	52,254
Balance Sheet amount at 31 March 2011	240,517	269,002	72,540	6,084	44,345	370	3,422	5,907	642,187
Nature of asset holding									
Owned	240,517	268,096	-	6,054	44,345	370	3,422	5,907	568,711
Finance lease	-	906	-	30	-	-	-	-	936
PPP	-	-	72,540	-	-	-	-	-	72,540
	240,517	269,002	72,540	6,084	44,345	370	3,422	5,907	642,187
Balance Sheet amount at 31 March 2010	250,166	215,938	74,005	6,269	43,968	950	7,823	2,099	601,218

Depreciation

As highlighted in Note 1 Accounting Policies under "Property, Plant and Equipment" on page 31, depreciation is provided for all assets with a determinable life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below:

Category	Sub Category	Useful life (years)	Valuer	Basis of Valuation	Date of last full valuation
Other land and buildings	Specialised buildings	10 to 40	James Barr Ltd	Depreciated Replacement Cost /Existing use (MV-DRC/EUV)	31-Mar-11
	Buildings	5 to 99	Estates Manager	Open Market Value Existing Use (OMVEU/EUV)	31-Mar-12
	Land	Up to 999	Estates Manager	Open Market Value Existing Use (OMVEU/EUV)	31-Mar-12
Council dwellings	~	30	Estates Manager	Net Realisable Value 'Beacon Principle' (EUVSH)	31-Mar-10
Vehicles	~	0 to 7	Transport Manager	Net Realisable Value (NRV)	Not Applicable
Infrastructure assets	~	Up to 40	Not applicable	Historical Cost	Not Applicable
Assets under construction	~	5 to 99	Not applicable	Historical Cost	Not Applicable
Community assets	~	99 to 999	Not applicable	Historical Cost	Not Applicable
Schools PPP assets	~	50	Estates Manager	Depreciated replacement cost/existing use (MV-DRC/EUV)	Not Applicable

Effect of changes in estimates

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

Commitments under capital contracts

At 31 March 2012, the Council has approved capital investment programmes for both General Services and Housing for 2012-2013 for construction or enhancement of Property, Plant and Equipment.

	General Services £000	Housing £000	Total £000
Expenditure			
Capital investment	14,681	14,328	29,009
	14,681	14,328	29,009
Sources of finance			
Prudential borrowing	5,308	5,522	10,830
Capital grants, contributions and other receipts	9,373	3,482	12,855
Capital funded from current revenue	-	5,324	5,324
	14,681	14,328	29,009

Revaluation programme

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment that ensures all its PPE assets required to be measured at fair value are re-valued at least every five years. The measurement bases used for determining the gross carrying amount; the valuers and the significant assumptions applied in estimating the fair values are disclosed separately in Note 1 Accounting Policies under "Property, Plant & Equipment" on page 31.

	Council Dwellings £000	Other Land and Buildings £000	School PPP Assets £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets not for Sale £000	Assets under construction £000	Total £000
Carried at Historic cost:	7,390	43,555	76,375	19,582	57,606	356	646	6,956	212,466
Valued at fair value as at:									
31-Mar-12	-	8,376	-	7	-	10	197	-	8,590
31-Mar-11	-	206,674	-	-	-	4	1,956	-	208,634
31-Mar-10	254,801	141	-	-	-	-	-	-	254,942
31-Mar-09	-	2,989	-	-	-	-	601	-	3,590
31-Mar-08	-	19,558	-	-	-	-	33	-	19,591
	262,191	281,293	76,375	19,589	57,606	370	3,433	6,956	707,813

Note 11 Heritage assets

Valuation	Fine Arts £000	Other Heritage Assets £000	Civic Regalia £000	Total Heritage Assets £000
1 April 2011	558	21	-	579
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	956	980	34	1,970
Impairment losses recognised in revaluation reserve	-	-	-	-
Impairment losses recognised in Surplus or (Deficit) on provision of services	-	-	-	-
31 March 2012	1,514	1,001	34	2,549
1 April 2010	558	21	-	579
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment losses recognised in revaluation reserve	-	-	-	-
Impairment losses recognised in Surplus or (Deficit) on provision of services	-	-	-	-
31 March 2011	558	21	-	579

Fine arts and other heritage assets

The Council's collection of fine arts is reported on the balance sheet at insurance valuation which is based on market values. Additionally individual collections are reviewed periodically to ensure the adequacy of the valuation. Details of the most recent valuations conducted of the above assets are as follows:

Thomas R Callan, April 2010

AXA Art, March 2011

Civic regalia and other civil effects

The civic regalia and other civic effects are reported in the balance sheet at a replacement cost insurance valuation by external valuers. Details of most recent valuations conducted of the above are as follows:

Robert Horn, March 2010

Note 12 Investment properties

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

	31 March 2012 £000	31 March 2011 £000
Rental income from investment property	503	502
Total	503	502

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

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

	31 March 2012 £000	31 March 2011 £000
Balance at start of the year	7,874	7,922
Disposals	(80)	(48)
Net gain from fair value adjustments	554	-
<i>Transfers:</i>		
To assets held for sale	(396)	-
Balance at end of the year	7,952	7,874

Note 13 Intangible assets

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

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

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

	31 March 2012 Purchased Software Licenses £000	31 March 2011 Purchased Software Licenses £000
Balance at start of year:		
Gross carrying amounts	897	661
Accumulated amortisation	(719)	(654)
Net carrying amount at start of year	178	7
Additions:		
Purchases	(68)	84
Reclassifications	-	152
Amortisation for the period	(36)	(65)
Net carrying amount at end of the year	74	178
 Comprising:		
Gross carrying amounts	829	897
Accumulated amortisation	(755)	(719)
	74	178

Note 14 Financial instruments**Categories of financial instrument**

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

	Long Term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Investments				
Loans and receivables	1,959	2,813	989	1,103
Available for sale financial assets	675	658	-	-
Total investments	2,634	3,471	989	1,103
Debtors				
Loans and receivables	20	63	-	-
Financial assets carried at contract amounts	-	-	19,264	19,669
Total debtors	20	63	19,264	19,669
Borrowings				
Financial liabilities at amortised cost	177,311	172,453	135	135
Total borrowings	177,311	172,453	135	135
Other long term liabilities				
Finance lease liabilities	2,297	943		
PPP	64,312	66,503		
Total other long term liabilities	66,609	67,446		
Creditors				
Financial liabilities carried at contract amount	-	-	38,309	40,722
Total Creditors	-	-	38,309	40,722

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

Note b – Fair Value has been measured by:

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

Reclassifications between categories

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

Income, expense, gains and losses

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

	2011/12				2010/11			
	Financial Liabilities (Liabilities measured at amortised cost)	Loans and Receivables	Available-for-sale Assets	Total	Financial Liabilities (Liabilities measured at amortised cost)	Loans and Receivables	Available-for-sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	14,393	-	-	14,393	14,455	-	-	14,455
Impairment losses/(rebate)	(300)	-	-	(300)	(147)	-	-	(147)
Interest payable and similar charges in surplus or deficit on the provision of services	14,093	-	-	14,093	14,308	-	-	14,308
Interest income	-	(536)	-	(536)	-	(441)	-	(441)
Interest and investment income in surplus or deficit on the provision of services	-	(536)	-	(536)	-	(441)	-	(441)
(Gains) or losses on revaluation	-	-	(17)	(17)	-	-	(32)	(32)
Surplus or deficit arising from revaluation of financial assets in other comprehensive income and expenditure	-	-	(17)	(17)	-	-	(32)	(32)
Net (gain) or loss for the year	14,093	(536)	(17)	13,540	14,308	(441)	(32)	13,835

Fair values of assets and liabilities

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

- the valuation date is 31 March 2012
- for loans from the Public Works Loan Board (PWL) and other loans payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- no early repayment or impairment is recognised;
- where the instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

	31 March 2012		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	287,045	308,132	285,187	293,424

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This increases the fair value of financial liabilities (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	22,888	22,888	24,243	24,243
Long term debtors	21	21	63	63

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

Note 15 Inventories

	Consumable Stores		Maintenance Materials		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	322	289	223	222	545	511
Purchases	3,086	2,876	901	944	3,987	3,820
Recognised as an expense in year	(3,018)	(2,843)	(886)	(940)	(3,904)	(3,783)
Written off balances	-	-	(11)	(3)	(11)	(3)
Reversals of write-offs in previous years	-	-	10	-	10	-
Balance outstanding at year end	390	322	237	223	627	545

Note 16 Construction contracts

There were no construction contracts in progress at 31 March 2012.

Note 17 Debtors

	31 March 2012	31 March 2011
	£000	£000
Central government bodies	4,145	2,958
Other local authorities	238	189
NHS bodies	100	47
Trade debtors	12,378	9,819
Other entities and individuals	1,583	4,931
Non domestic rates	225	520
Council tax/community charge	2,233	2,459
Accrued interest on investments	172	77
Total	21,074	21,000

Note 18 Cash and cash equivalents

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

	31 March 2012	31 March 2011
	£000	£000
Cash held by the authority	44	40
Bank current accounts	(5,368)	(1,920)
Short term deposits with banks and other local authorities	42,000	24,925
Total cash and cash equivalents	36,676	23,045

Note 19 Assets held for sale

	31 March 2012	31 March 2011
	£000	£000
Balance outstanding at start of year	3,202	370
Assets newly classified as held for sale: Property, plant and equipment	397	5,936
Assets declassified as held for sale: Property, plant and equipment	-	(230)
Revaluation gains	25	1,120
Assets disposed	(70)	(3,994)
Balance outstanding at year end	3,554	3,202

Note 20 Creditors

	31 March 2012	31 March 2011
	£000	£000
Central government bodies	(4,639)	(4,657)
Other local authorities	(416)	(408)
NHS bodies	(1,266)	(1,007)
Trade creditors	(29,102)	(31,919)
Other entities and individuals	(1,902)	(1,734)
Accrued interest on borrowings	(2,794)	(2,328)
Total	(40,119)	(42,053)

Note 21 Provisions

	Equal pay claims	Business and other grant payments outstanding	Severance costs	Outstanding insurance costs	Total
	£000	£000	£000	£000	£000
Balance as at 1 April 2011	7,371	314	-	60	7,745
Additional provisions made in 2011-2012	991	225	359	207	1,782
Amounts used in 2011-2012	(1,689)	(216)	-	(6)	(1,911)
Unused amounts reversed in 2011-2012	-	-	-	(34)	(34)
Balance as at 31 March 2012	6,673	323	359	227	7,582

Equal pay claims

The Council has made a provision in respect of employment tribunal/Bainbridge claims and job evaluation appeals outstanding at 31 March 2012, along with any associated legal costs, which represents the estimated cost of successful appeals resulting from implementing single status with effect from 16 August 2008.

Business and other grant payments outstanding

This provision includes outstanding payments for enterprise grants and grants to voluntary organisations.

Severance costs

This provision relates to anticipated severance costs in relation to the Council's Internal Trading Organisation.

Insurance costs

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

Note 22 Unusable reserves**Summary of year-end balances**

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

	31 March 2012	31 March 2011
	£000	£000
Revaluation reserve	116,556	109,880
Capital adjustment account	275,445	280,656
Financial Instrument adjustment account	(14,589)	(15,040)
Available for sale financial instruments reserve	634	618
Pension reserve	(89,461)	(43,278)
Employee statutory mitigation account	(4,326)	(5,991)
	284,259	326,845

a) Revaluation reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

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

	2011-2012	2010-2011
	£000	£000
Balance at 1 April	109,880	63,605
Upward revaluation of assets	8,250	59,714
Downward valuation of assets and impairment losses not charged to the surplus/(deficit) on the Provision of Services	(171)	(11,991)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the Provision of Services	8,079	47,723
Difference between fair value depreciation and historical cost depreciation	(1,157)	(1,213)
Accumulated gains on assets sold or scrapped	(246)	(235)
Amount written off to the Capital Adjustment Account	(1,403)	(1,448)
Balance at 31 March	116,556	109,880

b) Capital adjustment account

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

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

Note 8 on page 37 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2011-2012 £000	2010-2011 £000
Balance at 1 April	280,656	283,267
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	(23,693)	(26,745)
Amortisation of intangible assets	(36)	(65)
Revenue expenditure funded from capital under statute	(429)	(397)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(7,785)	(1,626)
	248,713	254,434
Adjusting amounts written out of the revaluation reserve	1,403	1,448
Net written out amount of the cost of non-current assets consumed in the year	250,116	255,882
<i>Capital financing applied in the year:</i>		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,356	5,944
Application of grants to capital financing from the capital grants unapplied account	171	318
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	8,451	7,222
Capital expenditure charged against the general fund and HRA balances	5,351	11,290
	275,445	280,656
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-	-
Other items credited to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	275,445	280,656

c) Financial instruments adjustment account

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

	2011-2012 £000	2010- 2011 £000
Balance at 1 April	(15,040)	(16,749)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	445	445
Fair value effective interest rate adjustment in line with statutory requirements	6	(78)
Net impairment on Icelandic deposit written to FIAA	-	185
Balance on Icelandic impairment written out to the Comprehensive Income and Expenditure Statement in accordance with statutory requirements	-	1,157
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	451	1,709
Balance at 31 March	(14,589)	(15,040)

d) Available for sale financial instrument reserve

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2011-2012 £000	2010- 2011 £000
Balance at 1 April	618	586
Upward revaluation of investments	16	32
Balance at 31 March	634	618

e) Pension reserve

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

	2011-2012 £000	2010-2011 £000
Balance at 1 April	(43,278)	(139,869)
Actuarial gains or losses on pensions assets and liabilities	(49,917)	47,089
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	3,734	49,502
Balance at 31 March	(89,461)	(43,278)

f) Employee statutory mitigation account

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

	2011-2012 £000	2010-2011 £000
Balance at 1 April	(5,991)	(5,754)
Settlement or cancellation of accrual made at the end of the preceding year	5,991	5,754
Amounts accrued at the end of the current year	(4,326)	(5,991)
Balance at 31 March	(4,326)	(5,991)

Note 23 Cash flow statement – operating activities

The cash flows for operating activities include the following items:

	31 March 2012 £000	31 March 2011 £000
Interest received	(272)	(227)
Interest paid	13,545	13,939
Total cash and cash equivalents	13,273	13,712

Note 24 Cash flow statement – investing activities

The cash flows for operating activities include the following items:

	31 March 2012 £000	31 March 2011 £000
Property, plant and equipment, investment property and intangible assets	22,053	27,218
Other payments for investing activities	1,780	65
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,640)	(2,199)
Proceeds from short term and long term investments	-	-
Other receipts from investing activities	(11,505)	(5,557)
Net cash flows from investing activities	10,688	19,527

Note 25 Cash flow statement – financing activities

	31 March 2012 £000	31 March 2011 £000
Cash receipts of short and long term borrowing	6	(3,753)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(244)	2,203
Repayments of short and long term borrowing	589	135
Other payments for financing activities	(4,864)	122
Net cash flows from financing activities	(4,513)	(1,293)

Note 26 Amounts reported for resource allocation decisions

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

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

	Chief Executive's Strategic Office £000	Children and Community £000	Corporate Services £000	Development and Environment £000	Miscellaneous Services £000	Total £000
2011-2012						
Grants, fees, charges & other service income	(985)	(24,306)	(59,980)	(36,389)	(11,008)	(132,668)
Total Income	(985)	(24,306)	(59,980)	(36,389)	(11,008)	(132,668)
Employee expenses	1,233	96,249	12,451	32,092	3,711	145,736
Other service expenses	210	44,691	6,312	31,960	21,285	104,458
Payments to third parties	1,796	58,587	211	15,946	15,265	91,805
Transfer payments	-	1,132	44,195	24	-	45,351
Total Expenditure	3,239	200,659	63,169	80,022	40,261	387,350
Net expenditure	2,254	176,353	3,189	43,633	29,253	254,682

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

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

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

	31 March 2012 £000	31 March 2011 £000
Net expenditure in the Directorate Analysis	254,682	250,873
Amounts included in the analysis not included in the comprehensive Income and Expenditure Statement	(7,385)	(43,180)
Cost of Services in the Comprehensive Income and Expenditure Statement	247,297	207,693

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

2011-2012	Directorate Analysis £000	Amounts not included in Income and Expenditure £000	Cost of Services £000	Corporate amounts £000	Total £000
Grants, fees, charges & other service income	(132,668)	(4,708)	(137,376)	-	(137,376)
Interest and investment Income	-	-	-	(536)	(536)
Investment property income	-	-	-	(503)	(503)
Income from council tax	-	-	-	(53,609)	(53,609)
Government grants and contributions	-	-	-	(216,047)	(216,047)
Total Income	(132,668)	(4,708)	(137,376)	(270,695)	(408,071)
Employee expenses	145,736	(2,508)	143,228	-	143,228
Other service expenses	104,458	(596)	103,862	-	103,862
Payments to third parties	91,805	315	92,120	-	92,120
Transfer payments	45,351	112	45,463	-	45,463
Interest Payments	-	-	-	14,093	14,093
Pension interest cost and expected return on pension assets	-	-	-	(3,820)	(3,820)
(Surplus) or deficit on Trading services	-	-	-	795	795
(Gain) or loss on the disposal of fixed assets	-	-	-	7,786	7,786
Total Expenditure	387,350	(2,677)	384,673	18,854	403,527
Surplus or deficit on the provision of services	254,682	(7,385)	247,297	(251,841)	(4,544)

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

Note 27 Trading operations

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

The Council previously maintained statutory trading accounts for seven activities. As part of a review of its departmental structures in December 2005, it was concluded that, with effect from 1 April 2006, the only statutory trading account to be maintained should be that of Property Maintenance and Construction Trading (formerly Building and Works Trading). Following a review of the options for the future delivery of repairs and maintenance services to Council owned buildings, in March 2012 it was decided that there would no longer be a requirement to operate a statutory trading account from 2013-2014 onwards.

Although no longer required by *The Code*, in order to enhance comparability with private sector businesses, a notional interest charge was previously applied to trading services to reflect their use of Council assets, by way of an explanatory note to the financial statements. In 2011-2012 the service occupied a rented property rather than Council owned therefore notional interest for use of assets has not been applied.

Under the requirements of IFRS the 2011-2012 trading account results have been restated to incorporate the impact of IAS 19 – Employee Benefits. The table below shows the restated favourable financial position for Property Maintenance and Construction Trading for the three year period ended 31 March 2012.

Property, Maintenance and Construction 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
2009-2010	(11,796)	11,009	(787)	(10)	21	(776)
2010-2011	(11,250)	10,708	(542)	(3)	20	(525)
2011-2012	(10,189)	10,984	795	3	-	798
3 Year (surplus)/ deficit			(534)	(10)	41	(503)

Property, Maintenance and Construction Trading employed 190 tradesmen and general labourers. Following the loss of significant contracts with external customers, a number of vacant posts were removed from the structure, and a number of other employees requested, and were approved for voluntary release. The original deficit of £0.795m recorded in 2011-2012 includes a provision for severance costs. In 2012-2013, the operation is expected to employ approximately 160 tradesmen and general labourers.

Operations are based at Ayr, with a 24 hour emergency service provided 365 days a year. The workload consists of maintaining the Council's 8,261 houses and approximately 700 other buildings. During the year Property, Maintenance and Construction Trading carried out in the order of 29,120 repairs to the housing stock. The operation no longer maintains properties belonging to Ayrshire Housing.

Note 28 Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2011-2012 the Council collected and paid over £16.900m and received £0.315m for providing this service.

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2011/12 the Council billed £36.262m on their behalf and received £34.835m in income from the Non-Domestic Rates pool.

Note 29 External audit cost

The Council has incurred the costs of £0.290m in respect of fees payable to Audit Scotland with regard to external audit services carried out in 2011-2012 (£0.312m 2010-2011).

Note 30 Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011-2012:

	31 March 2012 £000	31 March 2011 £000
Credited to taxation and non-specific grant income		
Revenue support grant	168,962	163,039
Receipted capital income	12,250	6,073
Non-domestic Rates income	34,835	44,685
Council tax and community charge income	53,609	53,338
Total	269,656	267,135

	31 March 2012 £000	31 March 2011 £000
Credited to services		
Burns Festival	35	120
Community Safety	-	58
Contributions to Playgrounds	112	213
DWP	45,056	43,151
Education	1,322	1,713
EMA	25	25
Future Jobs Fund	-	213
Health Authorities	10,134	10,001
Leader	896	376
Modern Apprentices	574	420
NHS Alcohol & Drug Misuse	407	160
Other Grants and Contributions	204	128
Police	9,328	9,333
PSHG	601	640
Roads	43	326
School Milk	50	49
Scotland Office – Election Funding	-	316
Social Work	2,546	2,619
Supported Employment	-	25
Townscape Heritage Initiative	72	-
Total	71,405	69,886

The Council has received grants which have not been recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at year end are as follows:

	31 March 2012 £000
Low Carbon Vehicle Fund	8
Criminal Justice	27
UASC	5
Total	40

Note 31 Related parties

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

Central Government – has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Strathclyde Pension Fund – The Council is an admitted body to the local government pension scheme and has made payments as shown in note 36 Defined Benefit Pension Schemes.

Members of the Council – Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2011-2012 are shown in the Remuneration Report. During 2011-2012 works and services to the value of £1.893m were commissioned from companies in which eleven members had an interest. Contracts were entered into in full compliance with the Council's standing orders. During 2011-2012 there were no grants paid to voluntary organisations whereby Members of the Council had an interest. Details of the transactions during 2011-2012 are available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours.

Officers of the Council – During 2011-2012, the Chief Executive declared a pecuniary interest in accordance with section 17 of the Local Government Act 1972 in Young Scot. In addition, he has also declared membership of Scotland's 2020 Climate Group and is a board member of Scottish Community Development Centre in his capacity as a Solace Advisor. There were no grants paid to these organisations during the year to 31 March 2012.

In addition, the Executive Director – Corporate Services declared an interest in Freeport Scotland Ltd. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. The Executive Director – Corporate Services was appointed by the Council as a director of the company and the Council has a 37% share in the company. A management fee of £0.037m and £0.003m ground lease income were received during 2011-2012

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

In addition the council received grants and income from other public bodies in 2011-2012 as follows:

- Ayrshire & Arran Health Board – grants and income of £9.732m

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

Joint Venture – The Council has a 50% interest in a joint venture asset with Scottish Enterprise. This asset is held as an investment property.

Note 32 Capital expenditure and capital financing

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

	31 March 2012 £000	31 March 2011 £000
Opening capital financing requirement	189,402	188,563
Capital investment		
Property plant & equipment	22,121	27,134
Equipment funded through finance lease	1,752	-
Intangible assets	(68)	84
Sources of finance		
Capital Receipts	(1,639)	(2,067)
Government grant and other contributions	(11,541)	(6,261)
Capital funded from current revenue	(4,922)	(10,893)
Repayment of PPP/finance lease	(2,341)	(2,204)
Loans fund principal repayments	(6,082)	(4,954)
Closing capital financing requirement	186,682	189,402
Explanation of movements during the year		
Increase/(reduction) in the underlying need to borrow	(2,131)	3,043
Increase/(decrease) in finance lease obligations	1,664	(50)
Increase/(decrease) in PPP finance lease creditor	(2,253)	(2,154)
Increase/(decrease) in capital financing requirement	(2,868)	839

Note 33 Leases**Authority as Lessee****Finance leases**

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

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

	31 March 2012 £000	31 March 2011 £000
Property, plant and equipment	<u>2,565</u>	<u>936</u>

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

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	310	50
Non Current	2,297	894
Finance costs payable in future years	<u>201</u>	<u>4</u>
Minimum lease payments	<u>2,808</u>	<u>948</u>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
No later than one year	356	52	310	50
Later than one year and not later than five years	1,302	157	1,184	154
Later than five years	<u>1,150</u>	<u>739</u>	<u>1,113</u>	<u>739</u>
	<u>2,808</u>	<u>948</u>	<u>2,607</u>	<u>943</u>

Operating leases

The Council has acquired vehicles, plant and equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2012 £000	31 March 2011 £000
No later than one year	185	155
Later than one year and not later than five years	<u>883</u>	<u>951</u>
	<u>1,068</u>	<u>1,106</u>

The expenditure charged to the Children and Community, Development and Environment and Corporate Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases are:

	31 March 2012 £000	31 March 2011 £000
Minimum lease payments	<u>1,366</u>	<u>1,305</u>
	<u>1,366</u>	<u>1,305</u>

Authority as lessor**Finance leases**

The Council has not entered into any finance lease arrangements.

Operating leases

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

	31 March 2012 £000	31 March 2011 £000
No later than one year	814	869
Later than one year and not later than five years	1,310	1,126
Later than five years	10,240	10,538
	12,364	12,533

Note 34 Public private partnerships and similar contracts

The Council has entered into a Public Private Partnership (PPP) agreement with Education for Ayrshire (e4a) for the construction and operation of two new secondary and three new primary schools, together with an annex to an existing secondary school. The first unitary charge payment relating to part-year costs for two primary schools and the annex to the secondary school, was made during 2007-2008. The final unitary charge payment will be made in 2039-2040, at which time the schools will transfer to Council ownership with a guarantee of no major maintenance requirements for a five-year period. All the schools were completed during 2009-2010.

Property, plant and equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 10 Property, Plant and Equipment on page 41.

Remaining payments under the agreement

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the provider fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2012 (assuming an average inflation rate of 2.50% and excluding any estimation of availability and performance deductions) are as follows:

	Payment of services £000	Reimbursement of capital expenditure £000	Interest £000	Total £000
Payable within one year	2,925	2,182	4,552	9,659
Payable within two to five years	13,141	8,769	18,503	40,413
Payable within six to ten years	20,653	10,794	23,317	54,764
Payable within eleven to fifteen years	25,222	11,167	23,511	59,900
Payable within sixteen to twenty years	31,766	11,137	22,615	65,518
Payable within twenty one to twenty five years	32,889	14,811	23,968	71,668
Payable within twenty six to thirty years	14,249	9,821	12,975	37,045
Total	140,845	68,681	129,441	338,967

Liabilities from PPP arrangements

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

	2011-2012 £000	2010-2011 £000
Balance outstanding at start of year	70,934	73,089
Increases/(reductions) during the year	(2,253)	(2,155)
Balance outstanding at year end	68,681	70,934

Note 35 Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2011-2012, incurring liabilities of £1.191m (£0.414m 2010-2011). This total is payable to 107 officers from the following directorates:

Number	Directorate
72	Children and Communities Directorate,
33	Development & Environment Directorate
2	Corporate Services Directorate

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

Note 36 Defined benefit pension schemes

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

The Council contributes to two post employment schemes:

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

Teachers pension scheme – detailed in Note 37

Transactions relating to post-employment benefits

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

	Local Government Superannuation (Scotland) Scheme	
	2011-2012 £000	2010-2011 £000
<i>Comprehensive income and expenditure statement</i>		
Cost of services		
Current service cost	12,532	14,383
Past service costs	1,942	(49,096)
Settlements and curtailments	84	-
Financing and investment income and expenditure:		
Interest cost	26,760	28,128
Expected return on scheme assets	(30,580)	(29,545)
Total post employment benefit charged to the (surplus) or deficit on the provision of services	10,738	(36,130)
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and (losses)	(49,917)	47,089
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(49,917)	47,089
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the (surplus) or deficit for the provision of services for post employment benefits in accordance with <i>The Code</i>	10,738	(36,130)
<i>Actual amount charged against the General Fund balance for pensions in the year</i>		
Employers' contributions payable to scheme	12,647	11,629

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £113.166m.

Assets and liabilities in relation to post-employment benefits

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

	Local Government Superannuation (Scotland) Scheme	
	2011-2012 £000	2010-2011 £000
Opening balance at 1 April	486,080	550,222
Current service cost	12,532	14,383
Interest cost	26,760	28,128
Contributions by scheme participants	3,945	3,969
Actuarial (gains) and losses	17,398	(44,245)
Benefits paid	(15,739)	(15,538)
Unfunded benefits paid	(1,825)	(1,743)
Past service (gains) and costs	1,942	(49,096)
Curtailments	84	-
Closing balance at 31 March	531,177	486,080

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

	Local Government Superannuation (Scotland) Scheme	
	2011-2012 £000	2010-2011 £000
Opening balance at 1 April	442,802	410,353
Expected rate of return	30,580	29,545
Actuarial gains and (losses)	(32,519)	2,844
Contribution by employer	12,647	11,629
Contributions in respect of unfunded benefits	1,825	1,743
Contributions by scheme participants	3,945	3,969
Benefits paid	(15,739)	(15,538)
Unfunded benefits paid	(1,825)	(1,743)
Closing balance at 31 March	441,716	442,802

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

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

The actuarial loss on scheme assets in the year was £32.519m.

Scheme History

	2011-2012 £000	2010-2011 £000	2009-2010 £000	2008-2009 £000	2007-2008 £000
Present value of Local Government Superannuation (Scotland) Scheme obligation	(531,177)	(486,080)	(550,222)	(337,222)	(379,333)
Fair value of assets in the Local Government Superannuation (Scotland) Scheme	441,716	442,802	410,353	297,854	379,636
Surplus/(deficit) in the scheme	(89,461)	(43,278)	(139,869)	(39,368)	303

Basis for estimating assets and liabilities

The valuations are as at 31 March 2012 and are provided by Hymans Robertson, the independent actuaries to Strathclyde Pension Fund.

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

The principal assumptions used by the actuary have been:

	Local government Superannuation (Scotland) Scheme	
	2011-2012	2010-2011
Long term expected rate of return on assets in the scheme:	%	%
Equity investment	6.3	7.5
Bonds	3.9	4.9
Property	4.4	5.5
Cash	3.5	4.6
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners:	Years	Years
Men	21.0	20.6
Women	23.4	23.9
Longevity at 65 for future pensioners:		
Men	23.3	22.6
Women	25.3	26.0
	%	%
Rate of inflation*	2.5	2.8
Rate of increase in salaries	*4.8	**5.1
Rate of increase in pensions	5.8	6.9
Rate of discounting scheme liabilities	4.8	5.5

*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter

**Salary increases are assumed to be 1% p.a. until 31 March 2013 reverting to the long term assumption shown thereafter

An allowance is included for future retirements to elect to take 50% (2010-2011 50%) of the maximum additional tax free cash up to HMRC limits for pre-April 2008 service and 75% (2010-2011 75%) of the maximum tax-free cash for post-April 2008 service.

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

	Local government Superannuation (Scotland) Scheme	
	2011-2012	2010-2011
	%	%
Equity investments	77	77
Bonds	11	13
Property	7	6
Cash	5	4

History of experience gains and losses

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

	2011-2012 %	2010-2011 %	2009-2010 %	2008-2009 %	2007-2008 %
Experience gains/(losses) on assets as percentage of fair value of employer assets	(7.4)	0.6	22.6	(36.7)	(10.4)
Experience gains/(losses) on liabilities as percentage of employers liability	1.4	0.7	0.4	14.0	(0.2)

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £12.412m.

Note 37 Pensions schemes accounted for as a defined contribution schemes

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

Note 38 Contingent liabilities

At part of its Financial Strategy 2010-2013, presented to the Leadership Panel of 9 March 2010, the Council recognised the likely significant budget gap faced over the period 2011-2012 to 2013-2014. In recognition of this budget gap, an estimated £3.065m will be allocated from reserves to assist in meeting the potential liability required to facilitate a reduction in the workforce and deliver property savings.

The Council has identified two potential uninsured asbestos related claims during 2011-2012. It is recognised that the Council has a potential liability which may require to be met if the claims are successful and as such has agreed to meet the liability from uncommitted reserves if required.

In addition to the £6.673m provision made in the financial statements for equal pay claims, the Council recognises a contingent liability in relation to other equal pay grievances and the potential costs that may arise as a result of further claims being pursued against the Council. The position in respect of these potential claims is still subject to a high degree of uncertainty and it is not clear that either an obligation or their value can be reliably established at this time.

The Council is a member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at March 31 2012 the Council's involvement stands at £1.102m and in the event of the fund being wound up, a contingent liability exists in respect of European Regional Development Fund grants.

Note 39 Contingent assets

There were no contingent assets arising during 2011-2012.

Note 40 Scheme of delegation for schools

The Council approved a revised Scheme of Delegation for Schools on 14 June 2011. The scheme supports the development planning and improvement agenda by providing for the carry-forward of individual school budget surpluses or deficits. As detailed in the Foreword by the Executive Director - Corporate Services on page 1, funds totalling £3.327m have been earmarked by directorates to be spent in 2012-2013, of which £0.370m relates to schools.

Note 41 Nature and extent of risks arising from financial instruments

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by South Ayrshire Council in the annual treasury management strategy review. South Ayrshire Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

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

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

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

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

The Council's maximum exposure to credit risk in relation to its cash investments in banks and building societies of £42.000m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallise.

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

	Amounts as at 31st March 2012 £000	Historical experience of non-payment at 31st March 2012	Estimated maximum exposure to default and uncollectability at 31st March 2012 £000
Deposits with financial institutions and local authorities	42,000	0.00%	-
Customers	2,412	31.47%	759

The Council's gross debtor (excluding council tax, community charge and non-domestic rate income) was £21.537m against which a provision of £4.731m was made for bad and doubtful debts. Based on historical experience, the Council has therefore fully provided for its estimated maximum exposure to default and uncollectability.

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

The Council does not generally allow credit for customers, such that £5.628m of the £21.537m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Less than three months	1,235	1,471
Three to six months	525	1,101
Six months to one year	1,903	1,730
More than one year	1,965	2,786
	5,628	7,088

Collateral

South Ayrshire Council has in the past provided loans to residents who have bought their homes under "Right to Buy" legislation. In such cases the Council takes a standard security over the property. As at 31 March 2012 the outstanding value of loans advanced by the Council was £0.021m.

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

	Date invested	Maturity date	Amount invested	Interest rate	Balance Sheet carrying amount
	£000	£000	£000	£000	£000
Investment 1	13-Aug-08	13-Nov-08	3,000	5.85%	1,748
Investment 2	02-Sep-08	02-Dec-08	2,000	5.82%	1,166

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 is determined by the administrators/receivers.

Based on the latest information available, the Council considers that it is appropriate to determine an impairment adjustment for the deposits outstanding, and has taken the action outlined below. As available information is not definitive as to the amounts and timings of future 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 latest information available indicates that a recovery of 100% could be achieved by 2019. During February of 2012 the Council received its first repayment distribution amounting to £1.477m, equivalent to approximately 30% of the amount owed. A second distribution of £0.621m has also been received in May 2012, equating to approximately 12.20% of the amount owed.

The Council has used an estimated repayment timetable for the remaining 70% outstanding at 31 March 2012 (inclusive of the 12.20% received in May 2012) as a basis for its assumption about the timing of recoveries as shown in the table below.

Date	Repayment	Date	Repayment
May 2012	12.20%	December 2015	7.00%
December 2012	7.00%	December 2016	7.00%
December 2013	7.00%	December 2017	7.00%
December 2014	7.00%	December 2018	7.00%
		December 2019	8.80%

Recovery is subject to the following uncertainties and risks:

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

Following the distribution received in February 2012 the revised estimated percentage recovery amounts and timings outlined above the impairment previously calculated and charged to the CIES requires to be reassessed to account for this new information. This reassessment has resulted in a credit of £0.211 and £0.090m being written out to the General Fund CIES and HRA respectively in 2011-2012.

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

Liquidity & Re-Financing Risk

The Council's main source of borrowing is HM Treasury's Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments and has ready access to short term borrowings from money markets to cover any day to day cash flow needs. The Council has safeguards in place to ensure that a significant part 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 when interest rates are unfavourable and that no more than 25% of loans are due to mature within any financial year.

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

The approved treasury indicator limits for maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash needs.

The maturity analysis of the principal element of borrowing is as follows

	Maturity limit %	Maturing debt %	Actual 31 March 2012 £000	Actual 31 March 2011 £000
Less than one year	25	0.07	135	135
Between one and two years	25	0.07	135	135
Between two and five years	50	11.64	20,553	11,052
Between five and ten years	75	6.38	11,270	15,182
More than ten years	90	81.82	144,439	145,163
			176,532	171,667

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

	£000
Increase in interest payable on variable rate borrowings	396
Increase in interest receivable on variable rate investments	(246)
	150
Share of overall impact debited to the HRA	44
Decrease in fair value of cash and cash equivalents	39
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	24,334

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 £0.675m in Freeport (Scotland) Ltd, which allows the Council voting rights within the company. The Council is consequently exposed to losses arising from movements in the prices of the shares.

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

The £0.675m shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign exchange risk

The Council has foreign exchange exposure resulting from an element of the settlement received from the Icelandic bank, Landsbanki. This is currently held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

Note 42 Heritage Assets – Change in accounting policy required by *The Code*

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at fair value.

Heritage assets

For 2011-2012, the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost or insurance replacement cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet where it was not possible to obtain information on costs. The Council's accounting policies for recognition and measurement of heritage assets are set out in Note 1 Accounting Policies

In applying the new accounting policy, the Council has identified that certain assets previously held as community assets within property, plant and equipment at £0.579m should now be recognised as heritage assets and measured at £2.549m with a corresponding increase in the Revaluation Reserve. The 31 March 2011 comparative figures have thus been restated in 2011-2012 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 31 March 2011, the carrying amount of the heritage assets is presented at its valuation of £0.579m. The heritage assets that were previously recognised in property, plant and equipment have been reclassified
- The restated 31 March 2011 Balance Sheet is provided on page 23. The adjustments that have been made to the Balance Sheet are as follows:

Effect on Balance Sheet at 31 March 2011	Balance as at 31 March 2011	Restatement	Restated balance as at 31 March 2011
	£000	£000	£000
Property, plant and equipment	642,766	(579)	642,187
Heritage assets	-	579	579
Long term assets	642,766	-	642,766
Total net assets	361,173	-	361,173
Usable reserves	34,328	-	34,328
Unusable reserves	326,845	-	326,845
Total reserves	361,173	-	361,173

Note 43 Heritage Assets – Further information on the museums' collections

Museum and Art Gallery Collections

The collections of the Rozelle House and McKechnie Institute museums and art galleries form the major part of the heritage assets held by the Council.

Existing collections consist of fine arts, history of science, archaeology, coins, culture, domestic life, decorative & applied art, industry & commerce, photography, natural sciences, maritime, society, transport, warfare & defence, weapons & accessories and world culture.

The fine arts collection is one of the largest held by the Museums and Galleries Service. It is made up from the collections of the former Burgh of Prestwick, Maybole, Girvan, Troon and the Royal Burgh of Ayr. These collections are made up from individual purchases and gifts or bequests from local people. These major bequests include work bequeathed by Allan Forest Stark, Dr McGregor, G.B. Dunlop, R.C. Roy, Richard Edmiston Senior and Junior, Thomas Davidson, William McDowall and W.B. Scott Valentine

There is a considerable proportion of the collection which is made up of local scenes of work by local artists. In particular there is a group of works by Robert Bryden, William Bell Scott Valentine and original artists of the Ayr Sketch Club. There is also a considerable number of pieces relating to various artists, and in particular pieces relating to Robert Burns, including some 200 un-researched pieces, which formed part of the Tam O'Shanter museum collection and 54 works of 'Tam O'Shanter' by the artist Alexander Goudie.

The photography collection includes artistic photography, historic studio portrait photography and images of historic events, and are held throughout various locations across South Ayrshire including Carnegie Library, the Museums and Galleries Service and the Ayrshire Archives Centre.

A number of local interest pieces are included in the various collections, including Robert Burns related literature and a significant collection of formal regalia from the old burghs of Troon, Prestwick, Maybole, Girvan and the Royal Burgh of Ayr. A considerable amount of the ceramic ware has images of Robert Burns themes or local scenes.

Civic regalia and other civil affects

The civic regalia are the chains and pendants of office of the Provost and the Deputy Provost. The Provost, who is the figurative and ceremonial head of the Council, wears the gold chain and pendant of office at meetings of the full Council and other appropriate civic and ceremonial events. Other civic affects consists of robes and a number of ornaments. The civic regalia when not worn & effects are held securely in the Council buildings.

Preservation and management

Assets are collated, preserved and managed in accordance with professional museum guidelines and the Museum Accreditation Standard. The Executive Director of Children and Communities is responsible for making arrangements for the proper administration of the museum collections. The professional officer in charge of the collections is the Museum and Galleries Coordinator, under the direction of the Sport, Leisure, Arts and Culture Manager.

Section 7: Housing Revenue Account

I) Movement on the HRA statement

2010-2011		2011-2012
£000		£000
(18,970)	Balance on the HRA at the end of the previous year	(13,960)
1,799	(Surplus) or deficit for the year on the HRA income and Expenditure Statement	9,057
	Adjustments between accounting basis and funding basis under statute	
(9,400)	Depreciation and impairment of non-current assets	(11,024)
393	Capital grants and contributions credited to the comprehensive income and expenditure statement	1,860
53	Net gain or loss on sale of non-current assets	(7,029)
514	Amount by which finance costs calculated in accordance with <i>The Code</i> are different from the amount of finance costs calculated in accordance with statutory requirements	135
1,663	Amount by which pension costs calculated in accordance with <i>The Code</i> (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	122
(129)	Statutory Repayment of Debt (Loans Fund Advances)	406
10,120	Capital expenditure charged to the HRA balance (CFCR)	4,733
(3)	Net transfer to or from earmarked reserves required by legislation	(14)
3,211		(10,811)
5,010	(Increase) or decrease in HRA balance	(1,754)
(13,960)	Balance on the HRA at the end of the current year	(15,714)

II) Comprehensive HRA income and expenditure account

2010-2011		2011-2012
£000		£000
	Expenditure	
9,562	Repairs and maintenance	9,328
3,397	Supervision and management	4,975
9,400	Depreciation and impairment fixed assets	11,024
655	Other expenditure	785
163	Increase in bad debt provision	207
23,177	Total expenditure	26,319
	Income	
(22,210)	Dwelling rents	(23,177)
(1,457)	Non dwelling rents	(1,844)
(67)	Other income	(61)
(23,734)	Total income	(25,082)
(557)	Net cost of HRA Services as included in the Council comprehensive income and expenditure statement	1,237
160	HRA share of Corporate and Democratic Core	164
(397)	Net cost of HRA Service	1,401
	Other Operating Expenditure	
(53)	(Gain) or loss on sale of HRA non-current assets	7,029
2,933	Interest payable and similar charges	2,838
(165)	Interest and investment income	(149)
(79)	Investment property income	(77)
(47)	Pension interest cost and expected return on pension assets	(125)
(393)	Non specific grant income	(1,860)
1,799	Deficit for the year on HRA services	9,057

Notes to the housing revenue account

Note 1 Provisions

A provision of £0.764m (£0.787m 2010-2011) is included in the balance sheet for doubtful debts on housing rents.

Note 2 Accommodation

At 31 March 2012, the Council held various types of accommodation and had the following number and types of houses:

31 March 2011		31 March 2012	
Number of houses	Type of accommodation	Number of houses	
2,481	One and two apartment	2,475	
3,553	Three apartment	3,602	
2,024	Four apartment	2,018	
169	Five or more apartment	166	
8,227		8,261	

31 March 2011		31 March 2012	
Number of houses	By area	Number of houses	
4,729	Ayr	4,775	
1,010	Troon	1,006	
728	Prestwick	723	
773	Maybole	770	
987	Girvan	987	
8,227		8,261	

Note 3 Rent arrears

At 31 March 2012, rent arrears amounted to £0.989m (2010-2011 £1.010m), being 3.50% (2010-2011 4.20%) of gross rent collectable.

Note 4 HRA Surplus

The surplus for the year of £1.754m, when added to the surplus brought forward from 2010-2011 of £13.960m, results in an accumulated surplus of £15.714m at 31 March 2012. Members have already agreed that £0.550m should be held in reserve for weather emergencies. £11.732m is required to fund specific capital and revenue projects in future years and £1.500m has been set aside as a general reserve for unforeseen events. This leaves a balance of £1.932m which will be considered as part of the 2013-2014 rent setting process including the ability to meet the Scottish Housing Quality Standards by 2014-2015.

Note 5 Void property lost revenue

The rental income lost due to void properties amounted to £0.509m in 2011-2012 (2010-2011 £0.451m).

Section 8: Collection of Council Tax and Community Charge

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

Council tax income account

2010-2011		2011-2012
£000		£000
62,222	Gross council tax levied	62,485
	Deduct :	
(1,855)	Exemptions	(1,929)
(83)	Disabled relief	(74)
(5,675)	Discounts	(5,546)
54,609	Net council tax	54,936
	Deduct :	
(9,030)	Council tax benefits	(9,087)
9,033	less government grants	9,035
15	Other items	16
(1,150)	Provision for bad debts	(1,162)
26	(Gain)/loss on benefits to be transferred to Miscellaneous Services	29
(98)	Grant on claimant error transferred to cost of collect	(116)
53,405	In year council tax income	53,651
(72)	Prior year adjustments	(46)
53,333	Transfer to general fund	53,605

Notes to the council tax and community charge income account

Note 1 Council tax income

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

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

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

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

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

Additional income of £0.843m is included within the general fund and earmarked for use in relation to the affordable homes strategy.

Note 2 Calculation of the council tax charge base 2011-2012

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
Total number of properties	7,423	12,593	8,621	8,333	9,315	4,555	2,861	259	53,960
Less exemptions/deductions	367	368	275	144	126	74	20	1	1,375
Less adjustment for single discount	1,029	1,358	868	691	645	237	124	7	4,959
Less adjustment for double discount	76	112	87	91	90	42	26	4	528
Effective number of properties	5,951	10,755	7,391	7,407	8,454	4,202	2,691	247	47,098
Band D equivalent factor (D)	6	7	8	9	11	13	15	18	~
Band D equivalent number of properties	3,966	8,365	6,570	7,407	10,333	6,070	4,485	494	47,690
Class 17 & 24 dwellings	-	-	-	13	-	-	-	-	13
Total	3,966	8,365	6,570	7,420	10,333	6,070	4,485	494	47,703
Less provision for non-collection 2.5 per cent									1,192
Council tax base 2011-2012 (equivalent to a Band D council tax of £1,153.95)									46,511

Note 3 Council tax properties and council tax charges

	Valuation band								Total
	A	B	C	D	E	F	G	H	
Number of chargeable properties	5,951	10,755	7,391	7,420	8,454	4,202	2,691	247	47,111
Total council tax charge	£769.30	£897.52	£1,025.73	£1,153.95	£1,410.38	£1,666.82	£1,923.25	£2,307.90	

Note 4 Community Charge - Years prior to 31 March 1993

	31 March 2012 £000	31 March 2011 £000
Arrears written off now recovered	4	5

Section 9: Non-Domestic Rate Income Account

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

2010-2011		2011-2012
£000		£000
45,240	Gross charge	47,410
	Deduct :	
(9,403)	Reliefs and remissions	(9,851)
(717)	Provision of bad debts	(751)
35,120	Non domestic rate income	36,808
(885)	Prior year adjustments	(546)
34,235	Total non-domestic rate income	36,262
	National non-domestic rate pool (NNDRP):	
44,685	NDRI distributable	34,835
(34,235)	Contribution to NNDRP	(36,262)
10,450		(1,427)

Notes to the non-domestic rate income account

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

With effect from 1993-1994, all non-domestic rate income collected by local authorities (from non-domestic ratepayers) is paid into a national pool and redistributed to levying authorities (unitary and island councils) by the Scottish Government. For 2011-2012, non-domestic rate income redistributed to the Council is aligned to the amount collected by the Council. The distribution basis in 2010-2011 was based on population and bore no direct relationship to the amount collected by each authority.

Note 2 Rateable subjects and values 2011-2012

Commercial subjects	Number	Rateable value £000
Shops	1,390	37,285
Public houses	114	3,071
Offices (Including banks)	673	11,223
Hotels, boarding houses, etc.	100	5,303
Industrial and freight transport subjects	883	17,126
Leisure, entertainment caravans and holiday sites	498	5,819
Garages and petrol stations	91	1,230
Cultural	30	532
Sporting subjects	147	655
Education and training	76	10,312
Public service subjects	194	5,887
Communications (non formula)	2	61
Quarries, mines etc.	8	424
Petrochemical	4	63
Religious	91	1,080
Health medical	92	4,273
Other	174	1,119
Care facilities	55	2,584
Advertising	40	81
Undertaking	26	2,494
Total all subjects	4,688	110,622

Rate levied 2011-2012: Rateable value greater than £35,000

43.30p

Rateable value less than or equal to £35,000

42.60p

Section 10: Common Good

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

I) Movement in reserves statement for the year ended

2011-2012	Revenue Reserve	Capital receipts reserve	Total usable reserve	Revaluation Reserve	Available for sale financial instruments reserve	Total Unusable reserve	Total reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	953	2,384	3,337	15,403	6	15,409	18,746
Movement in reserves during 2011-2012							
Surplus or (deficit) on the provision of services	(19)	-	(19)	-	-	-	(19)
Other comprehensive income and expenditure	-	425	425	398	-	398	823
Increase/(decrease) in 2011-2012	(19)	425	406	398	-	398	804
Balance at 31 March 2012	934	2,809	3,743	15,801	6	15,807	19,550

2010-2011	Revenue Reserve	Capital receipts reserve	Total usable reserve	Revaluation Reserve	Available for sale financial instruments reserve	Total Unusable reserve	Total reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	1,008	2,585	3,593	13,376	6	13,382	16,975
Movement in reserves during 2010-2011							
Surplus or (deficit) on the provision of services	(55)	-	(55)	-	-	-	(55)
Other comprehensive income and expenditure	-	(201)	(201)	2,027	-	2,027	1,826
Increase/(decrease) in 2011-2012	(55)	(201)	(256)	2,027	-	2,027	1,771
Balance at 31 March 2011	953	2,384	3,337	15,403	6	15,409	18,746

II) Income and expenditure account

2010-2011	Ayr	Troon	Prestwick	Maybole	Girvan	2011-2012
£000	£000	£000	£000	£000	£000	£000
Expenditure						
608 Property costs	466	-	59	-	46	571
28 Donations and contributions	26	-	1	-	-	27
67 Other expenditure	57	-	-	-	1	58
703	549	-	60	-	47	656
Income						
603 Rents	532	-	19	-	-	551
25 Interest on loans	26	-	3	-	-	29
20 Other income	10	-	-	-	47	57
648	568	-	22	-	47	637
(55) Surplus/(deficit) for year	19	-	(38)	-	-	(19)
1,008 Surplus brought forward	586	34	328	2	3	953
953 Accumulated surplus	605	34	290	2	3	934

III) Balance sheet as at 31 March 2012

2010-2011	Restated 2010-2011		2011-2012
£000	£000		£000
14,535	15,610	Long-term assets	16,008
6	6	Long term investments	6
6	6	Total long term investment	6
Current assets			
2	2	Inventory	2
3,142	3,142	Loans fund investment	3,549
3,144	3,144		3,551
17,685	18,760	Total assets	19,565
Less: current liabilities			
14	14	Creditors	15
17,671	18,746	Total assets less liabilities	19,550
Financed by:			
953	953	Revenue reserve	934
2,384	2,384	Usable capital receipts reserve	2,809
14,328	15,403	Revaluation reserve	15,801
6	6	Available for sale financial instruments reserve	6
17,671	18,746	Total reserves	19,550

Notes to Common Good Account

Note 1 Valuation of fixed assets

Property valuations were carried out by RICS professional staff within the Council's Directorate of Development and Environment and are at valuation dates between 2006-2007 and 2011-2012 dependent on the category of asset.

Note 2 Movement in fixed assets

2011-2012 Movements

	Gross book value at 1 April 2011	Additions	Revaluations and impairments	Disposals	Gross book value at 31 March 2012
	£000	£000	£000	£000	£000
Land					
Ayr	4,273	-	963	(1,075)	4,161
Prestwick	350	-	5	-	355
Troon	-	-	-	-	-
Girvan	6	-	45	-	51
Total land	4,629	-	1,013	(1,075)	4,567
Buildings					
Ayr	10,589	650	(366)	-	10,873
Prestwick	307	-	(12)	-	295
Troon	15	-	-	-	15
Girvan	4	-	3	-	7
Total buildings	10,915	650	(375)	-	11,190
Community assets					
Ayr	66	-	185	-	251
Total community assets	66	-	185	-	251
Total common good assets	15,610	650	823	(1,075)	16,008

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

Included in the 1 April 2011 gross book value balance is a £1.075m prior year land revaluation in relation to Plot 9 of the Citadel development, Ayr. The Balance Sheet on page 77 has been restated to include this re-valued asset. The asset was subsequently disposed of for £1.100m in March of 2012.

Note 3 Usable capital receipts reserve

This reserve represents the proceeds of disposals of Common Good assets less any capital expenditure.

Note 4 Revaluation reserve

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

Section 11: Trust Funds

At the start of 2011-2012 the Council administered 82 trust funds and bequests from local benefactors from which payments were made for specified purposes.

During the year one trust fund was shut down and two new ones were added leaving 83 trusts or bequests being administered. Of these 83 trusts or bequests, the Council is sole trustee for 75, split between those with charitable status and those without, as outlined below.

2010-2011		Registered charitable trusts	Other trusts	2011-2012
£000	Revenue accounts	£000	£000	£000
839	Opening balance	359	476	835
14	Income for year	7	39	46
(18)	Expenditure during year	(7)	(51)	(58)
835	Closing balance	359	464	823

2010-2011	Balance sheet as at 31 March	Registered charitable trusts	Other trusts	2011-2012
£000		£000	£000	£000
	Assets			
72	Investments	4	67	71
1,049	Current assets - temporary deposit in loans fund	488	519	1,007
1,121	Total assets	492	586	1,078
	Reserves			
835	Revenue	359	464	823
18	Available for sale financial instrument reserve	-	17	17
268	Capital	133	105	238
1,121	Total reserves	492	586	1,078

These figures are analysed further in the tables on pages 80 and 81.

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2012, split between those trusts with charitable status and those without.

Charitable Trusts

Name	Original Purpose	Loans Fund Investment £000	External Investment £000	Total £000
Mary & Hugh Reid Trust (SC014448)	Relief of respected aged persons in reduced circumstances resident in Prestwick who are not in receipt of public assistance	48	-	48
R H Smith Trust (SC022120)	Annuities to deserving unmarried women residing in Ayr, preferably those with no father or brother alive to support them	370	-	370
Various	4 Charitable Trusts with a closing balance of less than £25,000	70	4	74
Total Charitable Trust		488	4	492

Non Charitable Trusts

Name	Original Purpose	Loans Fund Investment £000	External Investment £000	Total £000
Ayr Nursing Trust Fund	Benefit of sick, aged and infirm resident within Ayr, receiving attention from nurse employed by local health authority and recommended by nurse.	26	-	26
Dr Andrew R Rennie Bequest	To provide money to former functions of Strathclyde Regional Council	81	-	81
George Todd Memorial Hall	Money to be spent (in Dailly) as per Sheriff Court Judgement	28	-	28
John McMaster Bursary Fund	Bursaries for pupils of Girvan Academy to attend Glasgow or Edinburgh University for three to five years as per conditions of scheme	183	54	237
Sundry Mortifications	Maintenance of lairs in perpetuity	39	2	41
Various	64 Non Charitable Trusts with a closing Balance of less than £25,000	162	11	173
Total Non Charitable Trust		519	67	586
Total Trusts		1,007	71	1,078

The table below provides a reconciliation of the in year movement on each of the investments held by the various Trusts, again split between those Trusts with charitable status and those without.

Charitable Trusts

Capital and Revenue	Opening Balance 1 April 2011		Income in Year		Expenditure in Year		31 March 2012		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Total
Mary & Hugh Reid Trust (SC014448)	23	25	-	1	-	1	23	25	48
R H Smith Trust (SC022120)	96	275	-	4	-	5	96	274	370
4 Charitable Trusts with a closing Balance of less than £25,000	14	59	-	2	-	1	14	60	74
Total Charitable Trust	133	359	-	7	-	7	133	359	492

Non Charitable Trusts

Capital and Revenue	1 April 2011		Income in Year		Expenditure in Year		31 March 2012		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Total
Ayr Nursing Trust Fund	10	16	-	-	-	-	10	16	26
Dr Andrew R Rennie Bequest	-	81	-	1	-	1	-	81	81
George Todd Memorial Hall	-	28	-	-	-	-	-	28	28
John McMaster Bursary Fund	55	182	-	4	1	3	54	183	237
Sundry Mortifications	16	25	-	1	-	1	16	25	41
64 Non Charitable Trusts with a closing Balance of less than £25,000	72	144	-	33	30	46	42	131	173
Total Non Charitable Trust	153	476	-	39	31	51	122	464	586
Total	286	835	-	46	31	58	255	823	1,078

Other Trusts and bequests

The council also administers the funds of a further 8 trusts or bequest which are controlled in part by external trustees. The value held in these funds at 31 March 2012 amounts to £0.779m.

Other funds

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

2010-2011	Balance sheet as at 31 March	2011-2012
£000		£000
	Assets	
9	Balance due by loan fund	10
3	Investments	3
12	Total assets	13
	Reserves	
12	Revenue	13
12	Total reserves	13

Section 12: Group Accounts

Introduction

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

Combining Entities

The Council has an interest in one subsidiary and six associate entities. Further details of each entity are detailed in the notes to the Group Accounts on pages 82 to 89. The subsidiary and associate entities share a common accounting period ending 31 March 2012.

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

The associate entities incorporated are:

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

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

Nature of Combination

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

Financial Impact of Consolidation

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

The inclusion of the subsidiary and associate entities in the group Balance Sheet reduces both the reserves and net assets by £190.817m, representing the Council's share of the net assets or liabilities of the entities.

Group Core Financial Statements

1) Movement in group reserves statement for the year ended 31 March 2012

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

2011-2012	Usable reserves £000	Unusable reserves £000	Total reserves of the Council £000	Council's share of reserves of subsidiaries and associates £000	Total group reserves £000
Balance at 31 March 2011	34,328	326,845	361,173	(176,745)	184,428
Movement in reserves during 2011-2012					
Surplus or (deficit) on the provision of services*	4,544	-	4,544	(14,515)	(9,971)
Other comprehensive income and expenditure	-	(41,822)	(41,822)	443	(41,379)
Total comprehensive income and expenditure	4,544	(41,822)	(37,278)	(14,072)	(51,350)
Adjustments between accounting basis and funding basis	764	(764)	-	-	-
Net increase/(decrease) before transfer to earmarked reserves	5,308	(42,586)	(37,278)	(14,072)	(51,350)
Transfers to/from earmarked reserves	-	-	-	-	-
Increase/(decrease) in 2011-2012	5,308	(42,586)	(37,278)	(14,072)	(51,350)
Balance at 31 March 2012	39,636	284,259	323,895	(190,817)	133,078

2010-2011 Comparative figures	Total usable reserve £000	Unusable reserves £000	Total reserves of the Council £000	Council's share of reserves of subsidiaries and associates £000	Total group reserves £000
Balance at 31 March 2010	34,483	185,086	219,569	(210,573)	8,996
Movement in reserves during 2010-2011					
Surplus or (deficit) on the provision of services	46,760	-	46,760	16,638	63,398
Other comprehensive income and expenditure	-	94,844	94,844	17,190	112,034
Total comprehensive income and expenditure	46,760	94,844	141,604	33,828	175,432
Adjustments between accounting basis and funding basis	(46,915)	46,915	-	-	-
Net increase/(decrease) before transfer to earmarked reserves	(155)	141,759	141,604	33,828	175,432
Transfers to/from earmarked reserves	-	-	-	-	-
Increase/(decrease) in 2010-2011	(155)	141,759	141,604	33,828	175,432
Balance at 31 March 2011	34,328	326,845	361,173	(176,745)	184,428

II) Group Comprehensive Income and Expenditure Account

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

2010-2011				2011-2012		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000		£000	£000	£000
28,004	20,617	7,387	Central Services to the Public	26,805	21,062	5,743
22,033	8,443	13,590	Cultural and Related Services	20,618	7,966	12,652
109,120	4,122	104,998	Education Services	105,359	3,823	101,536
18,979	4,713	14,266	Environmental Services	18,926	4,576	14,350
6,071	-	6,071	Fire and Rescue Services	5,901	-	5,901
23,177	23,734	(557)	Housing Services	26,313	25,082	1,231
41,078	36,539	4,539	General Fund Housing	42,940	39,309	3,631
6,592	3,475	3,117	Planning and Development Services	5,910	2,739	3,171
8,554	-	8,554	Police Services	8,450	-	8,450
18,656	7,787	10,869	Roads and Transportation	19,453	6,938	12,515
86,819	14,937	71,882	Social Work	84,658	14,612	70,046
3,664	160	3,504	Corporate and Democratic Core	3,569	164	3,405
4,212	47,521	(43,309)	Non Distributed Costs	3,359	-	3,359
2,491	-	2,491	Exceptional Item	991	-	991
645	299	346	Common good fund	614	278	336
380,095	172,347	207,748	Cost of services	373,866	126,549	247,317
			Other operating expenditure			
		1,493	(Gain) or loss on the disposal of fixed assets			7,785
		(542)	(Surplus) or deficit on trading services			795
			Financing and investment income and expenditure			
		14,091	Interest payable and similar charges			14,093
		(441)	Interest and investment income			(536)
		(1,417)	Pension interest cost and expected return on pension assets			(3,820)
		(502)	Investment property income, expenditure and changes in fair value			(503)
			Taxation and non-specific grant income			
		(163,039)	Revenue support grant			(168,962)
		(6,073)	Recognised capital income			(12,250)
		(44,685)	Non domestic rates redistribution			(34,835)
		(53,338)	Council tax and community charge income			(53,609)
		(46,705)	(Surplus) or deficit on the provision of services			(4,525)
		(16,693)	Share of the (surplus) or deficit on the provision of services by associates			14,496
		(63,398)	Group (surplus)/deficit			9,971
		(49,750)	(Surplus) or deficit on the revaluation of property, plant and equipment assets			(8,477)
		(32)	(Surplus) or deficit on revaluation of available for sale financial assets			(16)
		(47,089)	Actuarial (gains) or losses on pension fund assets and liabilities			49,917
		-	Other unrealised (gains) or losses			-
		(15,163)	Share of other comprehensive income and expenditure of associates			(45)
		(112,034)	Other comprehensive income and expenditure			41,379
		(175,432)	Total comprehensive income and expenditure			51,350

III) Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2012 of the assets and liabilities recognised by the Council and of its share of the net assets or liabilities of its associates. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).

31 March 2011 £000	Restated 31 March 2011 £000		£000	31 March 2012 £000
657,301	657,797	Property, plant and equipment	654,658	
-	579	Heritage assets	2,549	
7,874	7,874	Investment properties	7,952	
178	178	Intangible assets	74	
3,477	3,477	Long term investments	2,640	
63	63	Long-term debtors	20	
668,893	669,968	Long-term assets		667,893
1,103	1,103	Short term investments	989	
3,202	3,202	Assets held for sale	3,554	
547	547	Inventories	629	
19,669	21,000	Short-term debtors	21,074	
23,045	23,045	Cash and cash equivalents	36,676	
47,566	48,897	Current assets		62,922
(135)	(135)	Short-term borrowing	(135)	
(40,736)	(42,067)	Short-term creditors	(40,134)	
(1,367)	(1,367)	Provisions	(854)	
(5,822)	(5,822)	Other short-term liabilities	(5,828)	
(48,060)	(49,391)	Current liabilities		(46,951)
(6,378)	(6,378)	Provisions	(6,728)	
(195,491)	(195,491)	Investments in Associates	(210,367)	
(172,453)	(172,453)	Long-term borrowing	(177,311)	
(943)	(943)	Other long-term liabilities (finance leases)	(2,607)	
(43,278)	(43,278)	Other long-term liabilities (pensions)	(89,461)	
(66,503)	(66,503)	Other long-term liabilities	(64,312)	
(485,046)	(485,046)	Long-term liabilities		(550,786)
183,353	184,428	Net assets		133,078
34,328	34,328	Usable reserves		39,636
326,845	326,845	Unusable reserves		284,259
(177,820)	(176,745)	Group reserves		(190,817)
183,353	184,428	Total reserves		133,078

The unaudited accounts were issued on 28th June 2012 and the audited accounts were authorised for issue on 27th September 2012.



Eileen Howat BSc, CPFA

Executive Director - Corporate Services

27 September 2012

IV) Group Cash Flow Statement for the year ended 31 March 2012

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

2010-2011		2011-2012	
£000	£000	£000	£000
	(46,705)		(4,525)
	Net (surplus) or deficit on the provision of services		
	Adjustments to net surplus or deficit on the provision of services for non cash movements		
(26,745)	<i>Depreciation & impairment of fixed assets</i>	(23,693)	
(65)	<i>Amortisation of intangible assets</i>	(36)	
(1,053)	<i>Increase in creditors</i>	523	
1,271	<i>Decrease in debtors</i>	(42)	
34	<i>Decrease in stock</i>	82	
49,502	<i>Pension liability</i>	3,734	
(3,692)	<i>Carrying amount of non-current assets sold</i>	(9,425)	
<u>9,008</u>	<u>28,260</u>	<u>12,361</u>	<u>(16,496)</u>
	Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities		
	<i>Proceeds from sale of property, plant and equipment, investment property and intangible assets</i>		
<u>2,199</u>	<u>2,199</u>	<u>1,640</u>	<u>1,640</u>
	(16,246)		(19,381)
	Net cash flows from operating activities		
	19,728 <i>Investing activities</i>		10,263
	<u>(1,293)</u> <i>Financing activities</i>		<u>(4,513)</u>
	2,189		(13,631)
	Net increase or decrease in cash and cash equivalents		
	Cash and cash equivalents at the beginning of the reporting period		23,045
	<u>25,234</u>		<u>23,045</u>
	23,045		36,676
	Cash and cash equivalents at the end of the reporting period		

Notes to the 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 20 to 70. The following notes provide additional information in relation to other combining entries.

Note 1 Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on page 25 to 35.

Prior year adjustments

As a result of the change in accounting policy in relation to heritage assets, the prior year group Balance Sheet requires to be restated. The effect of this restatement is to reduce the prior year property, plant and equipment balance by £0.579m and increase heritage assets by £0.579m.

Note 2 Balances held between the Council and its Associates

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

Note 3 Details of Combining Entities

In addition to the information included in the consolidated Group Accounts on pages 82 to 86, 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 76 to 78 of these accounts. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Common Good Fund.

	2011-2012	2010-2011
	£000	£000
Share of assets	19,565	18,760
Share of liabilities	(15)	(14)
Share of revenues	(637)	(648)
Share of (surplus)/deficit	19	55

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 2011-2012, South Ayrshire Council contributed £8.450m or 3.95% of the Board's estimated revenue running costs and contributed a further £0.429m in terms of a capital contribution. Its share of the year-end net liability of £172.437m (2010-2011 £161.337m) is included in the Group Balance Sheet. Copies of Strathclyde Police Service's accounts may be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2011-2012	2010-2011
	£000	£000
Share of assets	10,331	10,221
Share of liabilities	(182,768)	(171,558)
Share of revenues	(17,120)	(17,463)
Share of (surplus)/deficit	11,818	(11,671)

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 2011-2012, South Ayrshire Council contributed £5.901m or 4.80% of the Board's estimated running costs. Its share of the year-end net liability of £46.706m (2010-2011 £43.706m) is included in the Group Balance Sheet. Copies of Strathclyde Fire Service's accounts may be obtained from the Treasurer to the Board of Strathclyde Fire & Rescue, Bothwell Road, Hamilton ML03 OEA. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2011-2012	2010-2011
	£000	£000
Share of assets	11,966	11,801
Share of liabilities	(58,672)	(55,507)
Share of revenues	(7,850)	(8,169)
Share of (surplus)/deficit	3,222	(4,138)

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 2011-2012, South Ayrshire Council contributed £1.802m or 4.82% of the Board's estimated running costs. Its share of the year-end net asset of £7.403m (2010-2011 £7.836m) is included in the Group Balance Sheet. Copies of Strathclyde Partnership for Transport accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2011-2012	2010-2011
	£000	£000
Share of assets	10,680	9,798
Share of liabilities	(3,277)	(1,962)
Share of revenues	(3,144)	(2,861)
Share of (surplus)/deficit	(517)	(605)

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 2011-2012, South Ayrshire Council contributed £0.216m or 6.21% of the Board's estimated running costs. Its share of the year-end net asset of £0.100m (2010-2011 £0.150m) is included in the Group Balance Sheet. Copies of Strathclyde Concessionary Travel Scheme's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2011-2012	2010-2011
	£000	£000
Share of assets	161	282
Share of liabilities	(61)	(132)
Share of revenues	(216)	(157)
Share of (surplus)/deficit	50	112

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 2011-2012, South Ayrshire Council contributed £0.741m or 33.34% of the Board's estimated running costs. Its share of the year-end net assets of £0.362m (2010-2011 £0.568m net liability) is included in the Group Balance Sheet. Copies of Ayrshire Valuation Joint Board's accounts may be obtained from the Treasurer to Ayrshire Valuation Joint Board, County Buildings, Wellington Square, Ayr KA7 1DR. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2011-2012	2010-2011
	£000	£000
Share of assets	406	608
Share of liabilities	(44)	(40)
Share of revenues	(745)	(783)
Share of (surplus)/deficit	(77)	(384)

Ayr Renaissance was established by South Ayrshire Council as a separate arms length, Limited Liability Company, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by South Ayrshire Council. The Executive Director-Development and Environment of South Ayrshire Council sits on the board along with three council members and five private sector members. The organisations' running costs are met by South Ayrshire Council by way of an annual contribution. South Ayrshire Council contributed £0.182m during 2011-2012. The following table details the main elements of South Ayrshire Councils share of assets and liabilities of the Board.

	2011-2012	2010-2011
	£000	£000
Share of assets	1,010	1,059
Share of liabilities	(74)	(61)
Share of revenues	(250)	(172)
Share of (surplus)/deficit	-	(7)

Note 4 Contingent Liabilities

At 31 March 2012 the Council had the following share of contingent liabilities of associates:

The Board of Strathclyde Fire & Rescue: It has previously been identified that provision should be made in the financial statements for all liabilities in relation to insurance claims against the Board, both known and unknown. A provision has been recognised in the Balance Sheet represents those claims that are known. Values cannot be placed upon those claims that have been incurred but not reported, i.e. incidents have occurred but claims have still to be submitted, and therefore a contingent liability exists.

Ayrshire Valuation Joint Board: The Board are currently dealing with a case raised by a prisoner in relation to his inclusion on the electoral register and further costs may be incurred in this regard as the legal process continues. Any additional costs not supported by Government may require to be met from uncommitted reserves.

Section 13: Independent Auditor's Report

Independent auditor's report to the members of the 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 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Account, the Common Good Accounts, the Trusts Funds Accounts and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the group and of the Council as at 31 March 2012 and of the income and expenditure of the group and the Council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight

Fiona Mitchell-Knight FCA

Assistant Director - Audit Services

Audit Scotland

7th Floor, Plaza tower

East Kilbride

Glasgow G74 1LW

27 September 2012

Section 14: Glossary of Terms

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

Accounting Period

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

Accruals

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

Actuarial Gains and Losses (Pensions)

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

Asset

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

Associates

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

Audit of Accounts

An independent examination of the Council's financial affairs.

Balance Sheet

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Community Assets

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

Consistency

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

Contingent Asset/Liability

A Contingent Asset/Liability is either:

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

Corporate and Democratic Core

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

Creditor

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

Current Service Cost (Pension)

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

Debtor

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

Defined Benefit Pension Scheme

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

Depreciation

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

Discretionary Benefits (Pensions)

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

Entity

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

Events after the Balance Sheet Date

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

Exceptional Items

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

Fair Value

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

Finance Lease

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

Government Grants

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

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture

IAS

International Accounting Standards.

IFRIC

International Financial Reporting Interpretations Committee.

IFRS

International Financial Reporting Standards

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Interest Cost (Pensions)

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

Inventories

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

Liability

A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Net Book Value

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

Non Distributed Costs

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

National Non Domestic Rates Pool

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

Operating Lease

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

Past Service cost (Pensions)

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

Pension Scheme Liabilities

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

Post Employment Benefits

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

Prior Year Adjustment

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

Provisions

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

Public Works Loan Board (PWLB)

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

Rateable Value

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

Related Parties

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

Remuneration

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

Reserves

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

Residual Value

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

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

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

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom

Temporary Borrowing

Money borrowed for a period of less than a year.

Trust Funds

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

Useful Economic Life

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

The front cover features the new Heathfield Primary extension which was officially opened in January 2012. The extension received a commendation, in recognition of the best in Industry, at the Scottish Design Awards 2012.



New social housing
at Dalmilling in Ayr



South Ayrshire
Council's Call Centre



Heathfield Primary
School's new interior



New playpark at
Girvan's shorefront



British Kite Surfing
Championships – Ayr



www.south-ayrshire.gov.uk

Corporate Services Directorate

County Buildings, Ayr, KA7 1DR

