



UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD

1 APRIL 2010 TO 31 MARCH 2011

Argyll and Bute Council
Comhairle Earra Ghàidheal agus Bhòid

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	Page No
Explanatory Foreword by the Head of Strategic Finance	4-10
Statement of Responsibilities for the Statement of Accounts	11
Statement of Governance and Internal Control	12-14
The Remuneration Report	15-23
Statement of Movement in Reserves – Movement in 2010-11	24-25
Statement of Movement in Reserves – Comparative Movement in 2009-10	26-27
Statement of Comprehensive Income and Expenditure	28-29
Balance Sheet	30-31
Cash Flow Statement	32
Notes to the Financial Statements (See Page 2)	33-84
Council Tax Income Account	85
Notes to the Council Tax Income Account	86
Non Domestic Rate Income Account	87
Notes to the Non Domestic Rate Income Account	88
Group Statement of Movement in Reserves - Movement in 2010-11	89
Group Statement of Movement in Reserves - Comparative Movement in 2009-10	90
Group Comprehensive Income and Expenditure Statement	91-92
Group Balance Sheet	93-94
Notes to the Group Financial Statements	95-97

Note No		Page No
1	Summary of Significant Accounting Policies	33-42
2	Accounting Standards Issued But Not Yet Adopted	43
3	Critical Judgements in Applying Accounting Policies	43
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	43-44
5	Transfers to/from Earmarked Reserves	45
6	Amounts Reported for Resource Allocation Decisions	46-48
7	Other Operating Income and Expenditure	49
8	Significant Trading Organisations	49
9	Agency Income	49
10	Community Care Health (Scotland) Act 2002	50
11	Waste Management Public Private Partnership	51
12	Fees Payable to Audit Scotland	51
13	Grant Income	52
14	Related Parties	52-53
15	Property, Plant and Equipment	54-58
16	Intangible Assets	58-59
17	Investment Property	59-60
18	Schools Non-Profit Distributing Organisation	61-62
19	Finance and Operating Leases	62-64
20	Long Term Debtors	64
21	Debtors	65
22	Assets Held for Sale	65
23	Cash and Cash Equivalents	66
24	Creditors	66
25	Financial Instruments Disclosures	66-70
26	Other Liabilities	70
27	Provisions	71-72

Note No		Page No
28	Defined Benefit Pension Schemes	72-75
29	Unusable Reserves	76
30	Usable Reserves	77-78
31	Contingent Liabilities	78
32	Termination Benefits	78
33	Trust Funds and Other Third Party Funds	79
34	Common Good Funds	79-80
35	Cash Flow Statement – Operating Activities	81
36	Cash Flow Statement – Investing Activities	81
37	Cash Flow Statement – Financing Activities	81
38	Impact of the Adoption of International Financial Reporting Standards	82-84

INTRODUCTION

The Annual Accounts demonstrate the Council's stewardship of the public funds it controls. The financial results for 2010-11 are set out on pages 24 to 97. Note 1 to the Financial Statements on pages 33 to 42 sets out the Summary of Significant Accounting Policies adopted by the Council to ensure that the Financial Statements give a "true and fair view" of our financial performance.

THE FINANCIAL STATEMENTS

The objectives of financial statements are to provide information on the financial position, financial performance and cash flows of the Authority which is useful to a wide range of users in making and evaluating decisions about the allocation of resources. The information provided by the financial statements should be useful for decision making and demonstrate the accountability of the Authority for the resources entrusted to it.

The financial statements comprise:

- Movement in Reserves Statement for the period
- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and
- Balance Sheet as at the beginning of the earliest comparative period where a retrospective restatement if items in its financial statements have been made.

MAJOR CHANGES IN ACCOUNTING PRACTICE – TRANSITION TO IFRS

In the 2007 Budget the Chancellor of the Exchequer announced that there would be a requirement for local authorities to adopt International Financial Reporting Standards (IFRS) from 2010-2011. This is a significant departure from UK Generally Accepted Accounting Practice (UK GAAP) on which previous versions of the Code are based. The adoption of IFRS has required a complete revision of the accounting policies operated by the Council.

Under IFRS1 – *First Time Adoption of International Financial Reporting Standards* accounting policy changes arising from adoption of IFRS are applied retrospectively unless the Code requires an alternative treatment. This means that the 1st April 2009 Balance Sheet has been restated to fully comply with IFRS along with the 2009-10 comparative figures.

While many accounting policies are similar to those which existed under UK GAAP, there are a small number of areas where there is a material change, and these are outlined below:

Government Grants: Under IFRS, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in grants deferred account and recognised as income over the life of the assets which they were used to fund.

Asset Reclassification: Assets previously classified as Non-operational Fixed Assets have been reclassified as appropriate under IFRS to Property, Plant and Equipment, Investment Property and Assets Held for Sale. This has resulted in a different basis of valuation for some assets and a different treatment of valuation impairment losses through the Comprehensive Income and Expenditure Account.

Employee Benefits: Under IAS19 and the Code, local authorities are now obliged to account for accumulated short term compensated absences such as annual leave and flexi-time accrued by employees. The accrual has been calculated for these costs and included in the Comprehensive Income and Expenditure Statement.

A detailed explanation of the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements can be found in note 38 on pages 82 to 84.

FINANCIAL PERFORMANCE

Statement of Movement in Reserves

The total Council reserves have increased from £111.527m at 31 March 2010 to £207.226m at 31 March 2011, an increase of £95.699m. This is represented by a Surplus on Provision of Services of £48.127m and Other Comprehensive Income and Expenditure of £47.572m.

The Council reserves are split into Usable and Unusable Reserves. Usable reserves are those which are backed by actual resources and can be applied to fund expenditure or reduce local taxation. Unusable reserves are not backed by resources and are required purely for accounting purposes, these reserves do not represent resources available for the Council to utilise.

Unusable Reserves have increased by £98.120m from £75.055m at 31 March 2010 to £173.175m at 31 March 2011. The main reasons for this are a decrease in the Pension Reserve of £81.742m, a surplus on the revaluation of fixed assets of £8.592m and the transfer of £7.094m from the Comprehensive Income and Expenditure Statement for Capital Grants.

The Usable Reserves have decreased from £36.472m at 31 March 2010 to £34.051m at 31 March 2011, a reduction of £2.421m. The main reason for this is a reduction in the General Fund Balance of £2.438m.

A number of adjustments are made between Council reserves to reflect the correct charge to Council Tax for the year. The net adjustment to the surplus per the Comprehensive Income and Expenditure Statement to reflect the impact on Council Tax is a debit of £50.565m. In summary this debit represents the difference between:

- Principal repayment to the loans fund and the depreciation or amortisation of fixed assets and government grant and any gain/loss on sale of assets
- Cash paid as pension contributions and the costs charged in accordance with IAS19.
- Statutory provision relating to amounts due on early repayment of loans and the charges in accordance with the Code.
- Capital element of finance lease payments on the schools NPDO contract and other finance leases.

The net surplus on the Provision of Services on the Comprehensive Income and Expenditure Account of £48.127m less the adjustments to reflect impact on Council Tax of £50.565m equates to the decrease on the balance on the General Fund of £2.438m.

General Fund Reserve

The balance on the General Fund at 31 March 2011 stands at £30.582m compared to £33.020m at 31 March 2010, a decrease of £2.438m. The "free" General Fund Balance stands at £3.848m at 31 March 2011. This equates to 1.5% of the net revenue expenditure for 2011-12, the Council has a policy of maintaining an unallocated balance in the General Fund Reserve equivalent to 1.5% of net revenue expenditure. There are a range of balances earmarked within the General Fund, these total £26.734m and are laid out in note 5. The main balances include £12.936m for PPP Smoothing Funds, £7.366m for the Strategic Housing Fund generated from Council Tax on second homes and £2.455m of additional grant monies received from the Scottish Government prior to 31 March 2011.

The movement in the General Fund can be summarised as follows:

	£m	£m
Balance on General Fund 31 March 2010		33.020
Release of sums previously earmarked to service budgets 2010-11		4.845
		28.175
Add outturn for 2010-11		
Increase in council tax income	0.924	
Savings in loan charges	0.946	
Net underspend on departmental and other expenditure compared to budget	1.675	3.545
One-off Costs in 2010-11		
Severance Costs	(4.885)	
Equal Pay Provision	(2.250)	(7.135)
Deficit against budget 2010-11		
Council Tax collection on second homes	1.788	
Contribution to PPP smoothing funds	0.062	
Additional Scottish Government Grant Carried Forward to 2011-12	2.455	
Funds earmarked by departments from budgets	1.692	5.997
		30.582
Balance on General Fund 31 March 2011		30.582

The release of sums already earmarked to service budgets total of £4.845m consists of funds released to services for amounts previously earmarked including monies agreed by Council to fund Process for Change and the CHORD programme.

In February 2011 the Council took the decision to fund one-off severance costs initially from the funds earmarked in the General Fund balance for the PPP Smoothing Funds. At 31 March 2011 the total earmarked was £16.055m and an amount of £3.119m has been transferred to meet severance costs. This amount has been removed temporarily from the Smoothing Fund balance and will be re-paid into the General Fund Balance in future years.

Performance against budget

At the year-end expenditure excluding loans charges was underspent by £1.675m. The table below is a summary of the year-end actual expenditure for each department compared to the annual budget.

	(over) /underspend £m	% age of annual budget £m
Chief Executive's Unit	0.016	0.21%
Community Services	1.592	1.11%
Customer Services	1.424	4.30%
Development and Infrastructure Services	(1.666)	(4.69%)
Non-controllable expenditure	0.309	1.38%
TOTAL	1.675	0.69%

The overspend in Development and Infrastructure Services relates to the additional costs associated with Winter Maintenance. This overspend was forecast and monitored during 2010-11 and steps were taken to ensure that overall the departmental year-end variance position was not unfavourable.

Comprehensive Income and Expenditure Statement

The Council ended the year with an accounting surplus of £95.699m for 2011-12 compared to a deficit of £50.714m in 2010-11, this is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure for 2010-11 represents the increase in the net worth of the Council from 31 March 2010 of £111.527m to £207.226m at 31 March 2011. This is an increase in the net worth of the Council in accounting terms and does not represent an increase in the spending power of the Council.

The total Comprehensive Income and Expenditure comprises of a surplus on the provision of services of £48.127m, a surplus on the revaluation of Long Term Assets of £8.592m and an actuarial gain on the pension fund assets/liability of £38.980m.

The surplus on the provision of services of £48.127m compares to a surplus of £12.612m for 2009-10. The main factors contributing to these changes are as follows:

- Taxation and Non-Specific Grant Income increased from £277.073m to £279.526m an increase of £2.453m (0.9%). This increase comprised a general year on year increase in General Government Grants and an additional £2.455m received from the Scottish Government prior to 31 March 2011. In addition there was a significant reduction in the Government and other Capital Grants received reducing from £12.822m in 2009-10 to £7.095m in 2010-11.
- Financing and Investment Income and Expenditure fell from £20.934m in 2009-10 to £15.670m in 2010-11 a reduction of £5.264m (25.1%). The reduction is due to an increase in the expected return on pension assets
- Other Operating Income and Expenditure decreased from £1.501m in 2009-10 to £1.453m 2010-11 a reduction of £0.048m (3.2%), this is due to a reduction on the loss on disposal of Long Term Assets.
- The Net Cost of Services has decreased from £242.026m in 2009-10 to £214.276m in 2010-11 a decrease of £27.750m (11.5%). This is a decrease in expenditure in accounting terms and does not represent a true reduction in spend on services by the Council. The main reason for this is a credit of £42.187m to Non Distributed costs for a reduction in the Pension Liability. This adjustment is the impact on the pension liability as a result of the basis for future pension increases being linked to the Consumer Price Index (CPI).

Balance Sheet

As indicated above the accounting net worth of the Council has increased by £95.699m from £111.527m at 31 March 2010 to £207.226m at 31 March 2011.

The value of long term assets has increased from £462.277m at 31 March 2010 to £475.915m at 31 March 2011, an increase of £13.638m (2.9%). This comprises a net upward revaluation of fixed assets, capital expenditure less the value of fixed assets disposed of and a transfer of assets from Assets Held for Sale to Surplus Assets.

Total current assets have increased from £29.667m at 31 March 2010 to £47.692m at 31 March 2011 an increase of £18.025m. The main variances are due to a reduction in the value of Assets Held for Sale of £6.957m from £8.679m at 31 March 2010 to £1.722m at 31 March 2011 and an increase in Cash and Cash Equivalents of £27.096m from £3.350m at 31 March 2010 to £30.446m at 31 March 2011.

Total current liabilities have reduced from £55.693m at 31 March 2010 to £46.404m at 31 March 2011 a reduction of £9.289m. Short term borrowing has fallen from £12.639m to £0.496m and short term creditors have fallen from £40.242m to £37.582m. This has been partially offset by an increase in provisions of £5.411m. The provisions relate to the estimated costs of settling equal pay claims and the severance costs associated with employees leaving the Council under redundancy and early retirement.

Overall, long term liabilities have decreased from £324.724m at 31 March 2010 to £269.977m at 31 March 2011. The decrease of £54.747m masks some significant movements.

- Long term borrowing has increased from £131.242m to £160.229m. New long term borrowing was arranged to take advantage of low interest rates and to protect the Council against potential future interest rate increases.
- The IAS19 valuation of the pension scheme liability decreased from £107.969m to £26.227m.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the financial year. The Cash and Cash Equivalents balance at 31 March 2010 was £3.350m and increased by £27.096m to £30.446m at 31 March 2011. The Net Cash Flows from Operating Activities have increased from £16.153m at 31 March 2010 to £19.738m at 31 March 2011, this increase of £3.585m represents an increase in the Councils income funded from taxation, grant income and fees and charges made to service users. Cash outflows for Investment Activities have increased from £5.299m during 2009-10 to £6.968m in 2010-11, this is representative of cash outflows for resources to contribute to the Councils future service delivery. Cash flows from Financing Activities were a cash outflow of £14.817m during 2009-10 and a net cash inflow during 2010-11 of £14.326m, this increase relates to new borrowing during 2010-11.

Pension Liability

As noted above the IAS19 valuation of the pension scheme liability has decreased from £107.969m at 31 March 2010 to £26.227m at 31 March 2011. This pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2011.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received, for example, in ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money, a discount factor based on corporate bonds is used. Following the Chancellors budget statement in June 2010 the calculations on future pension increases are now linked to the Consumer Price Index (CPI) and not the Retail Price Index (RPI), the impact of this is a significantly lower pension liability.

Hymans Robertson (Independent Actuaries) were instructed by Glasgow City Council, the administering authority to the Strathclyde Pension Fund, to undertake calculations in respect of the Local Government Pension Scheme on behalf of Argyll and Bute Council as at 31 March 2011. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under IAS19, issued by the Institute and the Faculty of Actuaries.

Significant Trading Organisations

Councils are required to identify their Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling three year period. Information on the financial performance of Significant Trading Organisations is given in the Accounts and this is laid out in note 8 of the Notes to the Core Financial Statements. During 2010-11 the Roads and Lighting trading account achieved a surplus of £0.585m. It achieved a rolling breakeven position with a three year surplus of £2.193m. The Catering & Cleaning trading account returned a deficit of £0.138m for the year, however it achieved a rolling breakeven position with a three year surplus of £1.497m. The deficit on the Catering & Cleaning trading account is a result of the costs in 2010-11 for Equal Pay settlements and termination benefits. Any surplus or deficit on trading organisations is treated as part of the General Fund.

Capital Expenditure and Borrowing

Local authority capital expenditure and borrowing is regulated by the Prudential Code, a regime of self regulation. Under the Prudential Code of Practice the Council must ensure that:

- Capital expenditure plans are affordable;
- Borrowing is sustainable and prudent; and
- Treasury management reflects good professional practice.

The Council approved a set of prudential indicators for 2010-11 and managed capital expenditure and borrowing within these approved limits.

Capital expenditure was incurred across a range of services enhancing the value, useful life or working capacity of the Council's assets. This included investments in schools, offices, other premises and facilities, information technology and roads.

Details of capital expenditure are as follows:

	£'m
Gross Capital Expenditure	21.201
Less: Capital Receipts	0.159
Government Grants and Other Contributions	7.095
Revenue Contributions	0.915
Balance Funded from Borrowing	13.032

The capital financing requirement at 31 March 2011 was £264.298m. This was financed as follows:

	£'m
Long Term Borrowing	160.229
Short Term Borrowing	0.496
Schools NPDO Finance Lease Liability	83.309
Internal Funds	20.264
	264.298

The external borrowing of the Council at 31 March 2011 amounted to £160.725m. The majority of this was financed by the Public Works Loan Board (£108.066m), with the remainder coming mainly from the money market.

During the year the Council completed £29.231m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also repaid loans of £12.387m.

PROVISIONS AND CONTINGENT LIABILITIES

The Council has created a number of new provisions during 2010-11, these include:

- Equal Pay - the Council is nearing agreement on the final settlement for Equal Pay claims and a reliable estimate of the liability could be made in 2010-11 to provide for the full cost, as such a new provision of £2.413m has been created
- Single Status - all of the remaining appeals were heard by 31 March 2011. A further provision of £0.911m has been created in 2010-11 to fund the back-pay costs associated with the multiple post holders who are identical to successful appellants
- Severance costs – a number of employees have either taken or been offered a redundancy package as part of the Council Modernisation programme. A provision of £3.134m has been created in 2010-11 for the termination benefits for employees who have accepted redundancy but are not planned to leave after 31 March 2011

GROUP ACCOUNTS

Group Accounts have been prepared and show a decrease in the overall net liability position. This net liability position of the Group Accounts is a result of the Police and Fire Pension Schemes being unfunded and reflects the proper accounting treatment as determined by IAS 19. The technical accounting treatment has no impact on the underlying basis for meeting the Police and Fire Boards' current and on-going pension liabilities. These will continue to be met from Government Grants and contributions from constituent authorities.

Further information regarding these pension deficits can be found in Note 6 to the Group Accounts on page 95.

FUTURE OUTLOOK

The outlook for all public sector organisations is challenging. The Council established a Transformation Board to oversee its major change programme. A key element of this is a 3 year programme of service reviews which have been set targets to identify potential savings of 15% for reviews completed to date and 20% for those reviews now underway. These reviews will be a key element in identifying the savings to balance the Council budget.

The Council has prepared budgets for the period to 2013-14 and is managing its budgetary position over this 3 year period. The Councils funding for 2011-12 reduced by 3.21% and increases of 0.4% have been assumed for 2012-13 and 2013-14. The table below summarises the Council revenue budget plan for the 3 years to 2013-14:

	2011-12	2012-13	2013-14
	£m	£m	£m
Base Expenditure Budget for Services	268.893	270.369	274.103
Budget Savings Agreed	(12.034)	(19.912)	(23.161)
Revenue Expenditure on Services	256.859	250.457	250.942
Estimated Severance Costs	5.295	4.166	1.852
Funding	(256.558)	(256.084)	(256.929)
Annual Surplus/(Deficit)	(5.596)	1.461	4.135

A proportion of the severance costs have been met during 2010-11. The overall financial profile in terms of the impact on the General Fund was a shortfall of £5.596m in 2011-12, which would be repaid in 2012-13 £1.461m and 2013-14 £4.135m resulting in a balanced budget over the 3 years. At the end of year 3 (2013-14) the Council should have a level of expenditure on services which should be sustainable going forward.

The 3 year capital plan has been agreed by the Council for the period to 2013-14. The capital plan estimates capital expenditure of £28.7m, £33.9m and £24.7m over 3 years with the funding assumptions being borrowing of £16.0m, £21.2m and £12.0m and capital grant of £12.7m in each year.

The Council in common with many other organisations is facing a period of significant financial challenge. However it moves forward from a sound financial base in terms of reserves and control of expenditure and with clear plans to maintain financial sustainability. The financial position will be monitored on an ongoing basis during 2011-12 and the revenue budget and capital plan reviewed for 2012-13.

Bruce West
 Head of Strategic Finance
30 June 2011

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Strategic Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

The Head of Strategic Finance is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), are required to show a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year ended on that date.

In preparing this statement of accounts, the Head of Strategic Finance has:

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

The Head of Strategic Finance has also:

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

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

Bruce West
Head of Strategic Finance
30 June 2011

BACKGROUND

Argyll and Bute Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).

A copy of the Code may be obtained from the Head of Governance and Law, Kilmory, Lochgilphead, PA31 8RT.

THE GOVERNANCE FRAMEWORK

The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies to the following six headings:

- Focusing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

GOVERNANCE ROLES AND RESPONSIBILITIES

Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Director of Customer Services as Monitoring Officer has responsibility for:

- Overseeing the implementation of the Code of Corporate Governance and monitoring its operation;
- Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness

Account has been taken of the results of reviews of internal control that have been carried out within each Council Service. Specific responsibilities are assigned to the Head of Strategic Finance to ensure that public funds are properly accounted for.

INTERNAL FINANCIAL CONTROL

In ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned, this statement also covers the other bodies whose activities are incorporated into our Group Accounts, i.e.

- Strathclyde Joint Police Board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and the above named bodies. In particular the system includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council and the above named bodies;
- Regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance; and
- The preparation of regular financial reports which indicate actual expenditure against the forecasts.

RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategy continues to be developed and the Head of Strategic Finance has reported regularly to the Audit Committee to assist in their assessment of internal control, risk and governance arrangements.

INTERNAL AUDIT

Argyll and Bute Council and the above named bodies have an internal audit function, which operates to standards defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies are exposed, and annual internal audit plans are based on the analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and the internal audit plans.

The Internal Audit Manager provides the Audit Committee with an annual report on internal audit activity in the Council. The report includes the Internal Audit Manager's independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for further development, particularly in the context of the new management structure within the Council:

- The continued development of performance management throughout the Council by embedding links between corporate and service outcomes and the performance scorecards;
- Improving self assessment through the rollout of PSIF and using the results to drive continuous improvement;
- Further development of the approach to risk management integrated as part of planning and performance management framework;
- Ongoing development of asset management to improve the availability and use of performance management information for assets;
- Action the Corporate Governance Improvement Plan;
- Development of partnership agreement for key partners.

ASSURANCE

The review of the effectiveness of the system of governance and internal financial control is informed by:

- The work of Officers within the Council;
- The work of Internal Audit as described above;
- The work of External Audit;
- The Statements of Governance and/or Internal Control provided by the bodies incorporated into our Group Accounts;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2010-2011 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

CLlr Dick Walsh
Leader

Sally Loudon
Chief Executive

Bruce West
Head of Strategic Finance

30 June 2011

BACKGROUND

The Local Authority Accounts (Scotland) Amendment Regulations 2011 amend the Local Authority Accounts (Scotland) Regulations 1985 and require Scottish Local Authorities to prepare a Remuneration Report for the first time as part of its annual Financial Statements.

REMUNERATION POLICY AND ARRANGEMENTS

Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (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. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

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.

The Regulations also provide for the banding of local authorities – Argyll and Bute is in Band B, the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010-11 the salary for the Leader of Argyll and Bute Council is £32,470. The Regulations permit the council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The Council's Civic Head is The Provost and his remuneration is set at £24,353 which is the maximum allowed for Local Authorities in Band B.

The Regulations also set out the remuneration that may be paid to senior councillors in addition to the Leader and Civic Head and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its senior councillors shall not exceed £284,116. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors up to a maximum of 14 and their salary within these maximum limits. The Council's policy is to pay the maximum salary of £24,353 to each appointed spokesperson and the Chair of the Protective Services and Licensing Committee. Chairs of Area Committees without a spokesperson's remit are paid a salary of £19,962. The Leader of the largest opposition group is paid a salary of £19,962.

In 2010-11 Argyll and Bute Council had 10 senior councillors for the period to 25 November 2010 and 12 senior councillors in the period from 6 December 2010 to 31 March 2011. The total remuneration for senior councillors during 2010-11 was £261,596. 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.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Argyll and Bute Council for the period 2008 to 2011. The salaries of the Executive Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary in two bandings. Executive Directors receive 80% of the amount of the Chief Executive's salary and Heads of Service 75% of Executive Directors salary. This equates to Chief Officers Salary Scale Point (SCP) 43 for Executive Directors and SCP 29 for Heads of Service.

COUNCILLORS' REMUNERATION

Payments to councillors are made in accordance with the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 and The Local Government (Allowances and Expenses) (Scotland) Regulations 2007.

The total amount of councillors' remuneration paid by the Council during the year was:

Members Allowances	2010-11 Actual £'000	2009-10 Actual £'000
Basic Councillor Salaries	368	376
Senior Councillor Salaries (Salary of Leader and Provost)	319	307
Other Expenses and Allowances paid to Members	180	175
Total Allowances	867	858

The annual return of councillors' salaries and expenses for 2010-2011 is available for any member of the public to view at all Council libraries and public offices during normal working hours is also available on the Council's website at [http://www.argyll-bute.gov.uk/sites/default/files/council-and-government/memberex0910\[1\].pdf](http://www.argyll-bute.gov.uk/sites/default/files/council-and-government/memberex0910[1].pdf)

SENIOR COUNCILLORS' REMUNERATION

Additional disclosures are required for senior councillors' remuneration. Senior councillors' remuneration is in accordance with the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 which for the purpose of remuneration, grades Councillors as either the Leader of the Council, The Civic Head (Provost), senior councillors or councillors.

Details of senior councillors' remuneration are as follows:

Senior Members	2010-11			Total Remuneration £	2009-10 Total Remuneration £
	Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £		
Provost - Councillor William Petrie	24,353	-	-	24,353	24,365
Leader - Councillor Dick Walsh	32,470	-	-	32,470	32,487
Education and Lifelong Learning Spokesperson - Councillor Isobel Strong (to 25-11-10)	17,303	-	-	17,303	24,366
Education and Lifelong Learning Spokesperson - Councillor Ellen Morton (from 06-12-10)	7,022	-	-	7,022	-
Leader of the Opposition - Councillor Ellen Morton (to 25-11-10)	14,183	-	-	14,183	16,284
Economy, Environment and Rural Affairs Spokesperson - Councillor Robert Macintyre (to 25-11-10)	17,303	-	-	17,303	24,366
Leader of the Opposition - Councillor Robert Macintyre (from 06-12-10)	5,804	-	-	5,804	-
Housing and Communities Spokesperson - Councillor George Freeman (to 25-11-10)	17,303	-	-	17,303	24,366
Transport and Infrastructure Spokesperson - Councillor Duncan MacIntyre	24,353	-	-	24,353	24,366
Islands and European Affairs Spokesperson (to 06-12-10), European Issues Spokesperson (from 06-12-10) - Councillor Len Scoullar	24,353	-	-	24,353	23,586

Senior Members	2010-11				2009-10
	Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Rural and Island Affairs, Housing and Gaelic Spokesperson - Councillor Robin Currie (from 06-12-10)	7,022	-	-	7,022	-
Social Services Spokesperson - Councillor Donald McIntosh (to 25-11-10)	17,303	-	-	17,303	24,366
Social Services Spokesperson - Councillor Andrew Nisbet (from 06-12-10)	7,022	-	-	7,022	-
Third Sector Spokesperson - Councillor John Semple (to 25-11-10)	17,303	-	-	17,303	19,866
Third Sector and Communities Spokesperson - Councillor Rory Colville (from 06-12-10)	7,022	-	-	7,022	-
Enterprise, Energy, Culture and Tourism Spokesperson - Councillor Neil MacKay (from 06-12-10)	7,022	-	-	7,022	-
Chair - Helensburgh and Lomond Area Committee - Vivien Dance (from 06-12-10)	5,756	-	-	5,756	-
Chair - Bute and Cowal Area Committee - Councillor Bruce Marshall	21,205	-	-	21,205	19,972
Spokesperson for Environment - Councillor Bruce Marshall (from 06-12-10)					
Chair - Mid Argyll, Kintyre & Islands Area Committee - Councillor Donald MacMillan	19,962	-	-	19,962	19,972
Chair - Protective Services and Licensing Committee - Councillor Daniel Kelly	24,353	-	-	24,353	23,586

EMPLOYEES' REMUNERATION

The Local Authority Accounts (Scotland) Regulations 1985 (Amended 2011) requires local authorities to provide an analysis of the number of employees whose remuneration in the year was £50,000 or more, including those classified as senior employees who are subject to separate disclosure requirements. The definition of remuneration includes all sums paid to or receivable by an employee, expense allowances chargeable to tax and the monetary value of benefits received other than in cash. This definition therefore includes all payments made in respect of agreed employment terminations or retirements. However, employer pension contributions are excluded from the definition.

Readers should be aware when making comparisons between years that, due to contractual incremental pay increases to, the number of employees covered by this disclosure will increase each year. In addition, payments made in respect of agreed employment terminations or retirements can also distort the number and/or banding of employees.

The number of employees whose remuneration, excluding employer pension contributions and including redundancy/retirement payments, that was £50,000 or more in bands of £5,000 was:

Range £	2010-11 Number of Officers	2009-10 Number of Officers
£50,000 - £54,999	29	39
£55,000 - £59,999	21	9
£60,000 - £64,999	4	4
£65,000 - £69,999	18	16
£70,000 - £74,999	2	1
£75,000 - £79,999	3	4
£80,000 - £84,999	1	2
£85,000 - £89,999	-	1
£90,000 - £94,999	3	2
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	1
£115,000 - £119,999	1	-
£150,000 - £154,999	-	1
£155,000 - £159,999	-	-
£210,000 - £214,999	-	1
Total	83	81

As a result of the ongoing Council modernisation programme a number of senior officers received redundancy payments during 2009-10. This was ongoing during 2010-11 and the employees above include a number of employees receiving redundancy payments.

SENIOR EMPLOYEES' REMUNERATION

The Local Authority Accounts (Scotland) Regulations 1985 (Amended 2011) requires the separate disclosure and analysis of remuneration for senior employees (defined by the regulations) as those employees forming part of the Council's senior management team, or holding certain statutory posts, whose salary is over £50,000 and any additional employee whose salary is over £150,000).

In 2010-11 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2010-11 for senior officers:

Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration 2010/11 £	Total Remuneration 2009-10 £
Chief Executive - Sally Loudon	116,317	-	-	116,317	113,136
Director of Community Services - Cleland Sneddon (from 17-05-10) <i>(Full year equivalent)</i>	77,082 <i>(92,625)</i>	-	-	77,082 <i>(92,625)</i>	- -
Director of Customer Services (2010-11), Director of Community Services (2009-10) Douglas Hendry	92,515	820	-	93,335	90,143
Director of Development and Infrastructure Services - Sandy MacTaggart (from 01-04-10)	91,790	822	-	92,612	-
Head of Strategic Finance (Section 95 Financial Officer) - Bruce West	68,539	820	-	69,359	66,744
Head of Children and Families (Section 3 Social Work Officer) - Dougie Dunlop	68,764	822	-	69,586	66,944
Head of Improvement and HR - Jane Fowler (from 01-07-09) <i>(Full year equivalent)</i>	68,764	-	-	68,764	47,355 <i>(66,944)</i>

The Chief Executive's salary of £116,317 includes £3,241 of remuneration for acting as Returning Officer during 2010-11.

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

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other person;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration is £150,000 or more.

PENSION BENEFITS

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

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

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

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 rates for 2010-11 remain at the 2009-10 rates (due to negative increase in the cost of living index for 2010-11) and are as follows:

Whole time pay	Contribution Rate	
	2010-11	2009-10
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 accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to 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 consequence of their local government service, and not just their current appointment.

SENIOR COUNCILLORS' PENSION BENEFITS

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

Senior Members	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2011 £	For year to 31 March 2010 £		As at 31 March 2011 £	Difference from 31 March 2010 £
Education and Lifelong Learning Spokesperson (from 06-12-10) and Leader of the Opposition (to 25-11-10) - Councillor Ellen Morton	3,844	3,334	<i>Pension</i>	1,078	363
			<i>Lump Sum</i>	1,350	86
Housing and Communities Spokesperson - Councillor George Freeman (to 25-11-10)	3,983	4,205	<i>Pension</i>	1,398	395
			<i>Lump Sum</i>	1,752	(21)
Islands and European Affairs Spokesperson (to 06-12-10), European Issues Spokesperson (from 06-12-10) - Councillor Len Scoullar	4,414	4,072	<i>Pension</i>	1,199	426
			<i>Lump Sum</i>	1,503	137
Rural and Island Affairs, Housing and Gaelic Spokesperson - Councillor Robin Currie (from 06-12-10)	3,365	2,803	<i>Pension</i>	791	317
			<i>Lump Sum</i>	627	32
Social Services Spokesperson - Councillor Andrew Nisbet (from 06-12-10)	3,365	2,803	<i>Pension</i>	904	320
			<i>Lump Sum</i>	972	47
Third Sector Spokesperson Councillor John Semple (to 25-11-10)	3,983	3,953	<i>Pension</i>	1,144	377
			<i>Lump Sum</i>	1,434	79
Third Sector and Communities Spokesperson - Councillor Rory Colville (from 06-12-10)	3,365	2,803	<i>Pension</i>	992	321
			<i>Lump Sum</i>	1,243	57
Enterprise, Energy, Culture and Tourism Spokesperson - Councillor Neil MacKay (from 06-12-10)	3,365	2,803	<i>Pension</i>	777	307
			<i>Lump Sum</i>	973	141
Chair - Helensburgh and Lomond Area Committee - Vivien Dance (from 06-12-10)	3,135	2,803	<i>Pension</i>	973	302
			<i>Lump Sum</i>	1,219	33
Chair - Bute and Cowal Area Committee and Spokesperson for the Environment (from 06- 12-10)- Councillor Bruce Marshall	3,844	3,447	<i>Pension</i>	1,084	363
			<i>Lump Sum</i>	1,358	137

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

SENIOR EMPLOYEES' PENSION BENEFITS

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

Senior Officers	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2011 £	For year to 31 March 2010 £		As at 31 March 2011 £	Difference from 31 March 2010 £
Chief Executive - Sally Loudon	21,085	19,525	<i>Pension</i>	28,399	2,662
			<i>Lump Sum</i>	73,567	2,012
Director of Community Services - Cleland Sneddon (from 17-05-10)	14,028	-	<i>Pension</i>	20,949	-
			<i>Lump Sum</i>	55,135	-
Director of Customer Services - Douglas Hendry	16,812	15,594	<i>Pension</i>	33,954	2,322
			<i>Lump Sum</i>	91,624	1,234
Director of Development and Infrastructure Services - Sandy MacTaggart	16,619	11,553	<i>Pension</i>	9,338	3,628
			<i>Lump Sum</i>	18,850	5,070
Head of Strategic Finance (Section 95 Financial Officer) - Bruce West	12,448	11,547	<i>Pension</i>	26,066	1,741
			<i>Lump Sum</i>	71,358	1,723
Head of Children and Families (Section 3 Social Work Officer) - Dougie Dunlop	12,437	11,553	<i>Pension</i>	21,764	1,647
			<i>Lump Sum</i>	58,430	1,427
Head of Improvement and HR - Jane Fowler	12,437	8,192	<i>Pension</i>	18,076	6,390
			<i>Lump Sum</i>	47,368	14,678

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

CLlr Dick Walsh
Leader

Sally Loudon
Chief Executive

30 June 2011

Movements in 2010-11	Usable Reserves				Unusable Reserves						Total Reserves	
	General Fund Balance	Repairs and Renewals Fund		Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument			Total Unusable Reserves
		Account	Absences Account						Account	Account		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2010	(33,020)	(475)	(2,977)	(36,472)	(45,807)	(150,659)	107,969	6,378	7,064	(75,055)	(111,527)	
(Surplus)/Deficit on Provision of Services	(48,127)			(48,127)						0	(48,127)	
Other Comprehensive Expenditure and Income					(8,592)		(38,980)			(47,572)	(47,572)	
Total Comprehensive Expenditure and Income	(48,127)	0	0	(48,127)	(8,592)	0	(38,980)	0	0	(47,572)	(95,699)	
Adjustments between accounting basis and funding basis under regulations:												
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				-	2,748	(2,748)				-	-	
Amortisation of Intangible Assets	(127)			(127)		127				127	-	
Depreciation and Impairment of Non-current Assets	(22,530)			(22,530)		22,530				22,530	-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	7,094			7,094		(7,094)				(7,094)	-	
Capital Expenditure Charged to the General Fund	915			915		(915)				(915)	-	
Net Gain or Loss on Sale of Non-current Assets	(201)		(174)	(375)		375				375	-	
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	372			372				(372)		(372)	-	
Employee Benefits	(117)			(117)					117	117	-	
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	42,762			42,762			(42,762)			(42,762)	-	
Statutory Repayment of Debt - Loans Fund Advances	20,416			20,416		(20,416)				(20,416)	-	
Statutory Repayment of Debt - Finance Leases	339			339		(339)				(339)	-	
Statutory Repayment of Debt - NPDO Finance Lease	1,787			1,787		(1,787)				(1,787)	-	
Total Statutory Adjustments	50,710	-	(174)	50,536	2,748	(10,267)	(42,762)	(372)	117	(50,536)	-	

Net (Increase)/Decrease before Transfers to Other Statutory Reserves	2,583	-	(174)	2,409	(5,844)	(10,267)	(81,742)	(372)	117	(98,108)	(95,699)
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	(145)	(22)	179	12		(12)				(12)	-
(Increase)/Decrease in Year	2,438	(22)	5	2,421	(5,844)	(10,279)	(81,742)	(372)	117	(98,120)	(95,699)
Balance at 31 March 2011 Carried Forward	(30,582)	(497)	(2,972)	(34,051)	(51,651)	(160,938)	26,227	6,006	7,181	(173,175)	(207,226)

This Statement shows the movement in the 2010-11 financial year on the different reserves held by the authority, 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 authority's services, more details of which are shown in 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 purposes. The 'Net increase /Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comparative Movements in 2009-10	Usable Reserves				Unusable Reserves						Total Reserves	
	General Fund Balance	Repairs and Renewals Fund		Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account		Total Unusable Reserves
		£'000	£'000									
Balance at 31 March 2009	(32,627)	(543)	(3,633)	(36,803)	(36,470)	(135,108)	32,517	6,750	6,873	(125,438)	#####	
(Surplus)/Deficit on Provision of Services	(12,612)			(12,612)						0	(12,612)	
Other Comprehensive Expenditure and Income					(11,041)		74,367			63,326	63,326	
Total Comprehensive Expenditure and Income	(12,612)	0	0	(12,612)	(11,041)	0	74,367	0	0	63,326	50,714	
<i>Adjustments between accounting basis and funding basis under regulations:</i>												
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				-	1,704	(1,704)				-	-	
Amortisation of Intangible Assets	(102)			(102)		102				102	-	
Depreciation and Impairment of Non-current Assets	(20,425)			(20,425)		20,425				20,425	-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	12,822			12,822		(12,822)				(12,822)	-	
Capital Expenditure Charged to the General Fund	443			443		(443)				(443)	-	
Net Gain or Loss on Sale of Non-current Assets	(562)		(114)	(676)		676				676	-	
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	372			372				(372)		(372)	-	
Employee Benefits	(191)			(191)					191	191	-	
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(1,085)			(1,085)			1,085			1,085	-	
Statutory Repayment of Debt - Loans Fund Advances	20,070			20,070		(20,070)				(20,070)	-	
Statutory Repayment of Debt - Finance Leases	399			399		(399)				(399)	-	
Statutory Repayment of Debt - NPDO Finance Lease	1,235			1,235		(1,235)				(1,235)	-	
Total Statutory Adjustments	12,976	-	(114)	12,862	1,704	(15,470)	1,085	(372)	191	(12,862)	-	

Net (Increase)/Decrease before Transfers to Other Statutory Reserves	364	-	(114)	250	(9,337)	(15,470)	75,452	(372)	191	50,464	50,714
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	(757)	68	770	81		(81)				(81)	-
(Increase)/Decrease in Year	(393)	68	656	331	(9,337)	(15,551)	75,452	(372)	191	50,383	50,714
Balance at 31 March 2010 Carried Forward	(33,020)	(475)	(2,977)	(36,472)	(45,807)	(150,659)	107,969	6,378	7,064	(75,055)	(111,527)

This Statement shows the movement in the 2009-10 financial year on the different reserves held by the authority, 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 authority's services, more details of which are shown in 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 purposes. The 'Net increase /Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009-10			Service	Note	2010-11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
104,895	8,975	95,920	Education Services		111,456	8,442	103,014
39,175	25,569	13,606	Housing Services (Non-HRA)		40,245	25,754	14,491
12,023	2,355	9,668	Cultural and Related Services		13,649	2,629	11,020
20,904	4,414	16,490	Environmental Services		22,314	4,223	18,091
26,774	7,090	19,684	Roads and Transport Services		28,249	7,324	20,925
7,321	4,897	2,424	Trading Services		8,489	4,324	4,165
12,414	7,651	4,763	Planning and Development Services		11,239	6,197	5,042
59,716	9,782	49,934	Social Work		64,830	12,549	52,281
		-	Central Services:				
6,017	160	5,857	- Corporate and Democratic Core		4,734	140	4,594
4,498	3	4,495	- Non Distributed Costs		(34,300)	2	(34,302)
3,493	1,104	2,389	- Central Services to the Public		2,549	1,106	1,443
10,665	-	10,665	Strathclyde Police Joint Board		8,528	-	8,528
6,131	-	6,131	Strathclyde Fire and Rescue Joint Board		4,984	-	4,984
314,026	72,000	242,026	Net Cost of Services		286,966	72,690	214,276

2009-10			Note	2010-11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Service	Gross Expenditure £'000	Gross Income £'000
		562	Other Operating Income and Expenditure:			
		(40)	Net (Gain)/loss on Disposal of Long Term Assets			201
		979	(Surplus)/deficit on trading undertakings			(82)
			Other Operating Income and Expenditure:	7		1,334
		1,501	Total Other Operating Income and Expenditure			1,453
			Financing and Investment Income and Expenditure:			
		18,608	Interest Payable and Similar charges			18,070
		(877)	Interest and Investment Income			(512)
		3,203	Pension Interest Cost and Expected Return on Pensions Assets			(1,888)
		20,934	Total Financing and Investment Income and Expenditure			15,670
			Taxation and Non-Specific Grant Income			
		(179,139)	General Government Grants			(189,205)
		(12,822)	Government Capital Grants and Other Capital Contributions			(7,095)
		(38,448)	Non-domestic Rates Redistribution			(36,214)
		(46,664)	Council Tax Income			(47,012)
		(277,073)	Total Taxation and Non-Specific Grant Income			(279,526)
		(12,612)	(Surplus)/Deficit on Provision of Services			(48,127)
		(11,041)	(Surplus)/Deficit on revaluation of Long Term Assets			(8,592)
		74,367	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(38,980)
		63,326	Other Comprehensive Income and Expenditure			(47,572)
		50,714	Total Comprehensive Income and Expenditure			(95,699)

1 April 2009 £'000	31 March 2010 £'000	Note	31 March 2011	
			£'000	£'000
		Long Term Assets		
		Property Plant & Equipment 15		
280,766	297,041	- Other Land and Buildings	301,804	
5,648	5,058	- Vehicles, Plant, Furniture and Equipment	5,713	
132,244	139,371	- Infrastructure Assets	145,554	
2,222	2,310	- Community Assets	2,440	
6,671	5,753	- Surplus Assets	9,177	
14,569	10,299	- Assets Under Construction	8,597	
442,120	459,832	Property Plant & Equipment		473,285
308	420	Intangible Assets 16		365
1,052	1,090	Investment Property 17		1,290
964	935	Long-Term Debtors 20		975
444,444	462,277	Total Long Term Assets		475,915
		Current Assets		
107	116	Inventories	103	
19,924	17,522	Short Term Debtors (Net of Impairment) 21	15,421	
8,679	8,679	Assets Held for Sale 22	1,722	
7,313	3,350	Cash and Cash Equivalents 23	30,446	
36,023	29,667	Total Current Assets		47,692
		Current Liabilities		
(11,061)	(12,639)	Short-term Borrowing	(496)	
(38,949)	(40,242)	Short-term Creditors 24	(37,582)	
-	-	Capital Grant Receipts in Advance	(280)	
(1,086)	(1,088)	Provisions 27	(6,499)	
(1,634)	(1,724)	Other Short Term Liabilities 26	(1,547)	
(52,730)	(55,693)	Total Current Liabilities		(46,404)
		Long-term Liabilities		
(145,724)	(131,242)	Borrowing Repayable within a Period in Excess of 12 Months	(160,229)	
(86,384)	(84,660)	Other Long-term liabilities 26	(82,713)	
(871)	(853)	Provisions 27	(808)	
(32,517)	(107,969)	Other Long-term liabilities (Pensions) 28	(26,227)	
(265,496)	(324,724)	Total Long-term Liabilities		(269,977)
162,241	111,527	Total Assets less Liabilities		207,226

1 April 2009 £'000	31 March 2010 £'000	Note	31 March 2011	
			£'000	£'000
		Unusable Reserves		
36,470	45,807	- Revaluation Reserve	51,651	
135,108	150,659	- Capital Adjustment Account	160,938	
(6,750)	(6,378)	- Financial Instruments Adjustment Account	(6,006)	
(32,517)	(107,969)	- Pensions Reserve	(26,227)	
(6,873)	(7,064)	- Accumulated Absences Account	(7,181)	
125,438	75,055			173,175
		Usable Reserves		
3,633	2,977	- Capital Funds	2,972	
543	475	- Repairs and Renewals Funds	497	
32,627	33,020	- General Fund Balance	30,582	
36,803	36,472			34,051
162,241	111,527	Total Reserves		207,226

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

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

Bruce West
Head of Strategic Finance
30 June 2011

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority

2009-10 £'000		Note	2010-11 £'000
(12,612)	Net (Surplus) or Deficit on the Provision of Services		(48,127)
(13,738)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		23,750
10,197	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,639
(16,153)	Net Cash Flows from Operating Activities	35	(19,738)
5,299	Investing Activities	36	6,968
14,817	Financing Activities	37	(14,326)
3,963	Net Increase or Decrease in Cash and Cash Equivalents		(27,096)
(7,313)	Cash and Cash Equivalents at the beginning of the Reporting Period		(3,350)
(3,350)	Cash and Cash Equivalents at the end of the Reporting Period	23	(30,446)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010-11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.
- 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 for the income that might not be collected.

1.3 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 mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances.

1.5 Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service

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

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. These transactions are reversed out through the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.6 Employee Benefits

1.6.1 Benefits Payable during Employment

Short-term benefits, such as wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Authority. 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.

1.6.2 Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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.

1.6.3 Post Employment Benefits

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

a) Teachers

This is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

b) Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This pension scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected 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 and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on a "high quality corporate bond of equivalent term and currency to the liability" (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years))
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate

- Unitised securities – current bid price
- Property – market value
- The change in the net pension’s liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - Contributions paid to the Strathclyde Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council Pension Fund in the year. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

1.6.4 Post Employment Discretionary Benefits

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

1.7 Events after the Reporting Period

Events after the reporting period 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:

- 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.
- Those that are indicative of conditions that arose after the reporting period – The Statement is not adjusted to reflect such events, but where a category of events would have a material 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.

1.8 Exceptional Items

When items of income and expenditure are material, their nature and amount are 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 the understanding of the Authority's financial performance.

1.9 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes 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 value 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 Authority 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. 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.

1.10 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority 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 must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential flow from the intangible asset to the Authority.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Authority 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.12 Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates or joint ventures and requires to prepare Group Accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

1.13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

1.14 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.15 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.15.1 The Authority as Lessee

a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability and
- A finance charge (debited to the Financing and Investment Income and Expenditure line 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.

The Authority 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.

b) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.15.2 The Authority as Lessor

a) Finance Leases

Where the Authority grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt on disposal of the asset is used to write down the debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against 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.

b) Operating Leases

Where the Authority grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010-11 – Scotland (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional democratic organisation; and
- Non Distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.17 Property, Plant and Equipment

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

1.17.1 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 Authority 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.

1.17.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Accounts. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure assets and community assets – depreciated historical cost

- 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, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service.

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

1.17.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- 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

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

1.17.4 Disposals

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. Receipts from disposals (if any) 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.

Disposal receipts are categorised as capital receipts. All capital receipts are credited to the Capital Fund, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the costs 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.

1.17.5 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 certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Infrastructure – straight-line allocation over 40 years
- Vehicles, Plant and Equipment - straight-line allocation over the useful life of the asset as determined by a suitably qualified office
- Vessels – straight line allocation over 25 years

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

1.18 Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- Fair value of the services received during the year, debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Annual Finance cost – this is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, this is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.19 Provisions, Contingent Liabilities and Contingent Assets

1.19.1 Provisions

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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 set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

1.19.2 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.19.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.20 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 to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies above.

1.21 VAT

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

Financial Reporting Standard (FRS) 30 – *Heritage Assets* will be adopted as part of the 2011-12 Code of Practice. This will be disclosed as a change in accounting policy.

Heritage assets are assets that are held and maintained by the Authority for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities. Heritage assets are to be identified and recognised as a separate class of assets for the first time in the 2011-12 financial statements.

The carrying amount of assets expected to be reclassified as Heritage Assets in the 2011-12 financial statements is £1.142m. This figure mainly comprises works of art currently held at valuation within Property, Plant and Equipment as Community Assets. No significant revaluation gains or losses are expected on reclassification and there will be no material change to depreciation and impairment charged to the 2010-11 Comprehensive Income and Expenditure Statement.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below:

Government Funding: There is a high degree of uncertainty about future levels of funding for local government. However, the Authority had determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Service Concessions: The Authority currently operates two Private Finance Initiative (PFI) or similar contracts which are accounted for as Service Concession arrangements under IFRIC12 – *Service Concession Arrangements*. The Authority has determined that in the case of the Schools NPDO contract the authority has control over the services provided through use of the schools and that a qualifying asset has been created. The appropriate accounting treatment is to bring the assets “on balance sheet” along with a finance lease liability.

The Authority also operates a Waste Management PPP contract. In this case the Council determined that a “qualifying asset” had not been created and that the Authority did not have significant control over the services being provided. The appropriate accounting treatment was therefore determined to be “off balance sheet” and that payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account.

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 Authority about the future 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 Authority’s Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions															
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1.2m for every year that useful lives had to be reduced.</p>															
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Sensitivities at 31 March 2011</th> <th style="text-align: center;">Approx % Increase to Employer Obligation</th> <th style="text-align: center;">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td>0.5% decrease in real discount rate</td> <td style="text-align: center;">9%</td> <td style="text-align: center;">37,381</td> </tr> <tr> <td>1 year increase in member expectancy.</td> <td style="text-align: center;">3%</td> <td style="text-align: center;">12,269</td> </tr> <tr> <td>0.5% increase in salary increase rate</td> <td style="text-align: center;">3%</td> <td style="text-align: center;">10,294</td> </tr> <tr> <td>0.5% increase in pension increase rate</td> <td style="text-align: center;">6%</td> <td style="text-align: center;">24,468</td> </tr> </tbody> </table>	Sensitivities at 31 March 2011	Approx % Increase to Employer Obligation	Approximate monetary amount £'000	0.5% decrease in real discount rate	9%	37,381	1 year increase in member expectancy.	3%	12,269	0.5% increase in salary increase rate	3%	10,294	0.5% increase in pension increase rate	6%	24,468
Sensitivities at 31 March 2011	Approx % Increase to Employer Obligation	Approximate monetary amount £'000															
0.5% decrease in real discount rate	9%	37,381															
1 year increase in member expectancy.	3%	12,269															
0.5% increase in salary increase rate	3%	10,294															
0.5% increase in pension increase rate	6%	24,468															
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors of £2.467m. A review of significant balances suggested an allowance of 37.5% (£0.927m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate an increase of the allowance to 50% would increase the bad debt provision required by £0.306m															

5. TRANSFERS TO/FROM EARMARKED RESERVES

The Council has ring-fenced £26.734m of the balance on the General Fund as follows:

Ring-fenced Balances	Balance 1 April 2010 £'000	Funds Used £'000	Contributions to Funds £'000	Balance 31 March 2011 £'000
PPP Smoothing Funds:				
Waste Management PPP	5,466	-	21	5,487
NPDO Affordability Funding	10,527	-	41	10,568
Provision for Future Severance Costs to be repaid to Smoothing Fund in Future Years	-	(3,119)	-	-3,119
Total Ring-fenced for PPP Smoothing Funds	15,993	(3,119)	62	12,936
Other Ring-fenced Balances:				
Revenue from Additional Council Tax on Second Homes (Strategic Housing fund)	6,953	(1,375)	1,788	7,366
Unspent Grants	1,044	(855)	139	328
Contributions Carried Forward	465	(217)	17	265
Unspent Budget Carried Forward	1,796	(1,659)	365	502
School Budget Carry Forwards	595	(595)	657	657
Unspent Budget Required for Existing Legal Commitments	258	(143)	-	115
CHORD	860	(466)	514	908
Process for Change	574	(248)	-	326
Additional Scottish Government Grant carried forward to 2011-12	-	-	2,455	2,455
Reserve Committed for 2011-12 Budget	-	-	876	876
Total Ringfenced	28,538	(8,677)	6,873	26,734
Unallocated	4,482	(634)	-	3,848
Total General Fund Balance	33,020	(9,311)	6,873	30,582

The unallocated balance of £3.848m is 1.5% of the Council's budgeted net expenditure for 2011-12.

6. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Strategic Management Team on the basis of budgets analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows, (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Certain costs are deemed to be outwith departmental control and are therefore reported separately to management, for example insurances across the Council.

6.1 Departmental Information for the year ended 31 March 2011

The income and expenditure of the Authority's principal departments recorded in the budget reports for the 2010-11 year is as follows:

Departmental Income and Expenditure 2010-11	Community Services £'000	Development and Infrastructure Services £'000	Customer Services £'000	Chief Executive's Unit £'000	Total £'000
Fees, Charges and Other Service Income	19,861	41,693	22,039	373	83,966
Government Grants	3,133	-	22,673	-	25,806
Total Income	22,994	41,693	44,712	373	109,772
Employee Expenses	88,392	23,502	17,483	5,846	135,223
Other Operating Expenses	75,115	54,822	58,878	1,840	190,655
Support Service Recharges					-
Total Operating Expenses	163,507	78,324	76,361	7,686	325,878
Net Cost of Services	140,513	36,631	31,649	7,313	216,106

During 2009-10 the Authority was restructured and moved from four departmental directors to three executive directors with an individual departmental remit. Budget monitoring reports were therefore issued on the previous departmental structure during 2009-10 and therefore comparative year figures are not available.

6.2 Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

The reconciliation below shows how the figures in the analysis of departmental income and expenditure relate to the total Net Cost of Services in the Comprehensive Income and Expenditure Statement.

	2010-11 £'000
Cost of Services in Service Analysis	216,106
Add Services not included in Main Analysis	22,648
Add Amounts not Reported to Management	(22,884)
Remove Amounts Reported to Management not Included in Comprehensive Income and Expenditure Statement	(1,594)
Net Cost of Services in Comprehensive Income and Expenditure Statement	214,276

6.3 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010-11	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Total Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	83,966	81		(170)	83,877	71	83,948
Surplus or Deficit on Associated and Joint Ventures	-				-	82	82
Interest and Investment Income	-				-	2,400	2,400
Income from Council Tax	-				-	47,012	47,012
Government Grants and Contributions	25,806				25,806	232,514	258,320
Total Income	109,772	81	-	(170)	109,683	282,079	391,762
Employee Expenses	135,223	4,845	(33,950)		106,118		106,118
Other Service Expenses	190,655	2,897	(453)	(359)	192,740		192,740
Support Service Recharges	-				-		-
Depreciation, Amortisation and Impairment	-		11,519		11,519		11,519
Interest Payments	-				-	18,070	18,070
Precepts and Levies	-	14,987		(1,405)	13,582	1,405	14,987
Gain or Loss on Disposal of Assets	-				-	201	201
Total Operating Expenses	325,878	22,729	(22,884)	(1,764)	323,959	19,676	343,635
Surplus or Deficit on the Provision of Services	216,106	22,648	(22,884)	(1,594)	214,276	(262,403)	(48,127)

7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.334m shown in the Other Operating Income and Expenditure line on the Income and Expenditure Account consists of the requisition paid to Dunbartonshire and Argyll & Bute Joint Valuation Board of £1.405m offset by £0.071m of backdated VAT income received as a result of claims being made under “the Fleming” case law principle.

8. SIGNIFICANT TRADING ORGANISATIONS

Details of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations are as follows:

8.1 Roads and Lighting Trading Account

The Council runs its Roads and Lighting Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service maintains the road network throughout Argyll and Bute excluding Trunk Roads (which are the responsibility of the Scottish Government). The trading objective is to break-even over a three year period.

Roads and Lighting Trading Account	2008-09	2009-10	2010-11	3 year Cumulative
	Actual £'000	Actual £'000	Actual £'000	
Turnover	16,008	18,555	18,689	53,252
Expenditure	15,471	17,484	18,104	51,059
Net Surplus/(Deficit)	537	1,071	585	2,193

8.2 Catering and Cleaning Trading Account

The Council runs its Catering and Cleaning Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service provides Catering and Cleaning to all Schools and Council Offices as well as providing a Cleaning Service to external clients such as Police Stations and Outdoor Centres. The Catering and Cleaning Trading account returned a deficit of £0.138m in 2010-11, this is a result of the one-off costs in 2010-11 for Equal Pay and severance which were not budgeted for. The trading objective is to break-even over a three year period, the trading account has achieved this objective with a 3 year surplus.

Catering and Cleaning Trading Account	2008-09	2009-10	2010-11	3 year Cumulative
	Actual £'000	Actual £'000	Actual £'000	
Turnover	8,010	8,470	8,643	25,123
Expenditure	7,055	7,790	8,781	23,626
Net Surplus/(Deficit)	955	680	(138)	1,497

9. AGENCY INCOME

The Council have an ongoing agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2010-11 income from this agreement amounted to £0.255m.

Agency Income	2010-11	2009-10
	Actual £'000	Actual £'000
Scottish Water	255	250
Total	255	250

10. COMMUNITY CARE HEALTH (SCOTLAND) ACT 2002

During 2010-11, under the Community Care and Health (Scotland) Act 2002, the Council continued to develop services which centred on joint working with the Argyll & Bute Community Health Partnership (CHP) and NHS Highland within the Argyll and Bute Health and Social Care Partnership.

The aspiration of the Partnership is to work together to fully integrate the delivery of health and social care services, focusing on achieving good outcomes for all those who use our services and have an efficient, cost effective and seamless delivery of service.

During 2010-11 the Partnership included provision of services to older people, supporting people with a learning disability and provision of support to adults who have a mental health difficulty.

Budgets are currently aligned which means that each Partner organisation holds their own element of the budget and records the income and expenditure that relates to the part of the service for which they are responsible.

During 2010-11 income received by the Council from this source amounted to £4.467m and the related expenditure was £5.836m. This can be analysed as follows:

Purpose of Services	Income £'000	Expenditure £'000
Care of the Elderly	1,616	2,194
Provision of Services for People with Learning Disabilities	2,172	2,934
Provision of Services for People with Mental Health Needs	679	708
Total	4,467	5,836

11. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

The Council has entered into a Public Private Partnership for the provision of its waste disposal service. This agreement requires the provider to upgrade or replace three waste disposal sites, two transfer stations and five civic amenity sites. In addition, the provider will also provide composting facilities to meet waste diversion targets. When the agreement ends in September 2026 the provider will hand back to the Council the waste disposal facilities with a life of 5 years.

The Council has paid a service charge of £5.895m (2009-10 - £5.487m) which represents the value of the service provided from 1 April 2010 to 31 March 2011. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2011 - 2012	5,310
2012 - 2017	28,265
2017 - 2022	31,396
2022 - 2027	29,980
Total	94,951

This equates to £5.418m per annum over the life of the contract.

12. FEES PAYABLE TO AUDIT SCOTLAND

In 2010-11 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2010-11 £'000	2009-10 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	287	302
Total Remuneration	287	302

13. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2010-11.

Grant Income	2010-11 £'000	2009-10 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	189,205	179,139
Non Domestic Rates	36,214	38,448
Specific Capital Grant	154	164
General Capital Grant	5,982	10,419
Sport Scotland	11	124
SUSTRANS	477	951
Highlands and Islands Enterprise	28	-
Other Government Capital Grants	443	1,164
Total	232,514	230,409
Credited to Services		
Scottish Government Specific Grants	784	1,903
Specific Capital Grant - Private Sector Housing Improvement Grants	1,484	3,184
Housing Benefit Subsidy	21,776	19,908
Council Tax Benefit Subsidy	5,999	5,777
Other Revenue Government Grants	1,872	3,388
Total	31,915	34,160

14. RELATED PARTIES

The Authority 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 Authority.

14.1 Scottish Government

The Scottish Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 6 on reporting for resource allocation decisions and also in Note 13 – Grant Income

14.2 Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010-11 is shown in the Remuneration Report on page 16.

During the year there was one company in which members had a significant interest and where the total of transactions exceeded £10,000.

Transactions in which Members have a significant interest	Income £'000	Expenditure £'000
Trident Taxis		63

14.3 Other Related Bodies

This category relates to transactions with other public bodies which are subject to common control by the Scottish Government and also other entities which are controlled or significantly influenced by the Authority.

During the year transactions with other related bodies were as follows:

Related Bodies:	Income £'000	Expenditure £'000
Transactions with related bodies during the year totalled	807	3,054
<i>Of these, transactions with the following exceeded £10,000:</i>		
Joint Boards		14,917
Strathclyde Partnership for Transport		733
Argyll Community Housing Association		125
Dunbritton Housing Association		849
West Highland Housing Association		400
Argyll, the Isles, Loch Lomond, Stirling and the Trossachs Tourist Board		209
Authorities Buying Consortium		70
Convention of Scottish Local Authorities (COSLA)		77
Cowal Council on Alcohol and Drugs		123
Dunoon and Cowal Youth Project		15
Helensburgh Addiction Rehabilitation Team		86
Islay and Jura Community Enterprise		105
Kintyre Alcohol and Drugs Advisory Service		26
Mid Argyll Community Enterprise		17
Criminal Justice Partnership	807	795
NHS		1,046
Oban Addiction Support and Information Services (OASIS)		48
Oban and Lorn Community Enterprise - Atlantis Leisure		410
Total	807	20,051

15. PROPERTY, PLANT AND EQUIPMENT

15.1 Movement in Property, Plant and Equipment

The movement on property, plant and equipment analysed by category in 2010-11 was:

Movements in 2010-11	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Corporate Surplus Assets £'000	Assets Under Construction £'000	Total 2010/11 £'000
Cost or Valuation							
At 1 April 2010	312,534	16,171	176,743	2,318	6,573	10,299	524,638
Additions	4,657	2,229	4,683	130	-	9,502	21,201
Disposals	-	(898)	-	-	(495)	(4)	(1,397)
Reclassifications	4,988	368	5,755	-	9,073	(11,200)	8,984
Revaluations	(2,688)	-	-	-	(5,811)	-	(8,499)
At 31 March 2011	319,491	17,870	187,181	2,448	9,340	8,597	544,927
Depreciation and Impairments							
At 1 April 2010	(15,493)	(11,113)	(37,372)	(8)	(820)	-	(64,806)
Charge for 2010-11	(11,758)	(1,927)	(4,255)	-	(339)	-	(18,279)
Disposals	-	883	-	-	36	-	919
Reclassifications	-	-	-	-	(2,165)	-	(2,165)
Revaluations	9,564	-	-	-	3,125	-	12,689
At 31 March 2011	(17,687)	(12,157)	(41,627)	(8)	(163)	-	(71,642)
Balance Sheet amount at 1 April 2011	301,804	5,713	145,554	2,440	9,177	8,597	473,285
Balance Sheet amount at 1 April 2010	297,041	5,058	139,371	2,310	5,753	10,299	459,832

The comparative movement on property, plant and equipment analysed by category in 2009-10 was:

Comparative Movements in 2009-10	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Corporate Surplus Assets £'000	Assets Under Construction £'000	Total 2010/11 £'000
Cost or Valuation							
At 1 April 2009	296,296	15,231	164,814	2,230	8,520	14,569	501,660
Additions	9,708	1,453	8,129	66	-	8,724	28,080
Disposals	(856)	(917)	-	-	-	(183)	(1,956)
Reclassifications	8,397	404	3,800	22	64	(12,811)	(124)
Revaluations	(1,011)	-	-	-	(2,011)	-	(3,022)
At 31 March 2010	312,534	16,171	176,743	2,318	6,573	10,299	524,638
Depreciation and Impairments							
At 1 April 2009	(15,530)	(9,583)	(32,570)	(8)	(1,849)	-	(59,540)
Charge for 2009-10	(10,962)	(2,441)	(4,802)	-	(159)	-	(18,364)
Disposals	185	911	-	-	-	-	1,096
Reclassifications	-	-	-	-	-	-	-
Revaluations	10,814	-	-	-	1,188	-	12,002
At 31 March 2010	(15,493)	(11,113)	(37,372)	(8)	(820)	-	(64,806)
Balance Sheet amount at 1 April 2010	297,041	5,058	139,371	2,310	5,753	10,299	459,832
Balance Sheet amount at 1 April 2009	280,766	5,648	132,244	2,222	6,671	14,569	442,120

15.2 Valuation of Property, Plant and Equipment

IAS 16 – Property, Plant and Equipment has been adapted for the public sector by IPSAS 17 – Property, Plant and Equipment. Under IPSAS 17 each category of property, plant and equipment is valued as follows:

- Infrastructure, community assets and assets under construction are valued at historical cost
- All other classes of assets are valued at fair value. Where there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold then an estimate of fair value is made using a depreciated replacement cost approach.
- Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for fair value.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Revaluation of council owned Land and Property were carried out at 31 March 2011 in accordance with the Council’s rolling programme of revaluations. The revaluations have been carried out by Hugh Blake, M.R.I.C.S, Estates Manager for Argyll and Bute Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following statement shows the progress of the Council’s rolling programme for the revaluation of property, plant and equipment:

	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2009/10 £'000
Carried at historical Cost		5,713	145,554	2,440		8,597	162,304
Valued at Fair Value as at:							
31 March 2011	62,574				6,399		68,973
31 March 2010	73,634				1,731		75,365
31 March 2009	21,702				345		22,047
31 March 2008	124,234				290		124,524
31 March 2007	19,660				412		20,072
Total Cost or Valuation	301,804	5,713	145,554	2,440	9,177	8,597	473,285

15.3 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2010-11 total spending on capital projects was £21.201m.

	2010-11 £'000	2009-10 £'000
Opening Capital Financing Requirement	273,738	280,798
Capital Investment:		
Property Plant and Equipment: Other Land and Buildings	4,657	9,663
Vehicles, Plant, Furniture and Equipment	2,229	1,452
Infrastructure Assets	4,683	8,129
Community Assets	130	67
Surplus Assets	-	44
Assets Under construction	9,502	8,724
Property Plant and Equipment acquired under Finance Leases: Vehicles, Plant, Furniture and Equipment	-	-
Intangible Assets	-	91
Total Capital Investment	21,201	28,170
Sources of Finance:		
Capital Receipts	(159)	(114)
Government Grants	(7,095)	(12,822)
Capital Financed from Current Revenue	(915)	(443)
Repayment of External Loans	(20,416)	(20,070)
Capital Element of Finance Lease Payments	(338)	(399)
Capital Element of Schools NPDO Payments	(1,787)	(1,235)
Capital Receipts transferred to Capital Fund	159	114
Capital Receipts Used from Capital Fund	-	(33)
Other	(90)	(228)
Total Funding	(30,641)	(35,230)
Closing Capital Financing Requirement	264,298	273,738

15.4. Commitments under Capital Contracts

At 31 March 2011, the Council had commitments on capital contracts of £2.838m. This expenditure will be funded from a combination of government grants, borrowing, income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2010 were £4.519m. The major commitments are:

	£'000
Education	551
Social Work	400
Roads and Infrastructure	1,473
Other Buildings	316
Information Technology	98
Total	2,838

16. INTANGIBLE ASSETS

Intangible assets relate wholly to software licences purchased during the year and these are shown at cost. This cost is charged to the Comprehensive Income and Expenditure Account over the economic life of the licences, assessed as five years. The movement in intangible assets during the year was:

Movements in 2010-11	Purchased Software Licences 2010-11 £'000
Cost or Valuation	
At 1 April 2010	643
Additions	4
Disposals	-
Reclassifications	68
At 31 March 2011	715
Depreciation and Impairments	
At 1 April 2010	(223)
Charge for 2010-11	(127)
Disposals	-
At 31 March 2011	(350)
Balance Sheet amount at 1 April 2011	365
Balance Sheet amount at 1 April 2010	420

The comparative movement in intangible assets in 2009-10 was:

Comparative Movements in 2009-10	Purchased Software Licences 2009-10 £'000
Cost or Valuation	
At 1 April 2009	449
Additions	91
Disposals	(20)
Reclassifications	123
At 31 March 2010	643
Depreciation and Impairments	
At 1 April 2009	(141)
Charge for 2009-10	(102)
Disposals	20
At 31 March 2011	(223)
Balance Sheet amount at 1 April 2010	420
Balance Sheet amount at 1 April 2009	308

17. INVESTMENT PROPERTY

Investment property has been accounted for in accordance with IAS 4 - Investment Property, except where interpretations or adaptations to fit the public sector are detailed in the Code. The definition of an investment property in the context of the public sector is one that is used solely to earn rentals or for capital appreciation or both.

The value of investment property is initially measured at cost and thereafter measured at fair value. The fair value of investment property reflects market conditions at 31 March 2011. Revaluations of investment properties were carried out at 31 March 2011 by Hugh Blake, M.R.I.C.S, Estates Manager for Argyll and Bute Council.

17.1 Movement in Investment Property

The movement in investment property during 2010-11 was:

Movements in 2010-11	Investment Properties £'000
Cost or Valuation	
At 1 April 2010	1,090
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	200
Transfers	-
At 31 March 2011	1,290

The comparative movement in investment property during 2009-10 was:

Comparative Movements in 2009-10	Investment Properties £'000
Cost or Valuation	
At 1 April 2009	1,052
Net Gains/Losses from fair value adjustments	47
Transfers	(9)
At 31 March 2010	1,090

17.2 Investment Property Income and Expenditure

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

	2010-11 £'000	2009-10 £'000
Rental Income from Investment Property	87	90
Direct operating expenses arising from investment property	-	-
Net gain/(loss)	87	90

18. SCHOOLS NON PROFIT DISTRIBUTING ORGANISATION (NPDO)

During 2007-08 the ten schools on five sites developed as part of the non profit distribution organisation (NPDO) variant of a public private partnership became operational. When the agreement ends in 2035 the provider will hand the five school complexes back to the Council, it is expected at that point in time each school will have an estimated life of 30 years remaining.

18.1 Assets Held under Schools NPDO Contract

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 2008 and depreciation to date, are included as part of Tangible Fixed Assets as follows.

Movements in 2010-11	Other Land & Buildings £'000
Cost or Valuation	
At 1 April 2010	87,573
Additions	-
Revaluations	-
At 31 March 2011	87,573
Depreciation and Impairments	
At 1 April 2010	(2,919)
Charge for 2010-11	(1,468)
Revaluations	-
At 31 March 2011	(4,387)
Balance Sheet amount at 1 April 2011	83,186
Balance Sheet amount at 1 April 2010	84,654

Comparative Movements in 2009-10	Other Land & Buildings £'000
Cost or Valuation	
At 1 April 2009	87,573
Additions	-
Revaluations	-
At 31 March 2010	87,573
Depreciation and Impairments	
At 1 April 2009	(1,459)
Charge for 2009-10	(1,460)
Revaluations	-
At 31 March 2010	(2,919)
Balance Sheet amount at 1 April 2010	84,654
Balance Sheet amount at 1 April 2009	86,114

18.2 Schools NPDO Finance Lease Liability

The finance lease liability arising from the Schools NPDO contract is as follows:

Movements in 2010-11	£'000
Balance at 1 April 2010	(85,096)
Repayments	1,787
Schools NPDO Finance Lease Liability at 31 March 2011	(83,309)
Split:	
Obligations payable within 1 year	(1,388)
Obligations payable after 1 year	(81,921)
Schools NPDO Finance Lease Liability at 31 March 2011	(83,309)

Comparative Movements in 2009-10	£'000
Balance at 1 April 2009	(86,331)
Repayments	1,235
Schools NPDO Finance Lease Liability at 31 March 2010	(85,096)
Split:	
Obligations payable within 1 year	(1,385)
Obligations payable after 1 year	(83,711)
Schools NPDO Finance Lease Liability at 31 March 2010	(85,096)

18.3 Payments due to Operator under Schools NPDO Contract

The Council is committed to paying the following sums under the Schools NPDO contract:

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2011 - 2015	6,010	-	32,933	15,867	54,810
2015 - 2020	10,049	-	37,688	24,017	71,754
2020 - 2025	14,717	928	32,066	28,085	75,796
2025 - 2030	21,998	2,840	23,332	32,203	80,373
2030 - 2035	30,535	3,125	9,879	33,233	76,772
Total	83,309	6,893	135,898	133,405	359,505

19. FINANCE AND OPERATING LEASES

19.1 Finance Leases – Amounts Paid to Lessors

The Authority holds various vehicles under finance leases. The finance lease payment for the year amounted to £0.4m.

	2010-11 £'000	2009-10 £'000
Vehicles	400	375
Total	400	375

19.2 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2010-11 were as follows:

	2010-11 £'000	2009-10 £'000
Land and Buildings	250	247
Vehicles	1,068	1,560
Plant and Equipment	61	170
Total	1,379	1,977

19.3 Assets Held Under Finance Leases

The following values of assets are held under finance leases by the Council, accounted for as part of long term assets.

Movements in 2010-11	Vehicles, Plant and Equipment £'000
Value at 1 April 2010	538
Additions	-
Depreciation	(338)
Value at 31 March 2011	200

Comparative Movements in 2009-10	Vehicles, Plant and Equipment £'000
Value at 1 April 2009	937
Additions	-
Depreciation	(399)
Value at 31 March 2010	538

Outstanding obligations to make payments under these finance lease (excluding finance costs) as at 31 March 2011, accounted for as part of other liabilities are as follows:

	Plant and Equipment £'000
Obligations payable within 1 year	158
Obligations payable between 1 and 5 years	42
Obligations payable after 2013-14	-
Total Liabilities at 31 March 2011	200

19.4 Assets Held Under Operating Leases

The Council was committed at 31 March 2011 to making payments of £1.04m under operating leases in 2011-12 comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	13	231
Leases expiring between 1 and 5 years	5	619
Leases expiring after 5 years	172	-
Value at 31 March 2011	190	850

20. LONG TERM DEBTORS

	31st March 2011 £'000	31st March 2010 £'000	31st March 2009 £'000
House Loans	125	185	214
Waste PPP Historic Contamination Fund	750	750	750
Other Long Term Debtors	100	-	-
Total Long Term Debtors	975	935	964

21. DEBTORS

		31 March 2011		31 March 2010	31 March 2009
		£'000	£'000	£'000	£'000
Arrears of Local Taxation	Council Tax	11,579		11,452	12,285
	Less: Provision for Bad Debts	(9,390)		(9,112)	(9,855)
			2,189	2,340	2,430
	Community Charge	7,551		7,550	7,554
	Less: Provision for Bad Debts	(7,551)		(7,550)	(7,554)
			-	-	-
Housing Benefits Overpayments		878		787	787
Less: Provision for Bad Debts		(484)		(457)	(454)
			394	330	333
Debtor Accounts		2,467		6,184	4,713
Less: Provision for Bad Debts		(927)		(1,079)	(958)
			1,540	5,105	3,755
Net Debtor to Scottish Government for Non Domestic Rates			1,355	961	680
VAT Recoverable			3,130	2,149	2,638
Other Debtors			6,813	6,637	10,088
Total Debtors			15,421	17,522	19,924

22. ASSETS HELD FOR SALE

	2010-11 £'000	2009-10 £'000
Balance outstanding at start of year	8,679	8,679
Assets newly classified as held for sale (Property, Plant and Equipment)	1,670	-
Revaluation losses	(66)	-
Revaluation gains		
Impairment losses		
Assets declassified as held for sale (Property, Plant and Equipment)	(8,561)	-
Assets Sold		
Balance outstanding at year-end	1,722	8,679

23. CASH AND CASH EQUIVALENTS

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

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Cash held by the Authority	62	62	60
Cash in transit	43	87	44
Short term deposits with banks and building societies	34,836	6,645	13,060
Bank Current Accounts (Overdraft)	(4,495)	(3,444)	(5,851)
Total Cash and Cash Equivalents	30,446	3,350	7,313

24. CREDITORS

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Loans Fund Interest	1,255	1,517	1,536
Accrued Payrolls and Superannuation	6,470	6,556	5,973
Accrued Employer's National Insurance Contributions and PAYE	2,598	2,499	2,423
Accrual for Short Term Accumulating Absences	7,181	7,064	6,873
Creditors System Liability	5,961	6,932	7,468
Accrued Expenditure	6,456	7,782	4,436
Other Creditors	7,661	7,892	10,240
Total Creditors	37,582	40,242	38,949

25. FINANCIAL INSTRUMENTS DISCLOSURES

25.1 Types of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments":

	31 March 2011		31 March 2010		31 March 2009	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000	Long Term £'000	Current £'000
Investments and Lending						
Loans and Receivables	975	45,128	933	24,317	963	33,088
Borrowing						
Financial Liabilities at amortised cost	242,582	38,885	215,538	50,935	232,058	50,562

25.2 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) and are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2011 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending						
Loans and Receivables	46,103	46,103	25,250	25,250	34,051	34,096
Borrowing						
Financial Liabilities	281,467	308,386	266,473	305,931	282,620	321,248

The fair value of the Authority's lending is the same as the carrying value at 31 March 2011 because the lending was at variable interest rates whilst the fair value is greater than the carrying amount at 31 March 2010 because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

25.3 Gains and Losses on Financial Instruments

There are no gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments.

25.4 Nature and Extent of Risks arising from Financial Instruments

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

25.5 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

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

	Amount at 31 March 2011 £'000	Historical Experience of Non- payment adjusted for Market Conditions at 31 March 2011 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks, Building Societies and Local Authorities	34,836	-	-

The information in respect of the Council's debtors can be found in note 20 and 21. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 21 represents the Council's assessment of the likely recoverability of the debt outstanding.

The credit risk around unprovided for debt is considered to be low. Debtors relate to the normal business of the council and credit is issued on the council's standard credit terms. There are no significant amounts past due but not impaired where recoverability is considered to be an issue.

25.6 Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year and 60% within a rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
The maturity analysis of financial liabilities is as follows:			
Less than one year	38,885	50,935	50,562
Between one and two years	1,389	1,589	13,739
Between two and five years	12,534	6,287	4,363
More than five years	228,659	207,662	213,956

All other amounts due to the Council for council tax, non-domestic rates and other income are due to be paid in less than one year.

25.7 Market Risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the "fair value" of both lending and borrowing at fixed rates. Changes in "fair value" of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council.

It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.

During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.

The Council takes the daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

Any potential for a financial impact on the Council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the Council receives for "loan charges".

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2010, with all other variables held constant.

	31 March 2011 £'000	31 March 2010 £'000
Impact on tax-payer		
Increase on interest payable on variable rate borrowings	5	6
Increase in interest receivable on variable rate lending	-	-
Increases in government grant receivable for "loan charges"	-	-
Net effect on Comprehensive Income & Expenditure Account	5	6

	31 March 2011 £'000	31 March 2010 £'000
Other accounting presentational changes		
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	4,183	16,995

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

25.8 Price Risk

The Council has no investment classified as "available-for-sale".

25.9 Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

25.10 Short-Term Deposits

The short-term investments arise as a result of the timing of expenditure and associated income and movements in fund and revenue balances. The Council adopts a proactive but prudent approach to its Treasury Management operations, which are governed by the fully revised edition of CIPFA's Code of Practice on Treasury Management.

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Banks	34,836	6,645	13,060

25.11 Short-Term Borrowing

The Common Good and the various trust administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2011 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and trusts are shown in notes 33 and 34 on pages 79-80.

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Common Good	236	241	106
Trust Funds	983	959	1,195

26. OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £84.260m as at 31 March 2011 and comprise the following:

Movements in 2010-11	Opening Balance 31 March 2010 £'000	Movement in Year £'000	Closing Balance 31 March 2011 £'000
Finance Lease Liability (See note 19.3)	(538)	338	(200)
Schools NPDO Finance Lease Liability (See note 18.2)	(85,096)	1,787	(83,309)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(86,384)	2,125	(84,259)
Split:			
Short Term Liabilities (due within 1 year)			(1,547)
Long Term Liabilities (due after 1 year)			(82,713)
Total Other Liabilities			(84,260)

Comparative Movements in 2009-10	Opening Balance 31 March 2009 £'000	Movement in Year £'000	Closing Balance 31 March 2010 £'000
Finance Lease Liability (See note 19.3)	(937)	399	(538)
Schools NPDO Finance Lease Liability (See note 18.2)	(86,331)	1,235	(85,096)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(88,018)	1,634	(86,384)
Split:			
Short Term Liabilities (due within 1 year)			(1,724)
Long Term Liabilities (due after 1 year)			(84,660)
Total Other Liabilities			(86,384)

27. PROVISIONS

	Opening Balance 31 March 2010 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2011 £'000
SRC Insurance Claims	(39)		17		(22)
Equal Pay Claims	(163)	(2,413)		163	(2,413)
Single Status Provision	(571)	(911)	571		(911)
Income due to Registered Social Landlords	(78)	(10)			(88)
Reorganisation Redundancy Costs	(401)	(3,134)	336		(3,199)
Care Charges Provision	(116)		15		(101)
Operational Services - various provisions	(573)				(573)
Total Provisions	(1,941)			163	(7,307)
Split:					
Short Term Provisions (due within 1 year)					(6,499)
Long Term Provisions (due after 1 year)					(808)
Total Other Liabilities					(7,307)

Liabilities have continued to arise in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities that make up the former Strathclyde Region. Argyll and Bute Council's share of liabilities, which materialise in the future, will be approximately 4.75%. At present, potential liabilities in respect of insurance claims and various legal actions could cost the Council £0.022m. Full provision for this amount has been made.

A provision was created at the end of 2005-06 in relation to the 9% of female employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. The Council is nearing agreement on the final settlement for Equal Pay claims and a reliable estimate of the liability could be made during 2010-11 to provide for the full cost.

During 2007-08 the Council implemented a new Pay and Grading Model and also revised Terms and Conditions. Some 580 staff appealed the determination of their allocated grade under single status arrangements. If an appeal was successful then any pay differential would be back-dated to 1 April 2006. A provision was created during 2009-10 to fund the backdated pay element for all of the remaining 99 appeals at that time, all of these appeals were settled during 2010-11. Following on from the completion of the appeals process the Council undertook a review of each of the successful single status appeals which resulted in an increase in pay grade and assessed the multiple post holders who are identical to the successful appellant and therefore would have a claim on the higher grade for the post. As a result of this exercise 1,935 posts were assessed and 131 were deemed to be identical. A provision has been created in 2010-11 to fund the backdated pay costs for these identical posts, with pay being backdated to the date of single status implementation in February 2008.

The Council reduced the discount on council tax from second homes to 10% during 2005-06. The additional council tax income invoiced during 2010-11 amounted to £1.788m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected, due to be paid to registered social landlords, has been created amounting to £0.088m.

As with previous years, liabilities have arisen in respect of employees who will be made redundant as a result of restructuring. The Council has significant budget savings to make in the coming years, in advance of this the Council Transformation Programme of service reviews has been put in place to achieve the savings required. As part of this the Council invited all employees to express an interest in voluntary redundancy. As a result of service review savings agreed as part of the budget process for 2011-12 and beyond, a number of employees have subsequently either taken or have been offered a redundancy package. The additional costs for employees terminated on or before 31 March 2011 were incurred in-year, for the employees who have confirmed acceptance of redundancy but left or are leaving after 31 March

2011 a provision of £3.134m has been created during 2010-11. For further information refer to note 32 Termination Benefits.

The Council is in dispute with a care provider over fees and charges from 2009-10. The Council position being that the fee increases imposed during 2009-10 were unreasonably high, therefore the uplift element of the payments have been withheld from the provider. It is likely that the settlement of the dispute may involve litigation and that the Council will have to meet the payment demands, therefore a provision was created in 2009-10 for these costs. Settlement for one of the care packages was made with the provider during 2010-11.

Operational Services created a number of provisions during 2006-07. There are two main provisions that make up the large majority of the balance:

- Shanks do not have approval for their compost product from SEPA and if the composting was judged to be non-compliant, then Argyll and Bute Council would be required to pay a penalty for tonnage over the Biodegradable Municipal Waste limit.
- Shanks are progressing Pollution Prevention Control (PPC) Permit applications for Gartbreck and Glengorm Landfill Sites and have advised that Argyll and Bute Council are potentially liable to meet the costs in relation to these applications.

28. DEFINED BENEFIT PENSION SCHEMES

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers

This is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

Local Government Pension Scheme

This is administered by Strathclyde Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contributions are based on rates determined by the Fund's professionally qualified actuary and based on triennial valuations of the Fund.

28.1 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the Pensions Schemes by the 31 March 2011. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2011. The amounts are as follows:

- Local Government Pension Scheme – £1.214m
- Teachers' scheme – £0.680m

28.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2008. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2011 remains substantially stable with new entrants replacing any leavers.

We recognise the cost of retirement benefits in the Net 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 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 via the Movement in Reserves Statement during the year:

	2010-11 £'000	2009-10 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	12,732	6,924
Past Service Cost/(Gain)	(42,187)	2,429
Settlements and Curtailments	1,164	229
Net Operating Expenditure:	(28,291)	9,582
Financing and Investment Income and Expenditure		
Interest Cost	23,629	19,923
Expected Return on Scheme Assets	(25,517)	(16,720)
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	(30,179)	12,785
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (Gains) and Losses	(38,980)	74,367
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(69,159)	87,152
Statement of Movement in Reserves:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	42,762	(1,085)
Actual Amount charged against the General Fund Balance for pensions in the year:		
Employer's Contributions Payable to the Scheme	12,583	11,700

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £38.980m (£74.367m loss in 2009-10).

28.3 Assets and Liabilities in Relation to Post Employment Benefits

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

	2010-11 £'000	2009-10 £'000
Defined Benefit Obligation at 1 April	462,085	289,681
Current Service Cost	12,732	6,924
Interest Cost	23,629	19,923
Contributions by Scheme Participants	3,515	3,502
Actuarial (Gains) and Losses	(36,528)	154,401
Estimated Unfunded Benefits Paid	(1,700)	(1,557)
Estimated Benefits Paid	(13,757)	(13,447)
Losses on Curtailments	1,164	229
Past Service Costs (Gains)	(42,187)	2,429
Defined Benefit Obligation at 31 March	408,953	462,085

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

	2010-11 £'000	2009-10 £'000
Fair Value of Employer Assets at 1 April	354,116	257,164
Expected Rate of Return	25,517	16,720
Actuarial Gains and (Losses)	2,452	80,034
Employers Contributions	12,583	11,700
Contributions by Scheme Participants	3,515	3,502
Estimated Unfunded Benefits Paid	(1,700)	(1,557)
Estimated Benefits Paid	(13,757)	(13,447)
Fair Value of Employer Assets at 31 March	382,726	354,116

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £25.5m (2009-10: £16.7).

28.4 Scheme History

Local Government Pension Scheme	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000
Present Value of Scheme Liabilities	(368,549)	(325,814)	(289,681)	(462,085)	(408,953)
Fair Value of Assets	332,321	325,216	257,164	354,116	382,726
(Deficit) in the Scheme	(36,228)	(598)	(32,517)	(107,969)	(26,227)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £10.833m.

28.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

Long Term expected rate of return on assets in the scheme:	2010-11 %	2009-10 %
Equity Investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%

Mortality assumptions	2010-11 Years	2009-10 Years
Longevity at 65 for current pensioners:		
Men	20.6	20.6
Women	23.9	23.9
Longevity at 65 for future pensioners:		
Men	22.6	22.6
Women	25.0	25.0

Financial Assumptions	2010-11 %	2009-10 %
Rate of Inflation	2.8%	3.8%
Rate of Increase in Salaries	5.1%	5.3%
Rate of Increase in Pensions	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%

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

28.6 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories:

Local Government Pension Scheme Scheme	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000
Experience gains and losses on assets	255	(33,965)	(91,431)	80,034	2,452
Experience gains and losses on liabilities	1,071	146	35,766	(977)	(2,250)

28.7 Teachers Pensions – Administered By Scottish Public Pensions Agency

This is an unfunded scheme administered by the Scottish Government. The pension cost charged in the accounts is the contribution rate set by the Scottish Government on the basis of a notional fund.

	2010-11 £'000	2009-10 £'000
Amount Paid Over (£'000)	5,457	5,342
Rate of Contribution (%)	14.90%	14.90%
Amount of Added Years Awarded by the Council (£'000)	515	516

29. UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement on pages 24 to 27.

29.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from 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 gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains 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.

29.2 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting on 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 Authority 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 Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

29.3 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. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

29.4 PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment 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 Authority makes employer's contributions to pension funds. 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 Authority had set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

29.5 ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account adsorbs 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

30. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

30.1 Capital Funds

The Authority holds two funds which make up the Capital Funds total in the Statement of Movement in Reserves, these are:

Usable Capital Receipts Reserve

During the 2006-07 financial year and prior to the transfer of the Council's housing stock during November 2006 the receipts from the sale of council houses were transferred to the Useable Capital Receipts Reserve. The amounts held in this reserve can only be used for social housing capital expenditure.

Capital Fund

During the 2007-08 financial year the Council established a Capital Fund under Section 22 of Schedule 3 of the Local Government (Scotland) Act 1975. All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008.

The movement in the Usable Capital Receipts Reserve and Capital Fund are as follows:

Movements in 2010-11	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2010	2,773	204	2,977
Proceeds of Disposals	1	173	174
Transfer to Capital Adjustment Account	-	(12)	(12)
Contribution to Loans Fund Charges	-	(179)	(179)
Interest Earned	11	1	12
Balance at 31 March 2011	2,785	187	2,972

Comparative Movements in 2009-10	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2009	2,762	871	3,633
Proceeds of Disposals	-	114	114
Transfer to Capital Adjustment Account	-	(33)	(33)
Contribution to Loans Fund Charges	-	(750)	(750)
Interest Earned	11	2	13
Balance at 31 March 2010	2,773	204	2,977

30.2 Repairs and Renewals Funds

The movement in the Repairs and Renewals Funds are as follows:

Movements in 2010-11	Balance at 31 March 2010 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2011 £'000
Education	407	124	1	(104)	428
Vehicles	68	-	1	-	69
Total	475	124	2	(104)	497

Comparative Movements in 2009-10	Balance at 31 March 2009 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2010 £'000
Education	475	102	2	(172)	407
Vehicles	68	-	-	-	68
Total	543	102	2	(172)	475

31. CONTINGENT LIABILITIES

The Council has had significant budget savings to make from 2011-12 onwards, the Transformation Programme has been put in place to help the Council identify the level of savings required to balance the budget over the coming years through a programme of service reviews. As part of this process all Council employees were asked to express an interest in voluntary redundancy. Termination costs for all employees who have since been accepted for redundancy have been accounted for in 2010-11. The service reviews are ongoing and it is likely that further redundancies will be required to meet the savings. The outcome of the ongoing service reviews is unknown and as a result the redundancy costs cannot be estimated reliably, therefore no financial provision can be made for any further termination benefits although it is likely that the Council will have an obligation to meet these in the future.

During the 2006-07 financial year the Council transferred its housing stock to Argyll Community Housing Association (ACHA). Some council houses involved in the transfer had been built on land not owned by the Council. The transfer agreement requires the Council to purchase this land and transfer it to ACHA at nil cost. A price has yet to be negotiated with the landowners and therefore a reliable estimate cannot be made of the obligation at this stage.

32. TERMINATION BENEFITS

A number of savings options were brought forward at the Council budget meeting in February 2011 to balance the Council budget from 2011-12 to 2013-14, these included savings from service reviews and further savings options in advance of service reviews. A number of these savings options were reliant on a reduction in the Council's staffing levels. The Council had forewarned of the level of savings required to balance the budget and had previously asked all Council employees to express an interest in voluntary redundancy. As a result of the budget meeting in February 2011 a number of employees had their redundancy application accepted.

The Council has either incurred expenditure in 2010-11 or provided for the cost of all employees planned to leave as a result of budget decisions in February 2011, with the exception of one saving in the Education service for which sufficient information was not available at the year-end to provide for the costs in 2010-11.

The Council has accounted for the severance costs of a number of employees in 2010-11, incurring a total liability of £4.885m, a reduction of 207 full time equivalent posts. This reduction in the staffing establishment includes posts from across all services across the Council and reductions were in line with the savings agreed by the Council in February 2011.

33. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 75 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

Funds for which Argyll and Bute Council act as sole trustee:

	Income £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	11	5	317	317
GM Duncan Trust	1	1	88	88
McDougall Trust	2	-	601	601
Various Other Trust Funds	5	1	526	526
Total Trust Funds	19	7	1,532	1,532

Argyll Education Trust: this is made up of a number of small trusts to award prizes, bursaries, etc. to pupils and ex-pupils of schools within the former Argyll County Council area. GM Duncan Trust: for the provision of fuel, clothing and foodstuffs for the needy of Campbeltown. McDougall Trust: for the provision of sheltered housing on the Ross of Mull.

Further information on the Trust Funds, administered by Argyll and Bute Council, can be obtained from Strategic Finance within the Chief Executive's Unit.

34. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray and Helensburgh. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2011. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Strategic Finance within the Chief Executive's Unit.

34.1 Common Good Income and Expenditure Account for the year ended 31 March 2011

2009-10 Actual £'000		2010-11 Actual £'000
85	Expenditure	74
(81)	Income	(77)
4	Deficit for the Year	(3)

34.2 Common Good Balance Sheet at 31 March 2011

2009-10 Actual £'000		2010-11 Actual £'000
133	Tangible Fixed Assets	110
1,725	Investments	1,762
166	Current Assets	161
(26)	Current Liabilities	(2)
1,998	Total Assets less Liabilities	2,031
1,076	Revaluation Reserve	241
922	Common Good Fund	1,790
1,998	Total Net Worth	2,031

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for Operating Activities include the following items:

	2010-11 £'000	2009-10 £'000
Interest Paid on Borrowings	9,783	9,352
Interest Paid on Finance Leases	8,723	8,640
Interest Received on Bank Deposits	(264)	(181)
Net Cash Outflow from Servicing of Finance	18,242	17,811

36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

	2010-11 £'000	2009-10 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	14,714	18,641
Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(244)	(118)
Other Receipts from Investing Activities	(7,502)	(13,224)
Net Cash Outflow from Investing Activities	6,968	5,299

37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

	2010-11 £'000	2009-10 £'000
Cash Receipts of Short and Long Term Borrowing	(29,231)	(315)
Other Receipts from Financing Activities		
Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	2,124	1,635
Repayments of Short and Long Term Borrowing	12,387	13,216
Other Payments from Financing Activities	394	281
Net Cash Outflow from Financing Activities	(14,326)	14,817

38. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Financial Statements for 2010-11 are the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Audited Financial Statements for 2009-10.

The following table explains the material amounts presented in the 2009-10 Financial Statements and the equivalent amounts presented in the 2010-11 Financial Statements. This is a reconciliation of the net worth reported under previous GAAP to the net worth under IFRS at the date of transition to IFRS (1 April 2009) and the end of the latest period presented in the most recent financial statements under the previous GAAP (31 March 2010):

	Note ref.	1st April 2009 £'000	31st March 2010 £'000
Net assets under previous GAAP		108,484	48,404
<i>Adjustments:</i>			
Government Grants	1	60,629	71,295
Asset Recategorisation Depreciation/Revaluations	2	12	(1,109)
Short-term accumulating compensated absences	3	(6,884)	(7,181)
Other		-	118
Net Assets under IFRS		162,241	111,527

The table below is a reconciliation to the total Comprehensive Income and Expenditure under IFRS for the latest period in the most recent Financial Statements (year ended 31st March 2010):

	Note ref.	Year ended 31st March 2010 £'000
Total Comprehensive Income and Expenditure under previous GAAP		60,080
<i>Adjustments:</i>		
Government Grants	1	(10,666)
Asset Recategorisation Depreciation/Revaluations	2	1,109
Short-term accumulating compensated absences	3	191
Other		
Total Comprehensive Income and Expenditure under IFRS		50,714

NOTES:**1. Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet. This has resulted in the balance shown on the Capital Adjustment account in the IFRS accounts being £60.6m and £71.3m higher than shown under the 1 April 2009 and 31 March 2010 previous GAAP based accounts respectively.
- Portions of government grants deferred were previously recognised as income in 2009-10 (£2.1m); these have been removed from the service lines in the Comprehensive Income and Expenditure Statement in the comparative figures.
- Capital grants and other capital contributions are now charged to the Comprehensive Income and Expenditure Statement under the "Taxation and Non-specific Grant Income" section. This resulted in an additional £12.8m being credited to the Comprehensive Income and Expenditure Statement in 2009-10.

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

2. Asset Recategorisation – Depreciation/Revaluations

Under the Code, long term assets previously classified as fixed assets need to be classified into either:

- Property Plant and Equipment
- Investment Property
- Assets held for sale

This resulted in £21.1m of assets previously classified as Investment (£6.8m) and Surplus Assets (£14.3m) being reclassified into Assets Held for Sale (£8.7m), Surplus Assets within Property, Plant and Equipment (£6.7m) and other Land and Buildings within Property, Plant and Equipment (£4.8m). This left £1.1m in Investment Property.

Where assets were reclassified this may have resulted in a change of valuation basis and treatment of impairments arising from the revaluations carried out during the 2009-10 financial year. A further £1.1m of depreciation/impairment costs were charged to the Net Cost of Services line in the Comprehensive Income and Expenditure Statement. This was then reversed back out through the Movement in Reserves Statement as a statutory adjustment.

3. Short Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Scottish Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in decreases of net assets in the balance sheet as at 1 April 2009 and as at 31 March 2010 of £6.9m and £7.2m respectively; being increases in accruals, with corresponding decreases in the year end balance on the Accumulated Absences Account (an unusable reserve). The impact on the Comprehensive Income and Expenditure statement is an increase in Expenditure of £0.19m in 2009-10, reflecting the movement in the accrual.

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Authority.

2009-10 Actual £'000		2010-11 Actual £'000
52,949	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	53,246
	Add Back:	
1,776	RSL Second Home Discount Additional Income	1,788
	Less:	
(7,527)	Other Discounts and Reductions	(7,548)
(1,171)	Provision for Bad and Doubtful Debts	(1,174)
46,027	Total	46,312
637	Adjustment to Previous Years' Community Charge and Council Tax	700
46,664	Transfers to General Fund	47,012

1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2010-11 was as follows:

Band	Valuation Band	% Band D	£ per year
A	Under £27,000	67%	785.33
B	£27,000 - £35,000	78%	916.22
C	£35,000 - £45,000	89%	1,047.11
D	£45,000 - £58,000	100%	1,178.00
E	£58,000 - £80,000	122%	1,439.78
F	£80,000 - £106,000	144%	1,701.56
G	£106,000 - £212,000	167%	1,963.33
H	Over £212,000	200%	2,356.00

2. CALCULATION OF THE COUNCIL TAX BASE 2010-11

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,752	9,682	9,290	5,875	7,098	3,890	2,632	227	46,446
Less - Exemptions / Deductions	988	752	984	519	562	232	160	42	4,239
- Adjustment for Single Chargepayers	896	1,004	753	436	392	186	100	5	3,772
Effective Number of Properties	5,868	7,926	7,553	4,920	6,144	3,472	2,372	180	38,435
Band D Equivalent Factor (ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalent Number of Properties	3,912	6,165	6,714	4,920	7,509	5,015	3,953	360	38,548
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									449
Nominal Tax Yield									38,997
Less Provision for Non-Collection - 3.57%									1,391
Council Tax Base 2010-11 - Number of Band D equivalents									37,606

The Non-Domestic Rate Account 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 the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2009-10 Actual £'000		2010-11 Actual £'000
32,681	Gross rates levied and Contributions in Lieu	33,630
	Less:	
(7,164)	Reliefs and other deductions	(8,040)
(144)	Payment of Interest	(1)
(258)	Provision for Bad and Doubtful Debts	(116)
25,115	Net Non-Domestic Rate Income	25,473
-	Adjustment for years prior to introduction of national non-domestic rate pool	-
13,333	Contribution from national non-domestic rate pool	10,741
38,448	Transfers to General Fund	36,214

1. ANALYSIS OF RATEABLE VALUES

	2010-11 £	2009-10 £
Industrial and freight transport subjects	6,111,030	5,279,960
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	50,570,494	42,393,078
Commercial subjects:		
Shops	12,982,765	10,147,065
Offices	5,034,535	4,441,520
Hotels, Boarding Houses etc.	6,643,450	5,510,080
Others	2,105,870	1,489,475
Total Rateable Value	83,448,144	69,261,178

2. NON-DOMESTIC RATE CHARGE

	2010-11 Pence	2009-10 Pence
Rate Per Pound	40.7p	45.8p
Supplementary Rate Per Pound for Properties over £25,000	0.7p	0.4p

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

The rates charge for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the Rate per £ announced each year by the Government.