

# West Lothian Council

## Statement of Accounts

Year ended 31 March 2011



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West Lothian  
Council

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Accounts of West Lothian Council for the year ended 31 March 2011, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## Statement of Accounts

### Statutory Accounts

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## INDEPENDENT AUDITOR'S REPORT

### Independent auditor's report to the members of West Lothian Council and the Accounts Commission for Scotland

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

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

### Respective responsibilities of the Head of Finance and Estates and auditor

As explained more fully in the Statement of Responsibilities set out on page 5, the Head of Finance and Estates is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In my opinion the financial statements:

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

### Opinion on other prescribed matters

In my opinion:

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

### Matters on which I am required to report by exception

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

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

I have the following to report in respect of these matters.

### Failure to achieve a prescribed financial objective

Whilst it has not been necessary to qualify my opinion in respect of the following matter I am required to report it to you.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2011 in respect of their significant trading operation, Economic Development Properties.



Fiona Mitchell-Knight FCA  
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## FOREWORD TO THE STATEMENT OF ACCOUNTS

### By Donald Forrest, Head of Finance and Estates

#### 1. INTRODUCTION

The statement of accounts presents the financial position of the Council for the year to 31 March 2011.

#### 2. THE FINANCIAL STATEMENTS

The Council's Accounts for the year 2010/11 are set out in Statements 4 to 20 on Pages 13 to 58. The Statement of Accounts provides a true and fair view of the financial transactions of the Council during the year ended 31 March 2011. These statements are supported by Statement 1 which sets out the respective responsibilities of the authority and the Head of Finance and Estates for the accounts; Statement 8 Note 1 which outlines the Council's accounting policies and Statement 2 which covers the systems of internal financial control.

The Statement of Accounts has been prepared under the new 2010 Code of Practice based on International Financial Reporting Standards (IFRS) which replace the accounts previously prepared under UK Generally Accepted Accounting Practice (GAAP). The main accounting policies which have changed relate to capital grants, accrual of employee holiday pay and finance leases. Further information on these changes is included in Statement 8 Note 1, Accounting Policies. The accounts for 2009/10 have also been restated under IFRS and the differences between the previous audited accounts and the new IFRS accounts are detailed in Note 5 to the accounts.

In addition the Balance Sheet (Statement 6) includes restated balances at 1 April 2009.

These changes are largely of a technical accounting nature and as a result of statutory regulation there has been no change in the usable financial reserves of the Council.

The format of the Financial Statements has also been changed, and includes:-

- Movement in Reserves Statement (Statement 4) – this shows the movement in the year on different reserves held by the authority. These reserves are categorised into usable i.e. available to fund services/reduce taxation and unusable accounting reserves.
- Comprehensive Income and Expenditure Account (Statement 5) – this is a summary of the resources generated and consumed by the authority in the year.
- Balance Sheet (Statement 6) - this brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed.
- Cash Flow Statement (Statement 7) - this summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital activities.

These are followed by Statement 8 the Notes to the Financial Statements. This is followed by the Supplementary Financial Statements (Statements 9 to 20), which include the Housing Revenue Account (HRA), Council Tax and Non-Domestic Rate Income Accounts and the Group Accounts.

#### 3. REVENUE BUDGET - General Services

The General Fund recorded a net surplus of £5.963 million. This includes a net service underspend of £1.310 million, an underspend of £1.651 million on Non-Service Expenditure, £0.518 million retained from the Treasury surplus and £2.5 million transferred from the Insurance Fund.

The underspend on Non-Service Expenditure is mainly due to an underspend on the ring-fenced Staffing Change Fund of £1.916 million.

The net surplus of £5.963 million increases the General Fund balance to £16.109 million at 31 March 2011. Existing commitments against the balance are £12.787 million, including a staffing change fund of £7.812 million, leaving an uncommitted balance of £3.322 million, which remains at a prudent level above the Council's target minimum uncommitted General Fund balance of £2.5 million.

In 2005/06 and 2006/07 an exceptional item totalling £8.192 million was provided for the estimated costs of equal pay compensation payments. During 2010/11, the Council made further payments of £30,000 bringing the total equal pay payments made to date to £7.364 million. The remaining balance in the equal pay provision of £828,000 is deemed sufficient to cover any further payments which may be required after tribunal cases are heard. As a result, the Council has not provided for any further equal pay compensation payments in the financial statements for 2010/11.

Following approval of the Chief Executive's report on the contingency strategy by the Council Executive on 23 February 2010, the Head of Finance and Estates was instructed to undertake a review to identify the potential for one off savings to assist in funding potential termination costs for staff. The review explored all possible sources of finance for a staffing change fund and, as a result, proposals were agreed by Directors that provided for a fund of £10 million. The Staffing Change Fund was formally approved by the Council Executive on 29 June 2010.

Use of the fund is controlled by application from Heads of Service and approved by the Head of Finance and Estates.

Included in exceptional items is £9.776 million net expenditure in relation to costs incurred in relation to voluntary severance packages paid to 332 staff during 2010/11 as part of the Council's Contingency Strategy to achieve budget reductions (Statement 8 Note 9).

During the normal fixed assets revaluation cycle, the housing stock and some operational land and buildings assets were reduced in value due to current economic conditions. As a result £176.597 million has been charged to the Comprehensive Income and Expenditure Account. The majority of this relates to the downward revaluation of both council housing stock at £142.791 million and the Economic Development Properties at £10.735 million. The revaluation charge has no impact on the General Fund Balance carried forward.

## FOREWORD TO THE STATEMENT OF ACCOUNTS

### By Donald Forrest, Head of Finance and Estates

#### 4. REVENUE BUDGET - HOUSING

Statement 9 the HRA – Income and Expenditure Account includes depreciation and impairment on housing assets. The deficit for the year is £150,801. Statement 10 the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £150,801.

The overall position was breakeven for the year, which maintains the HRA balance carried forward at £926,000.

#### 5. CAPITAL BUDGET 2010/11

Under the provisions of the CIPFA Prudential Code for Capital Finance in Local Authorities councils can decide locally on capital investment strategy. This is on the basis that spending plans must be affordable, prudent, sustainable and meet Best Value requirements. Compliance with these criteria is demonstrated by defined prudential indicators.

Based on approved indicators, the Council was able to demonstrate the affordability of capital plans. Capital expenditure of £67 million was incurred in 2010/11. This expenditure was split between two distinct blocks with £20 million spent on the Housing Programme and £47 million on the General Services Programme.

#### 6. ACQUISITION OF MAJOR ASSETS

Fauldhouse Partnership Centre was completed during the year.

The 2009 SORP has changed the accounting policy for the treatment of PPP contracts, which are now assessed under IFRS. This takes a fundamentally different approach to the previous accounting standard. IFRS looks at aspects of control of an asset, such as specifying services and the price paid for these services. As a result the PPP contract signed in August 2001 to upgrade and refurbish five schools and construct a new primary school has now been reassessed and these PPP schools recognised as fixed assets in the balance sheet. In addition two new schools, Deans High School and Armadale Academy, built under a PPP contract signed in August 2007, were completed during 2009/10 and are also recognised as fixed assets in the balance sheet. The net value of all PPP assets in the balance sheet at 31 March 2011 is £116.6 million.

#### 7. SIGNIFICANT TRADING OPERATIONS

The Local Government in Scotland Act 2003 introduced new requirements to maintain and disclose significant trading operations. Consequently, a trading account has been prepared for the only significant trading operation, Economic Development Properties, in accordance with guidance issued by CIPFA/LASAAC. Note 30 provides further details.

#### 8. CAPITAL FUNDING AND BORROWING

Of the total capital expenditure of £67 million, £16.5 million was funded by asset sales and contributions from third parties, £10.6 million was raised from revenue contributions to capital, and the remaining £39.9 million was funded by borrowing. Total internal capital debt outstanding at 31 March 2011 was £462 million. The Council has no outstanding liability relating to the covenant scheme.

The outstanding liabilities on the PPP contracts, referred to in Section 6 above, are £78 million with £2.4 million shown under current liabilities and £75.6m under deferred liabilities. Details of the annual costs under these contracts are shown in Note 36.

#### 9. PENSION RESERVE AND IAS 19

The pensions accounting standard IAS 19 is fully adopted in the accounts and details are available in Statement 8 Note 1 on accounting policies. The requirement to recognise the Council's share of the net liabilities of the Lothian Pension Fund in the balance sheet has resulted in a Pension Reserve debit balance of £120.1 million at 31 March 2011 (£228.3 million 2010).

The large decrease in the deficit during the year is mainly due to the pension increase change from Retail Price Index (RPI) to Consumer Price Index (CPI). In addition, the projected expenses have also fallen for the same reason. This negative reserve does not impact on the Council's available reserves.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS 19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, and have no impact on the employers' pension contribution rate.

#### 10. GROUP ACCOUNTS

Local authorities are required to consider their interests in all types of entity, including companies, joint ventures and statutory bodies such as Police, Fire and Valuation Boards. Where they have a material interest in such entities, authorities are required to prepare a full set of group accounts in addition to their own Council's accounts.

The Council does not have any subsidiary companies but the following are deemed to be associates under group accounts guidance: West Lothian Leisure Ltd, the Lothian and Borders Police and Fire Boards and the Lothian Valuation Board. In addition the Council has a 50% holding in West Lothian Recycling Ltd. Full details of the group accounts are on pages 52 to 58.

## FOREWORD TO THE STATEMENT OF ACCOUNTS

### By Donald Forrest, Head of Finance and Estates

#### 11. FUTURE DEVELOPMENTS

In response to the challenging funding position, the Council undertook a major Tough Choices consultation process in 2010/11 which sought the views of a wide variety of stakeholders on the future revenue budget options for the Council. This allowed stakeholders to provide comments on how the Council could save £45 million while continuing to deliver services that would ensure quality outcomes are achieved. This exercise will inform the revenue budget process and future budget reduction measures. In addition a staffing change fund has been created and further enhanced in 2010/11 to ensure that there are funds available to undertake effective workforce management through voluntary severance and early retirement. The Council has been proactive in workforce management looking forward to future years and these funds will continue to be available for this purpose in the short to medium term.

This consultation exercise and staffing change fund are part of the considerable planning the council is undertaking to ensure that we are well prepared to respond to the challenges ahead. The Council is working from a sound financial base with a balanced budget for 2011/12. The Council also agreed in January 2011 to increase the minimum unallocated General Fund balance to £2.5 million. Good progress is being made on implementing the 2011/12 approved budget reductions of £16.745 million and it is anticipated these will be fully achieved.

The focus before the local government elections in 2012 will be the 2012/13 budget as agreed by the Council, however officers are currently preparing the ground for long term financial planning for 2013/14 onwards. The focus for future years financial planning will be embedded in an outcome based approach to supporting service delivery throughout the Council. Officers will also assess the impact of other developments, such as the policies of the new Scottish Government and the outcome of the Christie Commission review of public services.

In terms of the general services capital budget, the Council has aimed to protect and promote capital spend with additional capital expenditure approved in January and June 2011. Capital resources for 2011/12 and future years are deemed to be realistic and the requirements of the Prudential Code are being met. However, there is still a risk to the capital programme of capital receipts not being realised. Officers will continue to monitor this risk to assess if any action is required. Work will also be undertaken in 2012 to the original ten year capital investment programme. The Council is also continuing to implement the ten year housing capital programme with work commencing on the second phase of new council houses.

In conclusion, the Council is taking all possible steps to ensure that positive and proactive plans are in place to deal with the consequences of what will continue to be a challenging period for public finances.

#### 12. AUDIT

The Accounts have been audited and the Independent Auditor's Report is on Page 1.

#### 13. ACKNOWLEDGEMENTS

The control of budgets to maximise the effectiveness of limited resources could not take place without the support of colleagues and staff throughout the Council and this is gratefully acknowledged.

I would also like to express my appreciation to my own staff in Finance and Estates for their high level of commitment, support and performance during the year.

#### 14. FURTHER INFORMATION

Further information on the Accounts or on the Council's general finances can be obtained from Finance and Estates Services, West Lothian Civic Centre, Howden South Road, Livingston, EH54 6FF.

**THE AUTHORITY'S RESPONSIBILITIES**

The authority 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 Finance and Estates;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

**THE HEAD OF FINANCE'S RESPONSIBILITIES**

The Head of Finance and Estates is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts the Head of Finance and Estates has:

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

The Head of Finance and Estates has also:

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

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



**Donald Forrest CPFA**  
**Head of Finance and Estates**  
**29 September 2011**

1. This statement applies to the 2010/11 accounts of West Lothian Council, and is prepared in acknowledgement of my responsibility for ensuring that an effective system of internal financial control is maintained and operated throughout the Council.
2. 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 detected within a reasonable period of time.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, audit committee scrutiny and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. Key elements include:-
  - comprehensive budgeting systems and monitoring arrangements
  - scrutiny of periodic and annual financial and operational performance reports
  - performance management information
  - documented internal control framework relating to financial processes, procedures and regulations
  - clearly-defined capital expenditure guidelines
  - project management disciplines
4. The Internal Audit Unit is an independent appraisal function established by the Council to examine and evaluate systems of financial and non-financial control. The Internal Audit Unit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, and operates in accordance with the ISO 9001: 2008 quality standard for systems based audit work. Annual audit plans are prepared which are based on an assessment of risk. Internal audit reports are issued in the name of the Internal Audit Manager who has the right, when deemed necessary, of direct access to the Chief Executive. The Council has established an Audit Committee which monitors the independence and effectiveness of internal audit, and the Internal Audit Manager prepares an annual report to the Committee which provides an independent opinion on the adequacy and effectiveness of the Council's system of internal financial control.
5. Assurance is based on the findings of Internal and External Audit and the corporate governance framework referred to above. During the year Internal and External Audit undertook a number of audits of council systems and these audits highlighted significant weaknesses in the following areas:
  - Procurement: non compliance with council standing orders for contracts were identified in a small number of cases. A wide ranging procurement review has been undertaken and the resultant recommendations for improvement are being implemented during 2011/12.
  - Payroll: due to resource issues, checks of new starts and leavers had not been completed at the year end. In addition, weaknesses were identified in relation to controls over overtime payments. Checks of new starts and leavers to the year end have now been completed and action is being taken to rectify the weaknesses in overtime controls.
  - Accounts payable: a lack of segregation of duties was identified. A revised segregation of duties for the bank reconciliation process has been implemented and measures are underway to procure a new accounts payable system which will incorporate a significantly improved level of control.

The weaknesses identified are being addressed as a matter of priority and the measures taken will restore controls to the levels consistent with the rest of the council. However I am still satisfied that the Council has in place a sound system of internal financial control and that appropriate mechanisms are in place to identify any areas of weakness and to enable corrective action to be taken. I have also made enquiries regarding the system of internal financial control of the associate and joint venture included in our group accounts. The Chief Financial Officers of these organisations have stated that the internal financial control systems are sound, adequate and effective and no significant internal control issues have been highlighted.

**Donald Forrest CPFA**  
**Head of Finance and Estates**  
**29 September 2011**

## 1. INTRODUCTION

In accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2011, West Lothian Council is required to prepare a Remuneration Report to disclose remuneration information and details of West Lothian Council's remuneration policy for "relevant persons". The Regulations define "relevant persons" as senior councillors and senior employees.

All information disclosed in the tables at paragraphs 2.3, 2.4, 3.2, 3.3, 4.2, 4.3 and 4.4 in this Remuneration Report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

## 2. COUNCIL LEADER, PROVOST AND SENIOR COUNCILLORS

### 2.1 Remuneration Policy

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. 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 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 West Lothian Council was £32,470. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2010/11 the salary of the Provost of West Lothian Council was £24,353. The Council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2010/11 sets the level of payment in accordance with the regulations at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £284,116. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2010/11 West Lothian Council had 11 senior councillors and the remuneration paid to these councillors totalled £267,329. 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.

The Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses which sets out details of the salary parameters for all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the Council Executive on 23 March 2010 and is available at [www.westlothian.gov.uk](http://www.westlothian.gov.uk).

### 2.2 Remuneration Policy - Convenors and Vice Convenors for Police and Fire Functions and Joint Boards

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a convener or a vice-convener of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the convener or vice-convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a convener or vice-convener of a Joint Board. Senior Councillor E Glass is vice-convener of Lothian and Borders Fire and Rescue Board and Councillor J Muir is vice-convener of Lothian and Borders Police Board.

The amount recharged to Lothian and Borders Fire and Rescue by West Lothian Council in respect of Senior Councillor Glass in 2010/11 was £4,038 (2009/10 £4,611). The amount recharged to Lothian and Borders Police in respect of Councillor Muir in 2010/11 was £14,399 (2009/10 £14,352).

**REMUNERATION REPORT****STATEMENT 3****2.3 Council Leader, Provost and Senior Councillors Remuneration**

The following table provides details of the remuneration paid to the Council's Senior Councillors during 2010/11:-

| <b>Name</b>  | <b>Post Title</b>   | <b>Total Remuneration 2010/11<br/>£</b> | <b>Total Remuneration 2009/10<br/>£</b> |
|--------------|---|---|---|
| F Anderson   | Executive Post - Services for the Community (Depute Leader)           | 24,353                                  | 24,353                                  |
| J Cochrane   | Chair Licensing Board and Licensing Committee                         | 24,353                                  | 24,353                                  |
| G Beurskens  | Former Chair of Performance and Audit Committee                       | -                                       | 24,353                                  |
| C John       | Chair of Performance and Audit Committee                              | 23,799                                  | -                                       |
| W Boyle      | Executive Post - Voluntary Organisations                              | 24,353                                  | 24,353                                  |
| M Day        | Executive Post - Development and Transport                            | 24,353                                  | 24,353                                  |
| R De Bold    | Executive Post - Environment  | 24,353                                  | 24,353                                  |
| J Dickson    | Depute Provost / Chair Development Control Committee                  | 24,353                                  | 24,353                                  |
| E Glass      | Executive Post - Health and Care, Lothian and Borders Fire and Rescue | 28,391                                  | 28,964                                  |
| I Hutton     | Executive Post - Social Policy  | 24,353                                  | 24,353                                  |
| P Johnston   | Leader of Council, Executive Post - Policy and Resources              | 32,470                                  | 32,470                                  |
| T Kerr       | Provost (Civic Leader)  | 24,353                                  | 24,353                                  |
| A Miller     | Executive Post - Education  | 24,353                                  | 24,353                                  |
| J Walker     | Executive Post - Culture and Leisure                                  | 24,353                                  | 24,353                                  |
| J Muir       | Lothian and Borders Police Board                                      | 30,633                                  | 30,586                                  |
| <b>Total</b> |   | <b>358,823</b>                          | <b>359,903</b>                          |

Apart from matters reserved to the full council or remitted to committees for consideration, the Council Executive has universal decision making powers and has 12 members, of which eight councillors and the Leader of the Council have been appointed with responsibility for Executive Posts.

Remuneration paid to Councillors Glass and Muir include payments from Lothian and Borders Fire and Rescue and Police as detailed in Note 2.2.

**2.4 Total Salaries Elected Members**

The Council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year:-

| <b>Type of Remuneration</b> | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
|-----------------------------|--------------------------|--------------------------|
| Salaries                    | 618                      | 633                      |
| Allowances                  | 24                       | 40                       |
| Expenses                    | 43                       | 38                       |
| <b>Total</b>                | <b>685</b>               | <b>711</b>               |

The annual return of Councillors' salaries and expenses for 2010/11 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at <http://www.westlothian.gov.uk/media/downloadoc/1799465/remuneration201011>.

**3. SENIOR EMPLOYEES****3.1 Remuneration Policy**

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 West Lothian Council for the period 2008 to 2011.

The salaries of the Depute Chief Executives are based on the nearest point on the national spinal column for Chief Officers which equates to 85 per cent of the Chief Executive's salary in three bandings, Heads of Service are paid across two pay grades of three bandings. These pay grades are based on the nearest point on the national spinal column for Chief Officers which equates to one pay band of 65 per cent and one of 70 per cent of the Chief Executives salary. Placing in the salary bands for Heads of Service is based on the outcome of a job evaluation exercise.

These pay arrangements were agreed through approval of the Organisational Review Report at a meeting of the Policy, Partnership and Resources Committee on 6 February 2002.

# REMUNERATION REPORT

# STATEMENT 3

## 3.2 Senior Employees Remuneration

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 council.
- 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.

The full year equivalent salary has been provided for senior employees who have been in post for part year during 2010/11.

| Name and Post Title  | Full Year Equivalent Salary<br>£ | Salary, Fees and Allowances<br>£ | Compen <sup>2</sup> for loss of employment (Comp Added Yrs)£ | Total Remun 2010/11<br>£ | Total Remun 2009/10<br>£ |
|--|----------------------------------|----------------------------------|--|--------------------------|--------------------------|
| A Linkston <sup>3</sup><br>Chief Executive until 8 October 2010  | 127,824                          | 74,380                           | -  | 74,380                   | 128,607                  |
| G Hope<br>Depute Chief Executive until 30 September 2010<br>Chief Executive from 1 October 2010              | -                                | 119,675                          | -  | 119,675                  | 108,804                  |
| J Forrest <sup>1</sup><br>Depute Chief Executive   | 97,522                           | 48,761                           | -  | 48,761                   | 49,144                   |
| G Ford<br>Depute Chief Executive   | -                                | 112,308                          | -  | 112,308                  | 109,587                  |
| J Dickson<br>Director of Development and Environmental Services until 6 August 2010                          | 111,525                          | 38,805                           | (5,030)<br>77,288  | 116,093                  | 109,587                  |
| J Hill<br>Head of Operational Services until 30 September 2010<br>Depute Chief Executive from 1 October 2010 | -                                | 95,138                           | -  | 95,138                   | 82,779                   |
| A Logan<br>Head of Finance Services until 31 July 2010   | 90,918                           | 30,306                           | (4,836)<br>14,508  | 44,815                   | 89,484                   |
| D Forrest<br>Head of Finance and Estates from 1 August 2010  | 89,190                           | 58,316                           | -  | 58,316                   | -                        |
| J Jack<br>Head of Operational Services from 1 December 2010  | 82,314                           | 26,868                           | -  | 26,868                   | -                        |
| M Rankine<br>Head of Education (Quality Assurance)   | -                                | 91,957                           | -  | 91,957                   | 83,993                   |
| G Fitzpatrick<br>Head of Cultural Services until 6 September 2009  | -                                | -                                | -  | -                        | 80,346                   |
| M Niven<br>Head of Schools with Education Support  | -                                | 91,701                           | -  | 91,701                   | 89,484                   |
| P Sweeney<br>Head of Education Quality Assurance until 31 August 2009  | -                                | -                                | -  | -                        | 37,285                   |
| G Struthers<br>Head of Corporate Services  | -                                | 84,045                           | -  | 84,045                   | 80,307                   |
| S Field<br>Head of Planning and Economic Development   | -                                | 84,828                           | -  | 84,828                   | 82,779                   |
| A Gee<br>Head of Housing Construction and Building Services  | -                                | 84,828                           | -  | 84,828                   | 82,779                   |
| A Shaw<br>Head of Area Services  | -                                | 84,831                           | -  | 84,831                   | 82,818                   |
| A Aird<br>Head of Customer Services until 31 July 2010   | 78,900                           | 23,311                           | 65,244   | 88,555                   | 77,760                   |
| D Forsyth<br>Head of Property Services until 2 October 2010  | 84,045                           | 42,023                           | (3,830)<br>52,972  | 94,995                   | 82,779                   |
| A Quigley<br>Head of Social Policy until 11 September 2010   | 90,918                           | 40,638                           | -  | 40,638                   | 87,309                   |
| J Scott<br>Head of Social Policy from 13 September 2010  | 89,190                           | 48,871                           | -  | 48,871                   | -                        |
| <b>Total</b>   |                                  | <b>1,281,590</b>                 | <b>210,013</b>   | <b>1,491,603</b>         | <b>1,545,631</b>         |

1. The Depute Chief Executive/Director of West Lothian CHCP J Forrest is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his cost of employment. The total remuneration paid by the Council in 2010/11 (2009/10) was £48,761 [(£49,144)].

2. Compensation for loss of employment is payable under the terms of the Council's voluntary severance scheme as detailed in Explanatory Foreword Note 3.

3. Remuneration for A Linkston includes £7,425 for returning officer duties in 2010/11. No remuneration was paid in 2009/10.

**REMUNERATION REPORT****STATEMENT 3****3.3 Employee Information by Pay Band**

The number of officers whose remuneration, including benefits, in the year were £50,000 or more is detailed below:-

| Remuneration Bands  | Number of Employees |            |
|---------------------|---------------------|------------|
|                     | 2010/2011           | 2009/2010  |
| £50,000 - £54,999   | 93                  | 93         |
| £55,000 - £59,999   | 65                  | 18         |
| £60,000 - £64,999   | 25                  | 21         |
| £65,000 - £69,999   | 24                  | 5          |
| £70,000 - £74,999   | 8                   | 6          |
| £75,000 - £79,999   | 14                  | 3          |
| £80,000 - £84,999   | 5                   | 7          |
| £85,000 - £89,999   | 3                   | 3          |
| £90,000 - £94,999   | 2                   | -          |
| £95,000 - £99,999   | 1                   | -          |
| £100,000 - £104,999 | -                   | -          |
| £105,000 - £109,999 | 3                   | 3          |
| £110,000 - £114,999 | 1                   | -          |
| £115,000 - £119,999 | 1                   | -          |
| £120,000 - £124,999 | -                   | -          |
| £125,000 - £129,999 | -                   | 1          |
| <b>Total</b>        | <b>245</b>          | <b>160</b> |

The number of employees, whose remuneration in the year was £50,000 or above, increased in 2010/11 by 85 employees. This was due to voluntary severance payments being made to 78 employees during the year.

**4. PENSIONS****4.1 Local Government Pension Scheme Details (LGPS)**

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 contribution 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 | Contribution rate 2009/10 |
|---|---------------------------|---------------------------|
| On earnings up to and including £18,000     | 5.5%                      | 5.5%                      |
| On earnings above £18,000 and up to £22,000 | 7.25%                     | 7.25%                     |
| On earnings above £22,000 and up to £30,000 | 8.5%                      | 8.5%                      |
| On earnings above £30,000 and up to £40,000 | 9.5%                      | 9.5%                      |
| On earnings above £40,000                   | 12%                       | 12%                       |

If a person works part-time their contribution rate 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 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

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

# REMUNERATION REPORT

# STATEMENT 3

## 4.2 Pension Benefits Senior Councillors - Local Government Pension Scheme (LGPS)

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

|              |  | In-year pension contributions |                           | Accrued pension benefits |               |                               |               |
|--------------|--|-------------------------------|---------------------------|--------------------------|---------------|-------------------------------|---------------|
|              |  | For year to 31 March 2011     | For year to 31 March 2010 | As at 31 March 2011      |               | Difference from 31 March 2010 |               |
| Name         | Post Title   | £                             | £                         | Pension £000             | Lump Sum £000 | Pension £000                  | Lump Sum £000 |
| F Anderson   | Executive Post - Services for the Community              | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| G Beurskins  | Former Chair of Performance and Audit Committee          | -                             | 4,700                     | 1                        | 2             | -                             | -             |
| C John       | Chair of Performance and Audit Committee                 | 4,736                         | 3,133                     | 1                        | 1             | -                             | -             |
| W Boyle      | Executive Post - Voluntary Organisations                 | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| M Day        | Executive Post - Development and Transport               | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| R DeBold     | Executive Post - Environment                             | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| J Dickson    | Chair Development Control Committee                      | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| E Glass      | Executive Post - Health and Care                         | 5,452                         | 5,373                     | 1                        | 2             | 1                             | -             |
| I Hutton     | Executive Post - Social Policy                           | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| P Johnston   | Leader of Council, Executive Post - Policy and Resources | 6,462                         | 6,265                     | 1                        | 2             | -                             | -             |
| T Kerr       | Provost (Civic Leader)                                   | 4,846                         | 4,700                     | 1                        | 2             | 1                             | -             |
| A Miller     | Executive Post - Education                               | 4,846                         | 4,700                     | 1                        | 2             | -                             | -             |
| J Walker     | Executive Post - Culture and Leisure                     | 4,846                         | 4,700                     | 2                        | 2             | 1                             | -             |
| J Muir       | Lothian and Borders Police Board                         | 5,452                         | 5,295                     | 2                        | 2             | 1                             | -             |
| <b>Total</b> |  | <b>65,716</b>                 | <b>67,066</b>             | <b>16</b>                | <b>27</b>     | <b>4</b>                      | <b>-</b>      |

All senior Councillors shown in the tables above are members of the LGPS.

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

Senior Councillor J Cochrane is not a member of the LGPS. All Councillors under 75 years of age are eligible for participation in the LGPS.

## 4.3 Pension Benefits Senior Employees - Scottish Public Pensions Agency (SPPA)

The senior employees shown in the table below are members of the SPPA. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

The Scottish Teachers' Superannuation Scheme (STSS) is a contributory scheme administered by the SPPA on behalf of the Scottish Ministers. It is a defined benefit final salary scheme and the members' contribution rate for 2010/11 remains at the 2009/10 rate of 6.4% of annual salary.

|              |                                       | 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 |               |
| Name         | Post Title                            | £                             | £                         | Pension £000             | Lump Sum £000 | Pension £000                  | Lump Sum £000 |
| G Ford       | Depute Chief Executive                | 16,617                        | 16,212                    | 51                       | 153           | 2                             | 8             |
| M Rankine    | Head of Education (Quality Assurance) | 13,585                        | 12,392                    | 42                       | 126           | 4                             | 13            |
| <b>Total</b> |                                       | <b>30,202</b>                 | <b>28,604</b>             | <b>93</b>                | <b>279</b>    | <b>6</b>                      | <b>21</b>     |

## REMUNERATION REPORT

## STATEMENT 3

## 4.4 Pension Benefits Senior Employees - Local Government Pensions Scheme (LGPS)

The pension entitlements of Senior Employees who are members of the LGPS 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.

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

| Name         | Post Title   | 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 |               |
|              |  | £                             | £                         | Pension £000             | Lump Sum £000 | Pension £000                  | Lump Sum £000 |
| A Linkston   | Chief Executive (Retired)                                    | 14,863                        | 25,739                    | 71                       | 202           | 1                             | -             |
| G Hope       | Chief Executive  | 21,652                        | 20,999                    | 33                       | 88            | 2                             | -             |
| J Dickson    | Director of Development and Environmental Services (Retired) | 38,191                        | 20,999                    | 50                       | 144           | 1                             | 1             |
| J Hill       | Depute Chief Executive                                       | 16,317                        | 15,825                    | 38                       | 105           | 1                             | -             |
| A Logan      | Head of Finance (Retired)                                    | 139,520                       | 17,119                    | 37                       | 106           | 1                             | 1             |
| D Forrest    | Head of Finance and Estates                                  | 12,330                        | 11,958                    | 17                       | 46            | 1                             | -             |
| J Jack       | Head of Operational Services                                 | 12,330                        | 11,958                    | 20                       | 53            | 1                             | -             |
| M Niven      | Head of Education Services                                   | 17,651                        | 17,119                    | 37                       | 103           | 1                             | -             |
| G Struthers  | Head of Corporate Services                                   | 15,981                        | 15,499                    | 22                       | 59            | 1                             | -             |
| S Field      | Head of Planning and Economic Development                    | 16,317                        | 15,825                    | 31                       | 86            | 1                             | -             |
| A Gee        | Head of Housing Construction and Building Services           | 16,317                        | 15,825                    | 31                       | 85            | 1                             | -             |
| A Shaw       | Head of Area Services  | 16,317                        | 15,825                    | 37                       | 103           | 1                             | -             |
| A Aird       | Head of Customer Services (Severance)                        | 145,809                       | 14,856                    | 21                       | 59            | 1                             | -             |
| D Forsyth    | Head of Property Services (Retired)                          | 14,005                        | 15,825                    | 37                       | 105           | 1                             | 1             |
| A Quigley    | Head of Social Policy  | 8,129                         | 16,692                    | n/a                      | n/a           | n/a                           | n/a           |
| J Scott      | Head of Social Policy  | 15,173                        | 11,958                    | 14                       | 47            | 3                             | 12            |
| <b>Total</b> |  | <b>520,902</b>                | <b>264,021</b>            | <b>496</b>               | <b>1,391</b>  | <b>18</b>                     | <b>15</b>     |

Graham Hope  
Chief Executive  
29 September 2011

Councillor Peter Johnston  
Leader of the Council

## MOVEMENT IN RESERVES STATEMENT

## STATEMENT 4

**PURPOSE** This statement shows the movement in the year on the different reserves held by the authority categorised into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' accounting reserves. The deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account (HRA) for council tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to Other Statutory Reserves line shows the statutory General Fund and HRA surplus or deficit for the year before any discretionary transfers to or from Other Statutory Reserves undertaken by the Council.

**MOVEMENT IN RESERVES STATEMENT  
AS AT 31 MARCH 2011**

|  | Note | General Fund<br>£'000 | HRA<br>£'000 | Revenue<br>Statutory<br>Funds<br>£'000 | Capital<br>Statutory<br>Funds<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Authority<br>Reserves<br>£'000 |
|--|------|-----------------------|--------------|--|--|--------------------------------------|-------------------------------|---|
| <b>Balance at 1 April 2009</b>   |      | <b>4,602</b>          | <b>924</b>   | <b>10,304</b>                          | <b>53,249</b>                          | <b>69,079</b>                        | <b>925,445</b>                | <b>994,524</b>                          |
| <b>Movement in Reserves during 2009/10</b>                               |      |                       |              |  |  |                                      |                               |   |
| Surplus (Deficit) on the provision of services                           |      | (6,211)               | (14,556)     | -                                      | -                                      | (20,767)                             | -                             | (20,767)                                |
| Other comprehensive income and expenditure                               | 7    | -                     | -            | (80)                                   | (77)                                   | (157)                                | (112,342)                     | (112,499)                               |
| Total comprehensive income and expenditure                               |      | (6,211)               | (14,556)     | (80)                                   | (77)                                   | (20,924)                             | (112,342)                     | (133,266)                               |
| Adjustments between accounting basis and funding basis under regulations | 6    | 15,627                | 14,558       | -                                      | 1,696                                  | 31,881                               | (31,881)                      | -                                       |
| Net increase (decrease) before transfers to other statutory reserves     |      | 9,416                 | 2            | (80)                                   | 1,619                                  | 10,957                               | (144,223)                     | (133,266)                               |
| Transfers to / (from) other statutory reserves                           | 8    | (3,872)               | -            | (110)                                  | 3,982                                  | -                                    | -                             | -                                       |
| <b>Increase (decrease) in year</b>                                       |      | <b>5,544</b>          | <b>2</b>     | <b>(190)</b>                           | <b>5,601</b>                           | <b>10,957</b>                        | <b>(144,223)</b>              | <b>(133,266)</b>                        |
| <b>Balance at 31 March 2010</b>  |      | <b>10,146</b>         | <b>926</b>   | <b>10,114</b>                          | <b>58,850</b>                          | <b>80,036</b>                        | <b>781,222</b>                | <b>861,258</b>                          |
| <b>Movement in Reserves during 2010/11</b>                               |      |                       |              |  |  |                                      |                               |   |
| Surplus (Deficit) on the provision of services                           |      | 22,648                | (150,801)    | -                                      | -                                      | (128,153)                            | -                             | (128,153)                               |
| Other comprehensive income and expenditure                               | 7    | -                     | -            | -                                      | -                                      | -                                    | 66,525                        | 66,525                                  |
| Total comprehensive income and expenditure                               |      | 22,648                | (150,801)    | -                                      | -                                      | (128,153)                            | 66,525                        | (61,628)                                |
| Adjustments between accounting basis and funding basis under regulations | 6    | (16,762)              | 150,801      | -                                      | 383                                    | 134,422                              | (134,422)                     | -                                       |
| Net increase (decrease) before transfers to other statutory reserves     |      | 5,886                 | -            | -                                      | 383                                    | 6,269                                | (67,897)                      | (61,628)                                |
| Transfers to / (from) other statutory reserves                           | 8    | 77                    | -            | (1,401)                                | 1,324                                  | -                                    | -                             | -                                       |
| <b>Increase (decrease) in year</b>                                       |      | <b>5,963</b>          | <b>-</b>     | <b>(1,401)</b>                         | <b>1,707</b>                           | <b>6,269</b>                         | <b>(67,897)</b>               | <b>(61,628)</b>                         |
| <b>Balance at 31 March 2011</b>  |      | <b>16,109</b>         | <b>926</b>   | <b>8,713</b>                           | <b>60,557</b>                          | <b>86,305</b>                        | <b>713,325</b>                | <b>799,630</b>                          |

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

# STATEMENT 5

**PURPOSE**

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.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

|   | Note | 2010/11               |                       |                     | Restated 2009/10      |                       |                     |
|---|------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
|   |      | Gross Expend<br>£'000 | Gross Income<br>£'000 | Net Expend<br>£'000 | Gross Expend<br>£'000 | Gross Income<br>£'000 | Net Expend<br>£'000 |
| Education Services  |      | 186,108               | 8,050                 | 178,058             | 181,053               | 9,773                 | 171,280             |
| Housing   |      | 88,843                | 79,009                | 9,834               | 87,176                | 75,433                | 11,743              |
| Cultural and Related Services   |      | 34,037                | 5,874                 | 28,163              | 33,321                | 5,702                 | 27,619              |
| Environmental Services  |      | 30,009                | 8,997                 | 21,012              | 19,943                | 2,647                 | 17,296              |
| Fire Services   |      | 6,615                 | -                     | 6,615               | 8,112                 | -                     | 8,112               |
| Roads and Transport Services  |      | 28,019                | 2,951                 | 25,068              | 32,817                | 11,577                | 21,240              |
| Police Services   |      | 13,781                | 596                   | 13,185              | 16,173                | 669                   | 15,504              |
| Planning and Development Services   |      | 22,992                | 10,047                | 12,945              | 21,621                | 10,807                | 10,814              |
| Social Work   |      | 104,607               | 21,557                | 83,050              | 98,645                | 22,215                | 76,430              |
| Joint Valuation Board   |      | 1,172                 | 45                    | 1,127               | 1,182                 | 10                    | 1,172               |
| Central Services  |      | 6,132                 | 5,522                 | 610                 | 5,497                 | 5,510                 | (13)                |
| Corporate and Democratic Core   |      | 6,572                 | 62                    | 6,510               | 6,251                 | 62                    | 6,189               |
| Non-Distributed Costs   |      | (68,358)              | -                     | (68,358)            | 3,014                 | 4                     | 3,010               |
| <b>Net Cost of General Fund Services</b>                                  |      | <b>460,529</b>        | <b>142,710</b>        | <b>317,819</b>      | <b>514,805</b>        | <b>144,409</b>        | <b>370,396</b>      |
| Housing Revenue Account   |      | 185,600               | 39,490                | 146,110             | 49,367                | 38,129                | 11,238              |
| Exceptional Items   | 9    | 9,852                 | 76                    | 9,776               | 4,280                 | 1,072                 | 3,208               |
| <b>Net Cost of Services</b>   |      | <b>655,981</b>        | <b>182,276</b>        | <b>473,705</b>      | <b>568,452</b>        | <b>183,610</b>        | <b>384,842</b>      |
| Other Operating Expenditure   | 10   | 9,216                 | -                     | 9,216               | 1,548                 | -                     | 1,548               |
| Finance and Investment Income and Expenditure                             | 11   | 40,852                | 7,933                 | 32,919              | 31,806                | 8,864                 | 22,942              |
| Taxation and Non-Specific Grant Income                                    | 12   | -                     | 387,687               | (387,687)           | -                     | 388,565               | (388,565)           |
| <b>(Surplus) or Deficit on Provision of Services</b>                      |      | <b>706,049</b>        | <b>577,896</b>        | <b>128,153</b>      | <b>601,806</b>        | <b>581,039</b>        | <b>20,767</b>       |
| Surplus on revaluation of property, plant and equipment                   |      |                       |                       | (25,104)            |                       |                       | (30,128)            |
| (Surplus) / Deficit on revaluation of available for sale financial assets |      |                       |                       | (139)               |                       |                       | 120                 |
| Actuarial (gains) / losses on pension assets and liabilities              |      |                       |                       | (41,282)            |                       |                       | 142,350             |
| Other unrealised gains or losses  |      |                       |                       | -                   |                       |                       | 157                 |
| <b>Other Comprehensive Income and Expenditure</b>                         |      |                       |                       | <b>(66,525)</b>     |                       |                       | <b>112,499</b>      |
| <b>Total Comprehensive Income and Expenditure</b>                         |      |                       |                       | <b>61,628</b>       |                       |                       | <b>133,266</b>      |

**BALANCE SHEET****STATEMENT 6**

**PURPOSE** 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. The first category of reserves are usable reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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 are adjustment accounts that absorb the differences between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

|  | Note | As at<br>31 March<br>2011<br>£'000 | Restated<br>As at<br>31 March<br>2010<br>£'000 | Restated<br>As at<br>1 April<br>2009<br>£'000 |
|--|------|------------------------------------|--|---|
| <b>LONG TERM ASSETS</b>                      |      |                                    |  |   |
| <b>Property, Plant and Equipment</b>         | 13   |                                    |  |   |
| - Council Dwelling                           |      | 398,562                            | 537,736  | 528,112                                       |
| - Other Land and Buildings                   |      | 746,103                            | 715,956  | 577,761                                       |
| - Vehicles, Plant, Furniture and Equipment   |      | 16,281                             | 16,645   | 11,919  |
| - Infrastructure Assets                      |      | 167,510                            | 152,382  | 143,041                                       |
| - Community Assets                           |      | 1,624                              | 1,624  | 1,624   |
| - Assets under construction                  |      | 10,496                             | 35,533   | 85,215  |
| - Surplus Assets, not yet held for disposal  |      | 31,675                             | 56,428   | 53,065  |
|  |      | 1,372,251                          | 1,516,304                                      | 1,400,737                                     |
| Long Term Investments                        | 14   | 17,664                             | 25   | 145   |
| Long Term Debtors                            | 15   | 2,422                              | 19   | 14  |
| <b>TOTAL LONG TERM ASSETS</b>                |      | <b>1,392,337</b>                   | <b>1,516,348</b>                               | <b>1,400,896</b>                              |
| <b>CURRENT ASSETS</b>                        |      |                                    |  |   |
| Short Term Investments                       | 14   | 83,604                             | 55,000   | 80,500  |
| Inventories                                  | 16   | 1,171                              | 797  | 847   |
| Short Term Debtors                           | 17   | 25,471                             | 25,288   | 27,000  |
| Cash and Cash Equivalents                    | 27   | 37,045                             | 42,422   | 947   |
| <b>TOTAL CURRENT ASSETS</b>                  |      | <b>147,291</b>                     | <b>123,507</b>                                 | <b>109,294</b>                                |
| <b>CURRENT LIABILITIES</b>                   |      |                                    |  |   |
| Short Term Borrowing                         | 14   | (41,679)                           | (6,353)  | (107,066)                                     |
| Short Term Creditors                         | 18   | (73,438)                           | (66,926)                                       | (69,551)                                      |
| Provisions                                   | 19   | (848)                              | (1,418)  | (1,117)                                       |
| <b>TOTAL CURRENT LIABILITIES</b>             |      | <b>(115,965)</b>                   | <b>(74,697)</b>                                | <b>(177,734)</b>                              |
| <b>NET CURRENT ASSETS (LIABILITIES)</b>      |      | <b>31,326</b>                      | <b>48,810</b>                                  | <b>(68,440)</b>                               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      | <b>1,423,663</b>                   | <b>1,565,158</b>                               | <b>1,332,456</b>                              |
| <b>LONG TERM LIABILITIES</b>                 |      |                                    |  |   |
| Long Term Creditors                          | 20   | (2,134)                            | (2,412)  | (2,236)                                       |
| Long Term Borrowing                          | 14   | (426,163)                          | (399,624)                                      | (229,521)                                     |
| Defined Benefit Scheme Liability             | 21   | (120,127)                          | (228,340)                                      | (86,078)                                      |
| Other Long Term Liabilities                  | 20   | (75,609)                           | (73,524)                                       | (20,097)                                      |
| <b>TOTAL LONG TERM LIABILITIES</b>           |      | <b>(624,033)</b>                   | <b>(703,900)</b>                               | <b>(337,932)</b>                              |
| <b>TOTAL NET ASSETS</b>                      |      | <b>799,630</b>                     | <b>861,258</b>                                 | <b>994,524</b>                                |
| <b>Financed by:</b>                          |      |                                    |  |   |
| <b>USABLE RESERVES</b>                       |      |                                    |  |   |
| General Fund Balance                         | 35   | 16,109                             | 10,146   | 4,602   |
| HRA Balance                                  |      | 926                                | 926  | 924   |
| Capital Fund                                 | 22   | 60,557                             | 58,850   | 53,249  |
| Insurance Fund                               | 22   | 8,648                              | 10,050   | 10,208  |
| Repair and Renewals Fund                     | 22   | 65                                 | 64   | 96  |
| <b>TOTAL USABLE RESERVES</b>                 |      | <b>86,305</b>                      | <b>80,036</b>                                  | <b>69,079</b>                                 |
| <b>UNUSABLE RESERVES</b>                     | 23   | <b>713,325</b>                     | <b>781,222</b>                                 | <b>925,445</b>                                |
| <b>TOTAL RESERVES</b>                        |      | <b>799,630</b>                     | <b>861,258</b>                                 | <b>994,524</b>                                |

The unaudited accounts were issued on 22 June 2011 and the audited accounts were authorised for issue on 29 September 2011.

*Donald Forrest*

**DONALD FORREST CPFA, Head of Finance and Estates**

**CASH FLOW STATEMENT****STATEMENT 7****PURPOSE**

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 amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income 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.

|   | <b>Note</b> | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
|---|-------------|--------------------------|---------------------------------------|
| Net surplus (deficit) on the provision of services                                |             | <b>(128,153)</b>         | <b>(20,767)</b>                       |
| Adjust net surplus or deficit on the provision of services for non cash movements |             | 180,127                  | 74,559                                |
| Net cash flows from Operating Activities  | 24          | 51,974                   | 53,792                                |
| Net cash flows from Investing Activities  | 25          | (112,500)                | (78,703)                              |
| Net cash flows from Financing Activities  | 26          | 55,149                   | 66,386                                |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       |             | <b>(5,377)</b>           | <b>41,475</b>                         |
| <b>Cash and cash equivalents at the beginning of the reporting period</b>         |             | <b>42,422</b>            | <b>947</b>                            |
| <b>Cash and cash equivalents at the end of the reporting period</b>               | 27          | <b>37,045</b>            | <b>42,422</b>                         |

## 1. ACCOUNTING POLICIES

### General

The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires they 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 (Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS).

The new Code based on IFRS replaces the accounts previously prepared under UK GAAP. The accounting policies which have changed relate to capital grants, accruals of employee holiday pay, finance and operating leases, and cash and cash equivalents.

The accounts for 2009/10 have been restated under IFRS and the differences between the previous audited accounts and the new IFRS accounts are detailed in Note 5 to the accounts. In addition the Balance Sheet (Statement 6) includes restated balances at 1 April 2009.

These changes are largely of a technical accounting nature and as a result of statutory regulations there has been no change in the usable financial reserves of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of property, plant and equipment.

### Revenue Transactions

The Revenue Accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year. Provision has been made for possible bad or doubtful debts in both the General Fund Account and Housing Revenue Account.

### Covenant Scheme

Expenditure incurred under a Covenant Scheme is included in the accounts. The final repayment to the developer counts against capital expenditure. There are no future liabilities in respect of the Covenant Scheme.

### Property, Plant and Equipment - Valuation

All expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis.

Property, plant and equipment have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use - apart from Vehicles, Plant, Furniture and Equipment, and Infrastructure Assets which are shown at depreciated historical cost. Assets under construction and Community Assets have been included at historical cost. Surplus assets not yet available for sale have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

Plant, furniture and computer equipment costing below £6,000 are not treated as long term assets but are charged to the revenue account. This de minimis limit does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Council houses have been valued using a Beacon Principle in accordance with the Royal Institution of Chartered Surveyors (RICS) Guidance.

Valuations have been provided by the Council's Property Services and an external firm of chartered surveyors. Increases in valuations from 1 April 2007 have been credited to the Revaluation Reserve.

### Property, Plant and Equipment - Capital Receipts

Receipts arising from the sale of property, plant and equipment are credited to the capital receipts reserve and used to finance new capital expenditure. These transactions are then credited to the capital adjustment account.

### Property, Plant and Equipment - Depreciation

Assets, other than land, are being depreciated using the straight line method over their useful economic lives as follows:-

|                                |               |
|--------------------------------|---------------|
| - Council dwellings            | 50 years      |
| - Council dwellings (fixtures) | 27 years      |
| - Operational buildings        | 20 - 50 years |
| - Plant and equipment          | 10 - 25 years |
| - Motor vehicles               | 4 - 10 years  |
| - Fixtures and fittings        | 3 - 10 years  |
| - Infrastructure assets        | 40 years      |

No depreciation is provided on Community Assets, Assets under construction and Surplus Assets not yet available for sale.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Significance is determined by comparing the cost of components against the overall cost of the asset. This threshold is set at £100,000 and an assessment is then made as to the significance in terms of the overall cost of the asset. In the case of Council dwellings fixtures are depreciated over 27 years with the non fixture element of Council dwellings being depreciated over 50 years.

### Property, Plant and Equipment - Revaluation

Where decreases in value 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 or insufficient balance, the carrying amount is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

### Property, Plant and Equipment - Impairment

Assets subject to revaluation that have suffered a reduction in value have been impaired. Where impairment losses are identified, they are accounted for as follows:

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

### Property, Plant and Equipment - Charges to Revenue

Service revenue accounts and the HRA have been charged with a capital charge for all property, plant and equipment assets used in the provision of the service. Such charges cover the annual provision for depreciation.

### Improvement Grants

All expenditure on improvement and other grants is charged to revenue in the year the expenditure is incurred.

### Government Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account. Capital grants and contributions received to finance property, plant and equipment assets have been credited to the Comprehensive Income and Expenditure Account. They are reversed out of the General Fund Balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

### Redemption of Debt

The Council operates a Consolidated Loans Fund under the terms of the Local Government (Scotland) Act 1975. All loans raised are paid into the fund. Capital payments made by services are financed from the Loans Fund and repaid over 30 years using the annuity method.

Premiums and discounts on debt rescheduling have been transferred to the Financial Instruments Adjustment Account and have been designated as statutory premiums and discounts under statutory guidance issued by the Scottish Government. The annual charge to the General Fund is managed by movements to and from the Financial Instruments Adjustment Account and the Movement on Reserves Statement.

### Investments

Long-term investments, held in Lothian Buses, have been shown in the Balance Sheet at fair value, based on the current share price multiplied by the Council's share holding. Changes in fair value are balanced by an entry in the Available-for-sale Financial Instrument Reserve and the gain is recognised in the Comprehensive Income and Expenditure Account.

Other long-term investments, which are investments over 1 year and short-term investments, which are investments over three months, have been measured at cost.

### 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 values.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### Financial Liabilities

Financial liabilities are carried in the balance sheet at amortised cost using the effective interest rate method. For market stepped Lenders Option Borrowers Option (LOBO) loans this involves calculation of the effective interest rate over the life of the loan. The difference between this and the actual interest paid to date on the loan is added to the carrying value of the loan. This increase in value of financial liabilities is offset by a corresponding debit to the Financial Instruments Adjustment Account.

### Reserves

The Council operates the following reserves under Schedule 3 of the Local Government (Scotland) Act 1975.

**General Fund** - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the Council has agreed that the uncommitted General Fund Balance will be a minimum of £2.5 million.

**Insurance Fund** - this is the funding mechanism for the control of insurable risk and includes premiums and self-funded insurance costs. The fund covers all known insurance liabilities and is independently valued every three years.

**Repair and Renewal Fund** - established to provide for infrastructure investment.

**Capital Fund** - established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2011 was £60.6 million.

**Capital Receipts Reserve** - the capital receipts reserve represents the balance of available receipts carried forward to fund future capital expenditure.

### Capital Accounting Reserves

The 2007 SORP introduced changes to the capital reserves for the system of Capital Accounting. The Fixed Asset Restatement Account and the Capital Financing Account have been replaced by a Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve represents the net increase in the value of fixed assets as a result of these being shown in the Balance Sheet at revalued amounts rather than historical cost. The opening balance on the Revaluation Reserve at 1 April 2007 was zero. The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 have been transferred into the new Capital Adjustment Account.

This Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation or impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

**Inventories**

Stocks and stores held by the Council are recorded at average cost, with the exception of deer and Highland Cows which have been valued at net realisable value. The valuation is in accordance with IAS 2 - Inventories.

The use of average cost rather than lower of cost and net realisable value is a departure from the Code but is not considered material.

**External interest Payable and Loans fund Interest**

External interest has been calculated and charged to the Income and Expenditure Account on an amortised cost basis over the life of the loan. For the majority of loans this represents the interest amount payable for the year per the loan agreement. However, for stepped LOBO loans, this results in a difference between the coupon rate and the amount charged to the Income and Expenditure Account. This difference is removed from the General Fund by a transfer to the Financial Instruments Adjustment Account.

These accounting adjustments ensure that the loans fund interest is calculated and allocated to the Revenue Account in accordance with LASAAC Guidance Note No. 2.

Interest on revenue balances is allocated on the basis of the monthly balances held on the respective accounts.

**Central Support Services**

Time recording systems and number of employees have been used as the bases for allocating costs to direct services, with the exception of the following:-

- a) Administration Buildings - The number of employees based at each building.
- b) Central Telephone Service - Based on number of extensions.
- c) Central Postal and Messenger Services - Based on actual usage.

Central Support Services allocated to the HRA is a fixed amount agreed at the start of the financial year.

**Corporate and Democratic Core**

In accordance with CIPFA Guidance the costs of corporate and democratic core and of non distributed costs have not been allocated to Services but gathered together and separately identified in the Comprehensive Income and Expenditure Statement.

**Finance Leases**

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

Assets acquired under finance leases have been capitalised together with a liability to pay outstanding rentals. Payments have been apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

**Employee Benefits**

An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

**Public Private Partnership (PPP)**

The 2009 SORP has changed the accounting policy for the treatment of PPP contracts, which are now assessed under International Financing Reporting Standards (IFRS). This new accounting policy takes a fundamentally different approach to the previous policy under UK Generally Accepted Accounting Practice (UKGAAP). IFRS looks at aspects of control of an asset, such as specifying services and the price paid for these services. As a result the PPP contract signed in August 2001 to upgrade and refurbish five schools and construct a new primary school has now been reassessed and the new accounting standard applied from that date. The PPP schools are recognised as property assets, including a revaluation, plus recognition of a liability for the financing of these assets and the removal of balance sheet entries for the previous accounting treatment. The unitary charge paid to the PPP contractor is allocated between operating costs, finance lease principal and interest, and any capitalised lifecycle costs.

The PPP contract signed in August 2007 for construction and operation of two new secondary schools completed in 2009/10 has been included in property assets additions for that year, with a corresponding liability within current and deferred liabilities.

**Operating Leases**

Current annual operating lease rentals have been charged to revenue.

**Non Domestic Rates (NDR)**

National Non-domestic Rate debtors were previously shown on local authority balance sheets as debtors of the authority. Following a review of all types of local taxation, CIPFA/LASAAC concluded that local authorities act as the agent of the Government when collecting NDR. The Code requires local authorities not to recognise NDR debtors in their balance sheets but instead recognise a creditor or debtor for cash collected from NDR debtors as agent of the Government but not paid or overpaid to the Government.

**Pension Costs**

The Council participates in two different pension schemes which provide members with defined benefits related to pay and service and are as follows:-

Teachers: This is an unfunded scheme administered by the Scottish Government. Under the pensions accounting standard IAS 19 - 'Retirement Benefits' this scheme is treated as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participant authorities. The pension cost charged to the Accounts is the contribution rate set by HM Treasury on the basis of a notional fund.

Other Employees: Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (which is administered by the City of Edinburgh Council as the Lothian Pension Fund). The Lothian Pension Fund is a multi-employer scheme funded on the basis of triennial actuarial valuations of the required employers' contributions to ensure adequate assets in the scheme. As it is possible to identify the Council's share of the assets and liabilities underlying the scheme on a consistent and reliable basis, it is accounted for as a defined benefit scheme under IAS 19.

IAS 19 is based on the premise that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. The pension cost under IAS 19 is therefore not the cash contributions paid to the pension fund but the increase in the employers' attributable pensions liability during the year.

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The inclusion of attributable scheme assets and liabilities in the balance sheet represents an authority's commitment to increase contributions to make up any shortfall, or its ability to benefit, via reduced contributions, from a surplus in the scheme.

The actuary identifies the following elements of pension cost charged to the Income and Expenditure account:

Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period.

Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods.

Curtailments and Settlements - events that change the pension liabilities but are not covered by the actuarial assumptions.

Interest Cost - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement.

Expected Return on Assets - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

Any difference between the accounting cost (i.e. the IAS 19 based cost) and the funding cost (i.e. the contributions or payments made during the year) is appropriated from the Pensions Reserve to the Movement in Reserves Statement. This appropriation ensures the IAS 19 pension cost equals the pension payments funded from taxation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent 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 the Notes to the Financial Statements. Details of the liabilities are shown in note 32.

### Provisions

Provisions are made where an event has taken place that gives the Council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the CIES in the year the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 19.

### VAT

Income and Expenditure excludes any amounts related to VAT, as all VAT collected and paid is payable to, or recoverable from, Her Majesty's Revenues and Customs (HMRC).

## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Financial Reporting Standard (FRS) 30 Heritage Assets will be adopted in the 2011/12 Code. Heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historic buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art. Community assets are not heritage assets and are accounted for as property, plant and equipment.

No information is currently available or reasonably estimable on the assets in the 2010/11 financial statements expected to be reclassified as heritage assets.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- **PPP** - The Council is deemed to control the services provided under the agreement for the provision of educational establishments in accordance with IFRC12. The Council controls the services provided under the scheme and ownership of the schools will pass to the Council at the end of the contract. The schools are therefore recognised on the Council's balance sheet.
- **Associates** - The Council's joint boards are included within the group accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements in place.
- **Investment Properties** - All property, plant and equipment is used on the delivery of services or as part of the Council's strategy for economic regeneration.

### 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 or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the 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:

#### PROVISIONS

**Uncertainties:** The Authority has made a provision of £828,000 for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.

**Effect if actual results differ from assumptions:** An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £83,000 to the provision required.

#### PENSIONS LIABILITY

**Uncertainties:** 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.

**Effect if actual results differ from assumptions:** The following table shows the sensitivity of the results to the changes in the principal assumptions used to measure the scheme liabilities.

| Sensitivities at 31 March 2011            | Approx % increase to Employer Obligation | Approx monetary amount (£000) |
|---|--|-------------------------------|
| 0.5% decrease in Real Discount Rate       | 11%                                      | 64,246                        |
| 1 year increase in member life expectancy | 3%                                       | 18,945                        |
| 0.5% increase in the Salary Increase Rate | 3%                                       | 17,599                        |
| 0.5% increase in the Pension rate         | 7%                                       | 42,238                        |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 5. DIFFERENCES BETWEEN SORP 2009 AND IFRS CODE 2010

The 2010 Code is based on International Financial Reporting Standards (IFRS) and as a result the accounts from 1 April 2009 have been restated from the previous SORP 2009 accounts prepared under UK GAAP. The main accounting policies which have been changed are detailed in note 1 accounting policies and include employee benefits, capital grants and finance leases.

The differences are as follows:

|   | SORP Audited Accounts<br>£'000 | Leases<br>£'000 | Employee Benefits<br>£'000 | Capital Grants<br>£'000 | Reallocations<br>£'000 | IFRS Revised Comparatives<br>£'000 |
|---|--------------------------------|-----------------|----------------------------|-------------------------|------------------------|------------------------------------|
| <b>Balance Sheet at 1 April 2009</b>                          |                                |                 |                            |                         |                        |                                    |
| Property, Plant and Equipment - Other Land and Building       | 567,073                        | 1,138           | -                          | -                       | 9,550                  | 577,761                            |
| Property, Plant and Equipment - Investment Property           | 9,550                          | -               | -                          | -                       | (9,550)                | -                                  |
| Short Term Creditors  | (59,763)                       | 145             | (11,050)                   | -                       | 1,117                  | (69,551)                           |
| Provisions  | -                              | -               | -                          | -                       | (1,117)                | (1,117)                            |
| Long Term Creditors   | (21,816)                       | (517)           | -                          | -                       | -                      | (22,333)                           |
| Government Grants Deferred Account                            | (56,046)                       | -               | -                          | 56,046                  | -                      | -                                  |
| <b>TOTAL NET ASSETS</b>                                       | <b>948,762</b>                 | <b>766</b>      | <b>(11,050)</b>            | <b>56,046</b>           | <b>-</b>               | <b>994,524</b>                     |
| Financed By:  |                                |                 |                            |                         |                        |                                    |
| Capital Adjustment Account                                    | 930,519                        | 766             | -                          | 56,046                  | -                      | 987,331                            |
| Accumulated Absences Account                                  | -                              | -               | (11,050)                   | -                       | -                      | (11,050)                           |
| <b>TOTAL RESERVES</b>   | <b>948,762</b>                 | <b>766</b>      | <b>(11,050)</b>            | <b>56,046</b>           | <b>-</b>               | <b>994,524</b>                     |
| <b>Balance Sheet at 1 April 2010</b>                          |                                |                 |                            |                         |                        |                                    |
| Property, Plant and Equipment - Other Land and Building       | 706,567                        | 1,036           | -                          | -                       | 8,353                  | 715,956                            |
| Property, Plant and Equipment - Investment Property           | 8,353                          | -               | -                          | -                       | (8,353)                | -                                  |
| Short Term Creditors  | (58,247)                       | 139             | (10,236)                   | -                       | 1,418                  | (66,926)                           |
| Provisions  | -                              | -               | -                          | -                       | (1,418)                | (1,418)                            |
| Long Term Creditors   | (75,280)                       | (656)           | -                          | -                       | -                      | (75,936)                           |
| Government Grants Deferred Account                            | (77,477)                       | -               | -                          | 77,477                  | -                      | -                                  |
| <b>TOTAL NET ASSETS</b>                                       | <b>793,498</b>                 | <b>519</b>      | <b>(10,236)</b>            | <b>77,477</b>           | <b>-</b>               | <b>861,258</b>                     |
| Financed By:  |                                |                 |                            |                         |                        |                                    |
| Capital Adjustment Account                                    | 899,136                        | 519             | -                          | 77,477                  | (21,364)               | 955,768                            |
| Revaluation Reserve   | 54,142                         | -               | -                          | -                       | 21,364                 | 75,506                             |
| Accumulated Absences Account                                  | -                              | -               | (10,236)                   | -                       | -                      | (10,236)                           |
| <b>TOTAL RESERVES</b>   | <b>793,498</b>                 | <b>519</b>      | <b>(10,236)</b>            | <b>77,477</b>           | <b>-</b>               | <b>861,258</b>                     |
| <b>Comprehensive Income and Expenditure Statement 2009/10</b> |                                |                 |                            |                         |                        |                                    |
| Net Cost of Services  | 384,293                        | -               | (814)                      | 1,363                   | -                      | 384,842                            |
| Loss on disposal of fixed assets                              | 1,548                          | -               | -                          | -                       | (1,548)                | -                                  |
| Surplus on trading operations                                 | (1,265)                        | 407             | -                          | -                       | 858                    | -                                  |
| Other Operating Expenditure                                   | -                              | -               | -                          | -                       | 1,548                  | 1,548                              |
| Interest payable and similar charges                          | 21,299                         | (160)           | -                          | -                       | (21,139)               | -                                  |
| Interest and investment income                                | (4,084)                        | -               | -                          | -                       | 4,084                  | -                                  |
| Pensions interest cost and expected return on pensions assets | 6,745                          | -               | -                          | -                       | (6,745)                | -                                  |
| Finance and Investment Income and Expenditure                 | -                              | -               | -                          | -                       | 22,942                 | 22,942                             |
| Revenue Support Grant   | (227,773)                      | -               | -                          | -                       | 227,773                | -                                  |
| Distribution from Non-Domestic Rate Pool                      | (70,611)                       | -               | -                          | -                       | 70,611                 | -                                  |
| Council Tax Income  | (67,387)                       | -               | -                          | -                       | 67,387                 | -                                  |
| Taxation and Non-Specific Grant Income                        | -                              | -               | -                          | (22,794)                | (365,771)              | (388,565)                          |
| (Surplus) or Deficit on Provision of Services                 | <b>42,765</b>                  | <b>247</b>      | <b>(814)</b>               | <b>(21,431)</b>         | <b>-</b>               | <b>20,767</b>                      |
| Other Comprehensive Income and Expenditure                    | 112,499                        | -               | -                          | -                       | -                      | 112,499                            |
| <b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>             | <b>155,264</b>                 | <b>247</b>      | <b>(814)</b>               | <b>(21,431)</b>         | <b>-</b>               | <b>133,266</b>                     |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

| <b>6. MOVEMENT IN RESERVES<br/>STATEMENT - ADJUSTMENTS<br/>BETWEEN ACCOUNTING BASIS<br/>AND FUNDING BASIS UNDER<br/>REGULATIONS - 2009/10</b>                                   | <b>General<br/>Fund<br/>£'000</b> | <b>HRA<br/>£'000</b> | <b>Revenue<br/>Statutory<br/>Funds<br/>£'000</b> | <b>Capital<br/>Statutory<br/>Funds<br/>£'000</b> | <b>Total<br/>Usable<br/>Reserves<br/>£'000</b> | <b>Unusable<br/>Reserves<br/>£'000</b> | <b>Total<br/>Authority<br/>Reserves<br/>£'000</b> |
|---|-----------------------------------|----------------------|--|--|--|--|---|
| Depreciation and impairment of non-current assets   | 51,239                            | 22,563               | -  | -  | 73,802   | (73,802)                               | -   |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement   | (22,772)                          | (22)                 | -  | -  | (22,794)                                       | 22,794                                 | -   |
| Net loss (gain) on sale of non-current assets   | 1,460                             | 88                   | -  | -  | 1,548  | (1,548)                                | -   |
| 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        | 197                               | -                    | -  | -  | 197  | (197)                                  | -   |
| Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations | (426)                             | 338                  | -  | -  | (88)   | 88                                     | -   |
| Statutory provision for repayment of debt   | (9,106)                           | (1,741)              | -  | -  | (10,847)                                       | 10,847                                 | -   |
| Statutory charge for lifecycle capital (PFI)  | (150)                             | -                    | -  | -  | (150)  | 150                                    | -   |
| Capital expenditure charged to the General Fund and HRA   | (4,001)                           | (6,668)              | -  | -  | (10,669)                                       | 10,669                                 | -   |
| Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)  | (814)                             | -                    | -  | -  | (814)  | 814                                    | -   |
| Capital receipts transferred to the Capital Fund  | -                                 | -                    | -  | 1,696  | 1,696  | (1,696)                                | -   |
|   | 15,627                            | 14,558               | -  | 1,696  | 31,881   | (31,881)                               | -   |
| <b>ADJUSTMENTS BETWEEN<br/>ACCOUNTING BASIS AND<br/>FUNDING BASIS UNDER<br/>REGULATIONS - 2010/11</b>   | <b>General<br/>Fund<br/>£'000</b> | <b>HRA<br/>£'000</b> | <b>Revenue<br/>Statutory<br/>Funds<br/>£'000</b> | <b>Capital<br/>Statutory<br/>Funds<br/>£'000</b> | <b>Total<br/>Usable<br/>Reserves<br/>£'000</b> | <b>Unusable<br/>Reserves<br/>£'000</b> | <b>Total<br/>Authority<br/>Reserves<br/>£'000</b> |
| Depreciation and impairment of non-current assets   | 63,958                            | 160,232              | -  | -  | 224,190  | (224,190)                              | -   |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement   | (12,442)                          | -                    | -  | -  | (12,442)                                       | 12,442                                 | -   |
| Net loss (gain) on sale of non-current assets   | 6,255                             | 2,961                | -  | -  | 9,216  | (9,216)                                | -   |
| 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        | (16)                              | -                    | -  | -  | (16)   | 16                                     | -   |
| Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations | (64,797)                          | (2,134)              | -  | -  | (66,931)                                       | 66,931                                 | -   |
| Statutory provision for repayment of debt   | (7,358)                           | (2,093)              | -  | -  | (9,451)  | 9,451                                  | -   |
| Statutory charge for lifecycle capital (PFI)  | (89)                              | -                    | -  | -  | (89)   | 89                                     | -   |
| Capital expenditure charged to the General Fund and HRA   | (2,388)                           | (8,165)              | -  | -  | (10,553)                                       | 10,553                                 | -   |
| Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)  | 115                               | -                    | -  | -  | 115  | (115)                                  | -   |
| Capital receipts transferred to the Capital Fund  | -                                 | -                    | -  | 383  | 383  | (383)                                  | -   |
|   | (16,762)                          | 150,801              | -  | 383  | 134,422  | (134,422)                              | -   |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

| 7. MOVEMENT IN RESERVES STATEMENT - OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2009/10                                 | General Fund<br>£'000         | HRA<br>£'000         | Revenue Statutory Funds<br>£'000         | Capital Statutory Funds<br>£'000         | Total Usable Reserves<br>£'000         | Unusable Reserves<br>£'000         | Total Authority Reserves<br>£'000         |
|--|-------------------------------|----------------------|--|--|--|------------------------------------|---|
| Repair Fund<br>- transfer to fund capital expenditure  | -                             | -                    | (80)                                     | -  | (80)                                   | -                                  | (80)                                      |
| Capital Fund<br>- transfer to fund capital expenditure   | -                             | -                    | -  | (77)                                     | (77)                                   | -                                  | (77)                                      |
| Revaluation Reserve<br>- unrealised gains on revaluation of fixed assets   | -                             | -                    | -  | -  | -                                      | 30,128                             | 30,128                                    |
| Available-for-sale Financial Instruments Reserve<br>- loss arising on revaluation of available-for-sale financial assets | -                             | -                    | -  | -  | -                                      | (120)                              | (120)                                     |
| Pension Reserve<br>- actuarial losses on pension assets and liabilities  | -                             | -                    | -  | -  | -                                      | (142,350)                          | (142,350)                                 |
|  | -                             | -                    | (80)                                     | (77)                                     | (157)                                  | (112,342)                          | (112,499)                                 |
| <b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE - 2010/11</b>  | <b>General Fund<br/>£'000</b> | <b>HRA<br/>£'000</b> | <b>Revenue Statutory Funds<br/>£'000</b> | <b>Capital Statutory Funds<br/>£'000</b> | <b>Total Usable Reserves<br/>£'000</b> | <b>Unusable Reserves<br/>£'000</b> | <b>Total Authority Reserves<br/>£'000</b> |
| Revaluation Reserve<br>- unrealised gains on revaluation of fixed assets   | -                             | -                    | -  | -  | -                                      | 25,104                             | 25,104                                    |
| Available-for-sale Financial Instruments Reserve<br>- gain arising on revaluation of available-for-sale financial assets | -                             | -                    | -  | -  | -                                      | 139                                | 139                                       |
| Pension Reserve<br>- actuarial losses on pension assets and liabilities  | -                             | -                    | -  | -  | -                                      | 41,282                             | 41,282                                    |
|  | -                             | -                    | -  | -  | -                                      | 66,525                             | 66,525                                    |
| <b>8. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2009/10</b>                     | <b>General Fund<br/>£'000</b> | <b>HRA<br/>£'000</b> | <b>Revenue Statutory Funds<br/>£'000</b> | <b>Capital Statutory Funds<br/>£'000</b> | <b>Total Usable Reserves<br/>£'000</b> | <b>Unusable Reserves<br/>£'000</b> | <b>Total Authority Reserves<br/>£'000</b> |
| Transfer to / (from) Insurance Fund  | 158                           | -                    | (158)                                    | -  | -                                      | -                                  | -   |
| Transfer to / (from) Repair and Renewals Fund  | (48)                          | -                    | 48                                       | -  | -                                      | -                                  | -   |
| Transfer to / (from) Capital Fund / Capital Receipts Reserve   | (3,982)                       | -                    | -  | 3,982                                    | -                                      | -                                  | -   |
|  | <b>(3,872)</b>                | -                    | <b>(110)</b>                             | <b>3,982</b>                             | -                                      | -                                  | -   |
| <b>TRANSFERS TO OR FROM OTHER STATUTORY RESERVES - 2010/11</b>   |                               |                      |  |  |  |                                    |   |
| Transfer to / (from) Insurance Fund / Capital Receipts Reserve   | 1,402                         | -                    | (1,402)                                  | -  | -                                      | -                                  | -   |
| Transfer to / (from) Repair and Renewals Fund  | (1)                           | -                    | 1  | -  | -                                      | -                                  | -   |
| Transfer to / (from) Capital Fund / Capital Receipts Reserve   | (1,324)                       | -                    | -  | 1,324                                    | -                                      | -                                  | -   |
|  | <b>77</b>                     | -                    | <b>(1,401)</b>                           | <b>1,324</b>                             | -                                      | -                                  | -   |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

| <b>9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT<br/>- EXCEPTIONAL ITEMS</b>  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b>              |
|---|--------------------------|---------------------------------------|
| Accelerated depreciation of two schools demolished in 2009/10   | -                        | 4,280                                 |
| Fleming Claim - VAT Refund  | -                        | (1,072)                               |
| Staffing Change Fund Voluntary Severance  | 9,776                    | -                                     |
|   | <b>9,776</b>             | <b>3,208</b>                          |
| <p>The Council received a VAT windfall refund of £1.072 million arising from claims to HMRC under Fleming case law precedent, which allowed VAT claims reaching back as far as 1973 to be made in respect of local authority leisure activities in 2009/10.</p> <p>The Council allowed voluntary severance to the contracts of a number of employees in 2010/11 incurring costs of £9.776m. A contingent liability in respect of anticipated use of the voluntary severance scheme in 2011/12 is detailed in Note 32.</p> <p>Of this total £3.286m was payable to Lothian Pension Fund in the form of strain on the Fund and lump sum costs. The remaining £6.490m was payable to 332 staff who received a voluntary severance payment as part of the Council's Contingency Strategy put in place to achieve budget reductions.</p> |                          |                                       |
| <b>10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT<br/>- OTHER OPERATING EXPENDITURE</b>   | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
| Loss on disposal of non current assets  | 9,216                    | 1,548                                 |
|   | <b>9,216</b>             | <b>1,548</b>                          |
| <b>11. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT<br/>- FINANCING AND INVESTMENT INCOME AND EXPENDITURE</b>   | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
| Interest payable and similar charges  | 25,230                   | 21,139                                |
| Pensions interest cost and expected return on pensions assets   | 1,244                    | 6,745                                 |
| Interest receivable and similar income  | (3,186)                  | (4,084)                               |
| (Surplus) / Deficit on trading operations   | 9,631                    | (858)                                 |
|   | <b>32,919</b>            | <b>22,942</b>                         |
| <b>12. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT<br/>- TAXATION AND NON-SPECIFIC GRANT INCOME</b>  | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
| Council tax income  | 67,999                   | 67,387                                |
| Non domestic rates distribution   | 67,830                   | 70,611                                |
| Non ring-fenced government grants   | 239,416                  | 227,773                               |
| Capital grants and contributions  | 12,442                   | 22,794                                |
|   | <b>387,687</b>           | <b>388,565</b>                        |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 13. PROPERTY, PLANT AND EQUIPMENT

## 13.1 Movements in 2009/10

|  | Council Dwellings<br>£'000 | Other Land and Buildings<br>£'000  | Vehicles, Plant, Furniture and Equipment<br>£'000 | Infrastructure Assets<br>£'000               |
|--|----------------------------|------------------------------------|---|--|
| <b>Cost or Valuation</b>   |                            |                                    |   |  |
| <b>At 1 April 2009</b>   | <b>609,318</b>             | <b>661,383</b>                     | <b>40,633</b>                                     | <b>155,537</b>                               |
| Additions  | 27,819                     | 90,252                             | 8,565   | 13,358                                       |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 2,309                      | 5,032                              | -   | -  |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | -                          | (15,114)                           | -   | -  |
| Derecognition - disposals  | (3,330)                    | (2,303)                            | (1,448)   | -  |
| Other movements in cost or valuation   | 1,785                      | 53,591                             | 261   | -  |
| <b>At 31 March 2010</b>  | <b>637,901</b>             | <b>792,841</b>                     | <b>48,011</b>                                     | <b>168,895</b>                               |
| <b>Accumulated Depreciation and Impairment</b>   |                            |                                    |   |  |
| <b>At 1 April 2009</b>   | <b>81,206</b>              | <b>83,622</b>                      | <b>28,714</b>                                     | <b>12,496</b>                                |
| Depreciation charge  | 19,411                     | 27,458                             | 3,999   | 4,017  |
| Depreciation written out to the Revaluation Reserve  | -                          | -                                  | -   | -  |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                     | -                          | (16,124)                           | -   | -  |
| Derecognition - disposals  | (452)                      | (153)                              | (1,347)   | -  |
| Other movements in depreciation and impairment   | -                          | (17,918)                           | -   | -  |
| <b>At 31 March 2010</b>  | <b>100,165</b>             | <b>76,885</b>                      | <b>31,366</b>                                     | <b>16,513</b>                                |
| <b>Net Book Value</b>  |                            |                                    |   |  |
| <b>At 31 March 2010</b>  | <b>537,736</b>             | <b>715,956</b>                     | <b>16,645</b>                                     | <b>152,382</b>                               |
| <b>At 31 March 2009</b>  | <b>528,112</b>             | <b>577,761</b>                     | <b>11,919</b>                                     | <b>143,041</b>                               |
|  | Community Assets<br>£'000  | Assets Under Construction<br>£'000 | Surplus Assets<br>£'000                           | Total Property, Plant and Equipment<br>£'000 |
| <b>Cost or Valuation</b>   |                            |                                    |   |  |
| <b>At 1 April 2009</b>   | <b>1,624</b>               | <b>85,215</b>                      | <b>53,065</b>                                     | <b>1,606,775</b>                             |
| Additions  | -                          | 24,375                             | -   | 164,369                                      |
| Revaluation increase / (decreases) recognised in the Revaluation Reserve                           | -                          | -                                  | 1,422   | 8,763  |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | -                          | -                                  | (3,802)   | (18,916)                                     |
| Derecognition - disposals  | -                          | -                                  | -   | (7,081)                                      |
| Other movements in cost or valuation   | -                          | (74,057)                           | 18,420  | -  |
| <b>At 31 March 2010</b>  | <b>1,624</b>               | <b>35,533</b>                      | <b>69,105</b>                                     | <b>1,753,910</b>                             |
| <b>Accumulated Depreciation and Impairment</b>   |                            |                                    |   |  |
| <b>At 1 April 2009</b>   | -                          | -                                  | -   | <b>206,038</b>                               |
| Depreciation charge  | -                          | -                                  | -   | 54,885                                       |
| Depreciation written out to the Revaluation Reserve  | -                          | -                                  | -   | -  |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                     | -                          | -                                  | (5,241)   | (21,365)                                     |
| Derecognition - disposals  | -                          | -                                  | -   | (1,952)                                      |
| Other movements in depreciation and impairment   | -                          | -                                  | 17,918  | -  |
| <b>At 31 March 2010</b>  | -                          | -                                  | <b>12,677</b>                                     | <b>237,606</b>                               |
| <b>Net Book Value</b>  |                            |                                    |   |  |
| <b>At 31 March 2010</b>  | <b>1,624</b>               | <b>35,533</b>                      | <b>56,428</b>                                     | <b>1,516,304</b>                             |
| <b>At 31 March 2009</b>  | <b>1,624</b>               | <b>85,215</b>                      | <b>53,065</b>                                     | <b>1,400,737</b>                             |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

| 13.1 Movements in 2010/11  | Council Dwellings<br>£'000        | Other Land and Buildings<br>£'000          | Vehicles, Plant, Furniture and Equipment<br>£'000 | Infrastructure Assets<br>£'000                       |
|--|-----------------------------------|--|---|--|
| <b>Cost or Valuation</b>   |                                   |  |   |  |
| <b>At 1 April 2010</b>   | <b>637,901</b>                    | <b>792,841</b>                             | <b>48,011</b>                                     | <b>168,895</b>                                       |
| Additions  | 19,912                            | 26,422                                     | 4,762   | 14,922   |
| Revaluation increase / (decreases) recognised in the Revaluation Reserve                           | -                                 | (12,276)                                   | -   | -  |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (242,979)                         | (36,212)                                   | -   | -  |
| Derecognition - disposals  | (6,895)                           | (505)                                      | (20,268)  | -  |
| Other movements in cost or valuation   | 5,787                             | 52,108                                     | -   | 4,573  |
| <b>At 31 March 2011</b>  | <b>413,726</b>                    | <b>822,378</b>                             | <b>32,505</b>                                     | <b>188,390</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>   |                                   |  |   |  |
| <b>At 1 April 2010</b>   | <b>100,165</b>                    | <b>76,885</b>                              | <b>31,366</b>                                     | <b>16,513</b>  |
| Depreciation charge  | 15,737                            | 22,363                                     | 5,126   | 4,367  |
| Depreciation written out to the Revaluation Reserve  | -                                 | (19,702)                                   | -   | -  |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                     | (100,151)                         | (15,749)                                   | -   | -  |
| Derecognition - disposals  | (587)                             | (71)                                       | (20,268)  | -  |
| Other movements in depreciation and impairment   | -                                 | 12,549                                     | -   | -  |
| <b>At 31 March 2011</b>  | <b>15,164</b>                     | <b>76,275</b>                              | <b>16,224</b>                                     | <b>20,880</b>  |
| <b>Net Book Value</b>  |                                   |  |   |  |
| <b>At 31 March 2011</b>  | <b>398,562</b>                    | <b>746,103</b>                             | <b>16,281</b>                                     | <b>167,510</b>                                       |
| <b>At 31 March 2010</b>  | <b>537,736</b>                    | <b>715,956</b>                             | <b>16,645</b>                                     | <b>152,382</b>                                       |
|  | <b>Community Assets<br/>£'000</b> | <b>Assets Under Construction<br/>£'000</b> | <b>Surplus Assets<br/>£'000</b>                   | <b>Total Property, Plant and Equipment<br/>£'000</b> |
| <b>Cost or Valuation</b>   |                                   |  |   |  |
| <b>At 1 April 2010</b>   | <b>1,624</b>                      | <b>35,533</b>                              | <b>69,105</b>                                     | <b>1,753,910</b>                                     |
| Additions  | -                                 | 8,308                                      | -   | 74,326   |
| Revaluation increase / (decreases) recognised in the Revaluation Reserve                           | -                                 | -  | 8,976   | (3,300)  |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the provision of Services | (7,413)                           | -  | (6,021)   | (292,625)  |
| Derecognition - disposals  | -                                 | -  | (10,695)  | (38,363)   |
| Other movements in cost or valuation   | 7,413                             | (33,345)                                   | (29,690)  | 6,846  |
| <b>At 31 March 2011</b>  | <b>1,624</b>                      | <b>10,496</b>                              | <b>31,675</b>                                     | <b>1,500,794</b>                                     |
| <b>Accumulated Depreciation and Impairment</b>   |                                   |  |   |  |
| <b>At 1 April 2010</b>   | -                                 | -  | <b>12,677</b>                                     | <b>237,606</b>                                       |
| Depreciation charge  | -                                 | -  | -   | 47,593   |
| Depreciation written out to the Revaluation Reserve  | -                                 | -  | -   | (19,702)   |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                     | -                                 | -  | (128)   | (116,028)  |
| Derecognition - disposals  | -                                 | -  | -   | (20,926)   |
| Other movements in depreciation and impairment   | -                                 | -  | (12,549)  | -  |
| <b>At 31 March 2011</b>  | -                                 | -  | -   | <b>128,543</b>                                       |
| <b>Net Book Value</b>  |                                   |  |   |  |
| <b>At 31 March 2011</b>  | <b>1,624</b>                      | <b>10,496</b>                              | <b>31,675</b>                                     | <b>1,372,251</b>                                     |
| <b>At 31 March 2010</b>  | <b>1,624</b>                      | <b>35,533</b>                              | <b>56,428</b>                                     | <b>1,516,304</b>                                     |

**NOTE:** During 2010/11 £33.3m of Assets under Construction were reclassified as operational and are now included in Other Land and Buildings.

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 13.2 Information on assets held

Property, plant and equipment assets owned by the Council include the following:-

|                              | Numbers<br>as at<br>31 March<br>2011 | Numbers<br>as at<br>31 March<br>2010 |                                     | Numbers<br>as at<br>31 March<br>2011 | Numbers<br>as at<br>31 March<br>2010 |
|------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| <b>Council Dwellings</b>     | <b>12,923</b>                        | <b>12,895</b>                        |                                     |                                      |                                      |
| <b>Operational Buildings</b> |                                      |                                      | <b>Operational Buildings (Cont)</b> |                                      |                                      |
| Cemetery Buildings           | 15                                   | 15                                   | Offices                             | 33                                   | 32                                   |
| Cinema and Theatres          | 2                                    | 2                                    | Old Peoples Homes                   | 3                                    | 3                                    |
| Clubhouses                   | 14                                   | 14                                   | Pavilions                           | 51                                   | 51                                   |
| Community Centres            | 44                                   | 43                                   | Public Conveniences                 | 6                                    | 6                                    |
| Day Centres                  | 19                                   | 14                                   | Restaurants                         | 4                                    | 4                                    |
| Depots                       | 18                                   | 18                                   | Schools                             | 81                                   | 83                                   |
| Hostels                      | 10                                   | 13                                   | Shops                               | 103                                  | 101                                  |
| Industrial/Factory Premises  | 189                                  | 189                                  | Small Business Units                | 74                                   | 75                                   |
| Libraries                    | 10                                   | 11                                   | Sports Centres                      | 5                                    | 5                                    |
| Lock Up Garages              | 158                                  | 158                                  | Stores                              | 32                                   | 32                                   |
| Museum, Visitor Centres      | 6                                    | 6                                    | Swimming Pools                      | 5                                    | 5                                    |
| Muster Rooms                 | 1                                    | 1                                    | Travelling Peoples Site             | 1                                    | 1                                    |
| Non Stock Houses             | 36                                   | 37                                   | Village Halls                       | 15                                   | 15                                   |
| OAP Pavilions                | 3                                    | 3                                    |                                     |                                      |                                      |
| <b>Operational Equipment</b> |                                      |                                      |                                     |                                      |                                      |
| Vehicles/Trailers            | 89                                   | 104                                  |                                     |                                      |                                      |
| <b>Community Assets</b>      |                                      |                                      |                                     |                                      |                                      |
| Open Spaces                  | 147                                  | 148                                  |                                     |                                      |                                      |
| Children's Play Areas        | 142                                  | 142                                  |                                     |                                      |                                      |

Surplus Assets comprises mainly development land which will be sold on a phased basis over the coming years and the proceeds will be used to help fund the Council's capital programme over that period.

## 13.3 Property, Plant and Equipment - PPP Schools

The value of assets held under two PPP contracts are as follows:-

|                               | 2010/11<br>£'000 | 2009/10<br>£'000 |
|-------------------------------|------------------|------------------|
| Value as at 1 April           | 116,111          | 59,371           |
| Additions                     | 4,526            | 56,740           |
| Revaluations                  | -                | -                |
| Value as at 31 March          | <b>120,637</b>   | <b>116,111</b>   |
| <b>Aggregate Depreciation</b> |                  |                  |
| Value as at 1 April           | 1,791            | -                |
| Charge for year               | 2,275            | 1,791            |
| Revaluations                  | -                | -                |
| Value as at 31 March          | <b>4,066</b>     | <b>1,791</b>     |
| <b>Net Book Value</b>         |                  |                  |
| As at 31 March                | <b>116,571</b>   | <b>114,320</b>   |

## 13.4 Financial Liabilities - PPP Schools

The value of financial liabilities resulting from two PPP contracts are as follows:-

|                      | 2010/11<br>£'000 | 2009/10<br>£'000 |
|----------------------|------------------|------------------|
| As at 1 April        | <b>75,544</b>    | <b>20,097</b>    |
| Additions            | 4,437            | 56,590           |
| Principal repayments | (2,020)          | (1,143)          |
| As at 31 March       | <b>77,961</b>    | <b>75,544</b>    |
| <b>Split</b>         |                  |                  |
| Short term Creditors | 2,352            | <b>2,020</b>     |
| Long term Creditors  | 75,609           | <b>73,524</b>    |
|                      | <b>77,961</b>    | <b>75,544</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 13.5 Sources of Finance for Capital Expenditure Additions in year

|                                       | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---------------------------------------|------------------|------------------|
| Capital receipts from asset sales     | 4,185            | 1,886            |
| Capital financed from current revenue | 10,553           | 10,847           |
| Capital grants received               | 9,103            | 13,933           |
| Other capital contributions received  | 3,269            | 8,677            |
| Borrowing from loans fund             | 39,881           | 72,408           |
|                                       | <b>66,991</b>    | <b>107,751</b>   |

## 13.6 Fixed Asset Valuation

For assets included in the balance sheet at current value the undernoted valuation details apply:-

| Date of Valuation               | Council Dwellings<br>£'000 | Other Land & Buildings<br>£'000 | Surplus Assets<br>£'000 | Total<br>£'000 |
|---------------------------------|----------------------------|---------------------------------|-------------------------|----------------|
| 1 April 2005                    | -                          | 42,292                          | -                       | 42,292         |
| 1 April 2006                    | 135,825                    | 346,246                         | -                       | 482,071        |
| 1 April 2007                    | -                          | 30,641                          | 10,299                  | 40,940         |
| 1 April 2008                    | -                          | 20,601                          | -                       | 20,601         |
| 1 April 2009                    | -                          | 67,565                          | 770                     | 68,335         |
| 1 April 2010                    | 385,787                    | 36,204                          | -                       | 421,991        |
| Net historical cost alterations | (107,886)                  | 278,829                         | 20,606                  | 191,549        |
| Gross Valuation                 | 413,726                    | 822,378                         | 31,675                  | 1,267,779      |

Valuations of the above categories of assets were undertaken over a five year rolling programme by Chartered Surveyors of the Council's Property Services Unit, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The housing stock valuation at 1 April 2010, was carried out by D.M. Hall LLP, an external firm of chartered surveyors and included all Council Housing Stock.

Properties regarded by the authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Plant and machinery for heating and lighting purposes is included in the valuation of the buildings, however items of specialised plant have been shown separately at depreciated historic cost.

Non operational assets have been valued on the basis of open market value.

For assets other than those valued at 1 April 2010 the authority considers that there is no permanent material change in value in 2010/11.

## 13.7 Depreciation

Assets other than land are being depreciated using the straight line method over their useful economic lives as follows:-

|                              |               |
|------------------------------|---------------|
| Council Dwellings            | 50 Years      |
| Council Dwellings (fixtures) | 27 Years      |
| Operational Buildings        | 20 - 50 Years |
| Plant and Equipment          | 10 - 25 Years |
| Motor Vehicles               | 4 - 10 Years  |
| Fixtures and Fittings        | 3 - 10 Years  |
| Infrastructure               | 40 Years      |

No depreciation is charged on Community Assets.

The total depreciation charge for 2010/11 (2009/10) was £47.593m (£54.885m restated for IFRS).

## 13.8 Capital Commitments

At 31 March 2011 the Council has commitments on capital contracts of £44.3m (£1.4m 2009/10) for the Housing Programme and £1.3m (£15.9m 2009/10) for the Composite Programme.

The increase in the commitment for the Housing Programme is a result of the contract being let for phase 2 of the new council house build programme. The reduction for the Composite Programme is a consequence of the large capital investment projects, such as secondary school refurbishments, now being complete.

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 13.9 Finance Leases

Included within the analysis of fixed assets in 13.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in 13.3 :-

|  |                             | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|--|-----------------------------|------------------|------------------------------|
| Operational Buildings  | - Gross Cost                | 2,388            | 4,382                        |
|  | - Aggregate Depreciation    | 667              | 2,421                        |
|  | - Depreciation for the year | 240              | 240                          |
| Vehicles   | - Gross Cost                | 2,377            | 2,377                        |
|  | - Aggregate Depreciation    | 2,318            | 2,130                        |
|  | - Depreciation for the year | 189              | 359                          |
| Finance lease interest for the year  |                             | 32               | 185                          |
|  |                             | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
| The future obligations (net of finance charges) under these finance leases are:- |                             |                  |                              |
| 2011/12  | (2010/11)                   | 239              | 545                          |
| 2012/13 to 2015/16   | (2011/12 to 2014/15)        | 990              | 971                          |
| 2016/17 onwards  | (2015/16 onwards)           | 529              | 553                          |

## 14. FINANCIAL INSTRUMENTS

## 14.1 Types of Financial Instrument

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown in 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".

|   | Long-term                 |                           | Current                   |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March<br>2011<br>£'000 | 31 March<br>2010<br>£'000 | 31 March<br>2011<br>£'000 | 31 March<br>2010<br>£'000 |
| <b>Investments and Lending</b>                              |                           |                           |                           |                           |
| Loans and receivables                                       | -                         | -                         | 115,270                   | 94,315                    |
| Long term investments                                       | 17,664                    | 25                        | -                         | -                         |
| Unquoted equity investment at cost                          | -                         | -                         | -                         | -                         |
|   | <b>17,664</b>             | <b>25</b>                 | <b>115,270</b>            | <b>94,315</b>             |
| <b>Borrowing</b>  |                           |                           |                           |                           |
| Financial liabilities at amortised cost                     | 426,163                   | 399,624                   | 35,555                    | 6,353                     |
| Financial liabilities at fair value through profit and loss | -                         | -                         | -                         | -                         |
|   | <b>426,163</b>            | <b>399,624</b>            | <b>35,555</b>             | <b>6,353</b>              |

## 14.2 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- Interest rates at 31 March 2011 for PWLB vary from 0.78% to 10.63% depending on the maturity profile of the loans and for other loans market loans (LOBO's) from 3.75% to 4.85% again based on the maturity profile of the loans.
- No early repayments or impairment are recognised.
- Where an instrument will mature in the next 12 months, 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               |                     |
|------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
|                              | Carrying<br>Amount<br>£'000 | Fair Value<br>£'000 | Carrying<br>Amount<br>£'000 | Fair Value<br>£'000 |
| <b>Lending</b>               |                             |                     |                             |                     |
| Loans and receivables - Cash | 32,770                      | 32,859              | 39,315                      | 35,315              |
| - Fixed Term Deposits        | 100,000                     | 101,337             | 55,000                      | 59,569              |
|                              | <b>132,770</b>              | <b>134,196</b>      | <b>94,315</b>               | <b>94,884</b>       |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

The fair value is more than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at 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. The fair value amount also includes accrued interest receivable on the loans of £1.104 million.

|                                  | 31 March 2011            |                     | 31 March 2010            |                     |
|----------------------------------|--------------------------|---------------------|--------------------------|---------------------|
|                                  | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| <b>Borrowing</b>                 |                          |                     |                          |                     |
| Financial liabilities - PWLB     | 397,297                  | 421,655             | 338,796                  | 385,568             |
| - LOBO's and Temporary borrowing | 64,421                   | 74,526              | 67,181                   | 79,033              |
|                                  | <b>461,718</b>           | <b>496,181</b>      | <b>405,977</b>           | <b>464,601</b>      |

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

### 14.3 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.

#### 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<br>31 March 2011<br>£'000 | Historical experience of non-<br>payment adjusted for market<br>conditions at<br>31 March 2011<br>% | Estimated maximum<br>exposure to default and<br>uncollectability<br>£'000 |
|--|-------------------------------------|---|---|
| Deposits with banks and building societies | 132,770                             | 0%  | 0   |
| Customers (council tax and other income)   | 43,622                              | 2.25%   | 981   |

The Council does not generally allow credit for customers, however, £37.9 million of the £43.6 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                        | £'000         |
|------------------------|---------------|
| Less than three months | 860           |
| Three to six months    | 455           |
| Six months to one year | 4,684         |
| More than one year     | 31,903        |
|                        | <b>37,902</b> |

The Council has provided £31,108,000 against possible bad debts at 31 March 2011.

#### Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of possible uncertainty over interest rates. The Council's policy is to ensure that not more than 15% of loans are due to mature within any financial year 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<br>£'000 | 31 March 2010<br>£'000 |
|----------------------------|------------------------|------------------------|
| Less than one year         | 35,555                 | 6,353                  |
| Between one and two years  | 20,026                 | 24,526                 |
| Between two and five years | 79,016                 | 70,042                 |
| More than five years       | 327,121                | 305,056                |
|                            | <b>461,718</b>         | <b>405,977</b>         |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

**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. An increase in interest rates would also mean an increase in the income received on lending at variable rates.

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 the 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 35% of total borrowing. At 31 March 2011 0.22% of total debt was subject to variable rates.
- 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 daily advice from its specialist treasury adviser and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

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 for the financial year 2010/11, with all other variables held constant.

**Impact on tax-payer and rent-payers**

Increase in interest payable on variable rate borrowings

**£'000**

10

Increase in interest receivable on variable rate lending

(4,551)

**Net effect on Income and Expenditure Account****(4,541)**

Housing Revenue Account's Share

**(926)****Price Risk**

The authority has no investments in equity shares and is consequently not exposed to losses arising from movements in the price of shares.

**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.

**15. LONG TERM DEBTORS****Loan Advances**

|                            | Balance at<br>1 April 2010<br>£'000 | Expend.<br>£'000 | Repayments<br>£'000 | Balance at<br>31 March 2011<br>£'000 |
|----------------------------|-------------------------------------|------------------|---------------------|--------------------------------------|
| Former Council Houses      | 4                                   | -                | (2)                 | 2                                    |
| Small Business Loans       | 15                                  | 12               | (7)                 | 20                                   |
| Sale of West Lothian House | -                                   | 2,700            | (300)               | 2,400                                |
|                            | <b>19</b>                           | <b>2,712</b>     | <b>(309)</b>        | <b>2,422</b>                         |

Soft Loans are defined as those where concessions are offered to borrowers such as long repayment terms, below-market rate of interest etc. The two schemes detailed in the note above, Former Council Houses and Small Business Loans, are categorised as soft loans.

**16. INVENTORIES**

Building Maintenance

**2010/11  
£'000****Restated  
2009/10  
£'000**

315

261

Transport

122

132

Printing

7

5

Canteens

94

98

Roads and Grounds Maintenance

589

273

Countryside Deer / Highland Cows

44

28

**1,171****797****17. SHORT TERM DEBTORS**

Central Government Bodies

**2010/11  
£'000****Restated  
2009/10  
£'000**

5,786

6,479

Other Local Authorities

325

170

NHS Bodies

543

1,288

Public Corporations and Trading Funds

7

12

Other Entities and Individuals

18,810

17,339

**25,471****25,288**

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

| <b>18. SHORT TERM CREDITORS</b>       | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
|---------------------------------------|--------------------------|---------------------------------------|
| Central Government Bodies             | 8,960                    | 7,830                                 |
| Other Local Authorities               | 4,855                    | 2,677                                 |
| NHS Bodies                            | 452                      | 10                                    |
| Public Corporations and Trading Funds | 894                      | -                                     |
| Other Entities and Individuals        | 58,277                   | 56,409                                |
|                                       | <b>73,438</b>            | <b>66,926</b>                         |

| <b>19. PROVISIONS</b>                   | <b>Balance at<br/>31 Mar 2010<br/>£'000</b> | <b>Provision<br/>in Year<br/>£'000</b> | <b>Payments<br/>in year<br/>£'000</b> | <b>Balance at<br/>31 Mar 2011<br/>£'000</b> |
|---|---|--|---------------------------------------|---|
| Included are the following provisions:- |   |  |                                       |   |
| Equal pay settlements                   | 858   | -                                      | 30                                    | 828   |
| Teachers maternity pay                  | 560   | -                                      | 540                                   | 20  |
|   | <b>1,418</b>                                | <b>-</b>                               | <b>570</b>                            | <b>848</b>                                  |

It is anticipated that further equal pay settlements will be made in 2011/12 and charged to the provision.

As a result of a recent European Court ruling teachers on maternity leave are now entitled to additional paid holiday leave. The ruling is effective from 1 October 2008 and the provision covers the remaining costs still to be incurred for 2008/09 and 2009/10.

**20. LONG TERM CREDITORS****Covenant**

This relates to the Council's indebtedness to a financial institution for capital expenditure incurred under one Covenant Agreement. The movements for the year were:-

|   | <b>Sum<br/>Outstanding<br/>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
|---|--|---------------------------------------|
| Covenant  | -  | 70                                    |
| <b>Less:</b>  |  |                                       |
| Amounts repayable within one year included in current liabilities | -  | (70)                                  |
| Finance Leases - outstanding principal                            | 1,519  | 1,884                                 |
| Open Space Agreements   | 507  | 528                                   |
| Building Services Retentions                                      | 108  | -                                     |
|   | <b>2,134</b>                                     | <b>2,412</b>                          |
| <b>OTHER LONG TERM LIABILITIES</b>                                |  |                                       |
| PPP1 Schools  | 17,853   | 18,844                                |
| PPP3 Schools  | 57,756   | 54,680                                |
|   | <b>75,609</b>                                    | <b>73,524</b>                         |

**21. PENSIONS****21.1 Pension Costs****Teachers**

In 2010/11 (2009/10) the Council paid an employer's contribution of £10,606,170 (£10,513,043) at the prescribed rate of 14.9% (14.9%) of pensionable pay to the Scottish Government in respect of teachers' pension costs. An actuarial valuation was carried out at 31 March 2005. In addition, the Council is responsible for all pension payments relating to added years together with related increases. In 2010/11 (2009/10) these amounted to £453,504 (£464,490) representing 0.6% (0.6%) of pensionable pay.

**Local Government Superannuation (Scotland) Scheme**

The Lothian Pension Fund provides members with defined benefits related to pay and service. The amounts charged to revenue under IAS 19 are as follows:-

|  | <b>2010/11</b>  |                     | <b>2009/10</b> |                     |
|--|-----------------|---------------------|----------------|---------------------|
|  | <b>£'000</b>    | <b>% of Payroll</b> | <b>£'000</b>   | <b>% of Payroll</b> |
| <b>Net Cost of Services</b>                            |                 |                     |                |                     |
| Current Service Cost                                   | 23,049          | 22.7%               | 11,057         | 11.3%               |
| Past Service Costs                                     | (69,318)        | (68.2%)             | 2,941          | 3.0%                |
| Curtailments and Settlements                           | 960             | 0.9%                | 67             | 0.1%                |
| <b>Financing and Investment Income and Expenditure</b> |                 |                     |                |                     |
| Expected Return on Employer Assets                     | (35,062)        | (34.5%)             | (23,125)       | (23.7%)             |
| Interest on Pension Scheme Liabilities                 | 36,306          | 35.7%               | 29,870         | 30.6%               |
|  | <b>(44,065)</b> | <b>(43.4%)</b>      | <b>20,810</b>  | <b>21.3%</b>        |

The amount charged to taxation for the Lothian Pension Fund Scheme in 2010/11 (2009/10) was £22,009,567 (£21,001,063).

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 21.2 Pension Assets and Liabilities

In accordance with IAS 19 the Council is required to disclose information on defined benefit pension schemes. As explained in Statement 8 Note 1 on the Accounting Policies the Council participates in two formal schemes, the Local Government Superannuation Scheme (which is administered by the City of Edinburgh Council as the Lothian Pension Fund) and the Teachers' Scheme. HM Treasury is responsible for the Teachers Scheme which is treated under IAS 19 as a defined contribution scheme, as it does not allow the identification of liabilities consistently and reliably between participant authorities. The following information relates to the Lothian Pension Fund. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

The Council's share of pension assets and liabilities is as follows:-

|  | 31 March 2011<br>£'000 | 31 March 2010<br>£'000 |
|--|------------------------|------------------------|
| Share of assets in Lothian Pension Fund                          | 511,361                | 475,950                |
| Present Value of Share of Lothian Pension Fund liabilities       | (592,256)              | (668,794)              |
| Share of net liabilities in Lothian Pension Fund                 | (80,895)               | (192,844)              |
| Present value of unfunded liabilities for discretionary pensions | (39,232)               | (35,496)               |
| <b>Net pension liabilities and pension reserve</b>               | <b>(120,127)</b>       | <b>(228,340)</b>       |

Assets are valued at fair value, principally bid value for investments, and consist of:

|                    | Long Term Rate of Return at 31 March |               | Share of Fund at 31 March 2011 |                | Share of Fund at 31 March 2010 |                |
|--------------------|--------------------------------------|---------------|--------------------------------|----------------|--------------------------------|----------------|
|                    | 2011<br>% per                        | 2010<br>Annum | %                              | £'000          | %                              | £'000          |
| Equity investments | 7.5%                                 | 7.8%          | 79%                            | 403,975        | 79%                            | 376,000        |
| Bonds              | 4.9%                                 | 5.0%          | 8%                             | 40,909         | 8%                             | 38,076         |
| Property           | 5.5%                                 | 5.8%          | 10%                            | 51,136         | 9%                             | 42,836         |
| Cash               | 4.6%                                 | 4.8%          | 3%                             | 15,341         | 4%                             | 19,038         |
|                    |                                      |               | <b>100%</b>                    | <b>511,361</b> | <b>100%</b>                    | <b>475,950</b> |

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2008 and updated for the following years by Hymans Robertson, the independent actuaries to the Lothian Pension Fund. The main assumptions used in the calculations for both the Lothian Pension Fund and discretionary payments are:

|   | 31 March 2011 | 31 March 2010 |
|---|---------------|---------------|
| - rate of inflation/increase in pensions  | 2.8%          | 3.8%          |
| - rate of increase in salaries            | 5.1%          | 5.3%          |
| - expected return on assets               | 7.0%          | 7.3%          |
| - rate for discounting scheme liabilities | 5.5%          | 5.5%          |

**Mortality Assumptions**

Life expectancy is based on the PMA92 / PFA92 mortality tables published by the Institute of Actuaries. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

|                    | Males      | Females    |
|--------------------|------------|------------|
| Current Pensioners | 20.8 years | 24.1 years |
| Future Pensioners  | 22.3 years | 25.7 years |

The movement in the net pension liability for the year to 31 March is as follows:

|   | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---|------------------|------------------|
| <b>Net liability (asset) brought forward</b>        | <b>(228,340)</b> | <b>(86,078)</b>  |
| <b>Scheme Liabilities</b>                           |                  |                  |
| Opening balance at 1 April                          | (704,290)        | (432,201)        |
| Current service cost                                | (23,049)         | (10,646)         |
| Interest cost (unwinding of discount)               | (36,306)         | (29,870)         |
| Contributions by scheme participants                | (6,266)          | (6,153)          |
| Benefits paid                                       | 20,150           | 18,403           |
| Past service cost                                   | 69,318           | (2,941)          |
| Settlements and curtailments                        | (960)            | (67)             |
| Actuarial Gains / Losses                            | 49,915           | (240,815)        |
| <b>Closing balance of liabilities at 31 March</b>   | <b>(631,488)</b> | <b>(704,290)</b> |
| <b>Scheme Assets</b>                                |                  |                  |
| Opening balance at 1 April                          | 475,950          | 346,123          |
| Expected return on assets                           | 35,062           | 23,125           |
| Employer contributions                              | 22,866           | 20,898           |
| Contributions by scheme participants                | 6,266            | 6,153            |
| Benefits paid                                       | (20,150)         | (18,403)         |
| Actuarial Gains / Losses                            | (8,633)          | 98,054           |
| <b>Closing balance of scheme assets at 31 March</b> | <b>511,361</b>   | <b>475,950</b>   |
| <b>Net Funded Pension Balance</b>                   | <b>(120,127)</b> | <b>(228,340)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

The Chancellor of the Exchequer announced in his emergency budget on 22 June 2010 that the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) would be the basis for all future public sector pension increases.

The change in linking pension increase to CPI rather than RPI has given rise to an overall net pension credit in the Comprehensive Income and Expenditure Account.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS 19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes and have no impact on the employer's pension contribution rate.

The net pensions liability does not impact on the Council's available reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the authority by 15% (27% 2009/10).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2012, based on assumptions as at 31 March 2011:-

|                                | 31 March 2012 |              |
|--------------------------------|---------------|--------------|
|                                | £(000)        | % of pay     |
| Projected Current Service Cost | 17,309        | 17.8%        |
| Interest on Obligation         | 34,741        | 35.6%        |
| Expected Return on Plan Assets | (36,000)      | (36.9%)      |
|                                | <b>16,050</b> | <b>16.5%</b> |

The estimated Employer's contributions for the year to 31 March 2012 will be approximately £19,931,300.

## 21.3 History of Gains and Losses

|  | 2010/11<br>£'000 | 2009/10<br>£'000 | 2008/09<br>£'000 | 2007/08<br>£'000 | 2006/07<br>£'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Scheme History</b>                    |                  |                  |                  |                  |                  |
| Present value of obligation              | (631,488)        | (704,290)        | (432,201)        | (467,071)        | (522,106)        |
| Fair value of assets                     | 511,361          | 475,950          | 346,123          | 436,568          | 436,031          |
| <b>Surplus / (Deficit) in the scheme</b> | <b>(120,127)</b> | <b>(228,340)</b> | <b>(86,078)</b>  | <b>(30,503)</b>  | <b>(86,075)</b>  |

|  | 2010/11<br>% | 2009/10<br>% | 2008/09<br>% | 2007/08<br>% | 2006/07<br>% |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Scheme History</b>                      |              |              |              |              |              |
| Experience adjustments on plan liabilities | (2.5)        | (0.3)        | 6.0          | (0.3)        | 0.7          |
| Experience adjustments on plan assets      | (1.7)        | 20.6         | (37.1)       | (10.1)       | 0.6          |

## 22. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6, 7 and 8.

| 22.1 Revenue Statutory Funds                  | 2010/11<br>£'000 | 2009/10<br>£'000 |
|---|------------------|------------------|
| <b>Insurance Fund</b>                         |                  |                  |
| Balance at 1 April                            | 10,050           | 10,208           |
| Appropriation                                 | (1,402)          | (158)            |
| Balance at 31 March                           | <b>8,648</b>     | <b>10,050</b>    |
| <b>Infrastructure Repair and Renewal Fund</b> |                  |                  |
| Balance at 1 April                            | 64               | 96               |
| Transfer to Service                           | -                | (80)             |
| Appropriation                                 | 1                | 48               |
| Balance at 31 March                           | <b>65</b>        | <b>64</b>        |
| <b>Revenue Statutory Funds</b>                | <b>8,713</b>     | <b>10,114</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

|  | 2010/11<br>£'000         | 2009/10<br>£'000                      |
|--|--------------------------|---------------------------------------|
| <b>22.2 Capital Fund</b>   |                          |                                       |
| Balance at 1 April   | 58,850                   | 53,172                                |
| Transfer from Capital Adjustment Account   | 383                      | 1,696                                 |
| Appropriation  | 1,324                    | 3,982                                 |
| Balance at 31 March  | <b>60,557</b>            | <b>58,850</b>                         |
| <b>23. UNUSABLE RESERVES</b>   | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
| Revaluation Reserve  | 97,676                   | 75,506                                |
| Available for Sale Financial Instruments Reserve   | 139                      | -                                     |
| Capital Adjustment Account   | 757,448                  | 955,768                               |
| Financial Instruments Adjustment Account   | (11,460)                 | (11,476)                              |
| Pensions Reserve   | (120,127)                | (228,340)                             |
| Accumulated Absences Account   | (10,351)                 | (10,236)                              |
| <b>Total Unusable Reserves</b>   | <b>713,325</b>           | <b>781,222</b>                        |
| <b>23.1 Revaluation Reserve</b>  | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
| Balance at 1 April   | 75,506                   | 46,401                                |
| Unrealised gains on revaluation of fixed assets  | 25,104                   | 30,128                                |
| Less: Depreciation on revaluations   | (2,934)                  | (1,023)                               |
| Balance at 31 March  | <b>97,676</b>            | <b>75,506</b>                         |
| <p>The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales, and contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The revaluations are depreciated over the life of the revalued assets with the corresponding credit charged to the Capital Adjustment Account.</p>  |                          |                                       |
| <b>23.2 Available-for-Sale Financial Instruments Reserve</b>   | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b>              |
| Balance at 1 April   | -                        | 120                                   |
| Revaluation of long-term investments at fair value   | 139                      | (120)                                 |
| Balance at 31 March  | <b>139</b>               | <b>-</b>                              |
| <p>The Available-for-Sale Financial Instruments Reserve arises from the re-measurement of Available-for-Sale investments at fair value. The Council's investment in Lothian Buses has been revalued at £167,750, which is £138,750 more than the nominal value of the shares of £25,000.</p>   |                          |                                       |
| <b>23.3 Capital Adjustment Account</b>   | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
| Balance at 1 April   | 955,768                  | 987,331                               |
| Depreciation and impairment  | (224,190)                | (73,802)                              |
| Government grants written off  | 12,442                   | 22,794                                |
| Loans fund principal repayments  | 9,451                    | 10,847                                |
| Capital financed from current revenue (General Fund)   | 2,477                    | 4,151                                 |
| Capital financed from current revenue (HRA)  | 8,165                    | 6,668                                 |
| Less on Sale of Assets   | (9,216)                  | (1,548)                               |
| Revaluation Reserve - Depreciation on revaluations   | 2,934                    | 1,023                                 |
| Transfer of Capital Receipts to Capital Fund   | (383)                    | (1,696)                               |
| Balance at 31 March  | <b>757,448</b>           | <b>955,768</b>                        |
| <p>The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 have been transferred into the Capital Adjustment Account. Revaluation gains up to 1 April 2007 have been accumulated in the Capital Adjustment Account. This account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.</p> |                          |                                       |

## NOTES TO THE FINANCIAL STATEMENTS

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|  |                          |                          |
|--|--------------------------|--------------------------|
| <b>23.4 Financial Instruments Adjustment Account</b>   | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| Balance at 1 April   | (11,476)                 | (11,279)                 |
| Appropriations (to) from Movements on Reserve Statement  | 16                       | (197)                    |
| Balance at 31 March  | <b>(11,460)</b>          | <b>(11,476)</b>          |
| <p>The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the Council's lending and borrowing. The balance at 31 March 2011 represents:</p>  |                          |                          |
|  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| Deferred Premiums less Discounts from Debt Rescheduling  | (8,717)                  | (8,796)                  |
| Market LOBO loans restated - balance sheet value   | (63,323)                 | (63,260)                 |
| - Deduct: actual loans outstanding   | 60,580                   | 60,580                   |
|  | <b>(11,460)</b>          | <b>(11,476)</b>          |
| <b>23.5 Pension Fund Reserve</b>   |                          |                          |
| <p>The pension reserve mirrors the net pensions liability detailed in 21.2. The movements in the year are summarised as follows:</p>   |                          |                          |
|  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| Balance at 1 April   | (228,340)                | (86,078)                 |
| Net surplus for year   | 66,931                   | 88                       |
| Actuarial Gains (Losses) in Pension Plan   | 41,282                   | (142,350)                |
| Balance at 31 March  | <b>(120,127)</b>         | <b>(228,340)</b>         |
| <b>23.6 Accumulated Absences Account</b>   | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| Balance at 1 April   | (10,236)                 | (11,050)                 |
| Annual leave and flexitime accrual - previous year   | 10,236                   | 11,050                   |
| Annual leave, maternity and flexitime accrual - current year   | (10,351)                 | (10,236)                 |
| Statutory adjustment for the year  | (115)                    | 814                      |
| Balance at 31 March  | <b>(10,351)</b>          | <b>(10,236)</b>          |
| <p>The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave, maternity and flexitime 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.</p> |                          |                          |
| <b>24. CASH FLOW STATEMENT - OPERATING ACTIVITIES</b>  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| <p>The following amounts are included in the net cash flows from Operating Activities:-</p>  |                          |                          |
| Interest paid  | 19,058                   | 14,157                   |
| Interest element of finance lease rental payments including PPP contracts  | 4,560                    | 3,720                    |
| Interest received  | (1,496)                  | (5,191)                  |
| <b>25. CASH FLOW STATEMENT - INVESTING ACTIVITIES</b>  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| Purchase of property, plant and equipment  | (71,436)                 | (108,904)                |
| Other payments for investing activities  | (11)                     | (10)                     |
| Proceeds from the sale of property, plant and equipment  | 3,947                    | 4,711                    |
| Net decrease (increase) in short term investments  | (45,000)                 | 25,500                   |
| Net cash flows from Investing Activities   | <b>(112,500)</b>         | <b>(78,703)</b>          |
| <b>26. CASH FLOW STATEMENT - FINANCING ACTIVITIES</b>  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
| Cash receipts of short and long term borrowing   | 71,000                   | 175,050                  |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts   | (528)                    | (2,658)                  |
| Repayments of short and long term borrowing  | (15,253)                 | (105,821)                |
| Other payments for financing activities  | (70)                     | (185)                    |
| Net cash flows from Financing Activities   | <b>55,149</b>            | <b>66,386</b>            |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

**27. CASH AND CASH EQUIVALENTS**

|  | 2010/11<br>£'000 | 2009/10<br>£'000 |
|--|------------------|------------------|
| Cash held by officers                  | 172              | 173              |
| Bank current accounts                  | 4,103            | 2,934            |
| Bank overnight investment accounts     | 4,770            | 35,315           |
| Short term deposits                    | 28,000           | 4,000            |
| <b>Total Cash and Cash Equivalents</b> | <b>37,045</b>    | <b>42,422</b>    |

**28. AGENCY SERVICES**

Agency agreements operate in certain services under which the Council undertakes work on behalf of another body for which it is reimbursed, or reimburses other bodies for undertaking work which is properly the function of the authority.

Expenditure/Income on agency agreements with other bodies is analysed as follows:-

**Expenditure**

|  | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|--|------------------|------------------------------|
| Local Bus Services                                 | 45               | 45                           |
| Residential Schools and other Social Work payments | 628              | 449                          |
| Special School Placements                          | 212              | 194                          |
| Other  | 903              | 1,010                        |
| Non Domestic Rates                                 | 69,017           | 68,915                       |
|  | <b>70,805</b>    | <b>70,613</b>                |

**Income**

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Scottish Water Collection Services | 445           | 432           |
| Social Work Services               | 1,423         | 912           |
| Local Bus Services                 | 177           | 143           |
| Special School Placements          | 240           | 179           |
| Other                              | 36            | 67            |
| Non Domestic Rates                 | 68,535        | 68,613        |
|                                    | <b>70,856</b> | <b>70,346</b> |

**29. WEST LOTHIAN COMMUNITY HEALTH AND CARE PARTNERSHIP (WLCHCP)**

This body was established in April 2005 in accordance with the National Health Service Reform (Scotland) Act 2004. WLCHCP manages a substantial range of West Lothian Council's social care services and NHS Lothian's community health services for the West Lothian community.

The aims of the Partnership are to:

- improve health and wellbeing
- provide safer care and development of children
- improve quality of life for older people
- reduce life inequalities
- maximise resources
- reduce bureaucracy
- strengthen service delivery

Of the Partnership's gross budget of £158.4 million (£154.7 million for 2009/10), West Lothian Council contributed £67.4 million (£66.1 million 2009/10). In 2010/11 the final outturn for Council services was £67.5 million, a £0.1 million overspend.

**30. TRADING OPERATIONS**

The Local Government in Scotland Act 2003 repealed the requirement to have separate DSO/DLO trading accounts and introduced a specific performance requirement for each significant trading operation to breakeven over a three year rolling basis.

Economic Development Properties have been identified as a significant trading operation. The Service involves the maintenance and letting of industrial units, office accommodation and shops. The portfolio contains around 450 individual rental units and the policy objective is to ensure an adequate supply of property to meet the requirements of business needs in West Lothian. Summarised details of the account are as follows:-

|                                   | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|-----------------------------------|------------------|------------------------------|
| Turnover                          | 4,747            | 4,780                        |
| Expenditure                       | 14,378           | 3,922                        |
| Surplus (Deficit) for year        | <b>(9,631)</b>   | <b>858</b>                   |
| Budget Surplus (Deficit) for year | <b>(9,735)</b>   | <b>1,507</b>                 |

Included in turnover is internal income of £385,700 (£425,000 2009/10).

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

**30. TRADING OPERATIONS (CONTINUED)**

The requirement to charge notional interest was removed in the 2006 SORP. However, for the purposes of assessing whether the trading operation has met the statutory requirement to breakeven over a three year rolling period, interest still requires to be included in expenditure for this assessment. A share of General Fund loan interest has been made based on the net book value of Economic Development Properties fixed assets to the total net book value of General Fund fixed assets. The results are summarised as follows:-

|                   | Surplus<br>£'000 | Loan Interest<br>£'000 | Net Surplus<br>(Deficit)<br>£'000 |
|-------------------|------------------|------------------------|-----------------------------------|
| 2008/09 (UK GAAP) | 806              | 386                    | 420                               |
| 2009/10 (UK GAAP) | 1,264            | 333                    | 931                               |
| 2010/11 (IFRS)    | (9,631)          | 676                    | (10,307)                          |
|                   | <b>(7,561)</b>   | <b>1,395</b>           | <b>(8,956)</b>                    |

In the three years to 31 March 2011 the trading account sustained a statutory aggregate loss of £8.956m, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of charges for impairment of £10.735m on assets from the Economic Development Property Portfolio. The financial position excluding impairment charges would have resulted in the following surplus.

|                         | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|-------------------------|------------------|------------------------------|
| Turnover                | 4,747            | 4,780                        |
| Expenditure             | 3,643            | 3,922                        |
| Surplus for year        | <b>1,104</b>     | <b>858</b>                   |
| Budget Surplus for year | <b>1,000</b>     | <b>1,507</b>                 |

  

|                   | Surplus<br>£'000 | Loan<br>Interest<br>£'000 | Net Surplus<br>(Deficit)<br>£'000 |
|-------------------|------------------|---------------------------|-----------------------------------|
| 2008/09 (UK GAAP) | 806              | 386                       | 420                               |
| 2009/10 (UK GAAP) | 1,264            | 333                       | 931                               |
| 2010/11 (IFRS)    | 1,104            | 676                       | 428                               |
|                   | <b>3,174</b>     | <b>1,395</b>              | <b>1,779</b>                      |

Excluding impairment charges, in the three years to 31 March 2011 the trading account made a statutory aggregate surplus of £1.779m, therefore meeting the statutory financial requirement to breakeven over the three year period when the exceptional cost of impairment is excluded from the calculation.

The figures for 2008/09 and 2009/10 are based on UK Generally Accepted Accounting Practices in line with the legislative requirements for that year. The figures for 2010/11 are based on International Financial Reporting Standards as specified in the Code of Practice on Local Authority Accounting. For this reason the figures quoted are not regarded as suitable for trend analysis.

**31. EXTERNAL AUDIT COSTS**

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

|  | 2010/11<br>£'000 | 2009/10<br>£'000 |
|--|------------------|------------------|
| Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice. | 361              | 376              |
|  | <b>361</b>       | <b>376</b>       |

**32. CONTINGENT LIABILITIES**

- The Council operates a voluntary severance scheme financed from the Staffing Change Fund (SCF) - which is an earmarked balance in the General Fund. The balance of the fund is £7.812m (note 35). The value of liability on the fund cannot be established as it is driven by employee request, subject to payback criteria and at the discretion of management.
- The Council has guaranteed a loan from its partner Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs.
- Whilst the council has made appropriate provision, as detailed in note 19, for all known outstanding claims in respect of equal pay, the council recognises the potential for compensation claims in respect of cases not yet presented.

**33. POST BALANCE SHEET EVENT**

On Saturday 9 July 2011, Whitburn Swimming Pool was partially destroyed by a fire.

The pool is leased to West Lothian Leisure Ltd.

The pool building is in the process of being inspected by the insurer's structural engineers to establish the extent of the damage and as such we are unable to quantify the extent of any impairment. The position will be monitored during 2011/12.

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

**34. GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

**Credited to Taxation and Non Specific Grant Income**

## Capital Grants and Contributions

|                                   | 2010/11<br>£'000 | 2009/10<br>£'000 |
|-----------------------------------|------------------|------------------|
| - General Capital Grant           | 8,769            | 11,149           |
| - Other Scottish Government Grant | 303              | 2,768            |
| - Scottish Courts Contribution    | 75               | 2,502            |
| - Developers Contributions        | 1,276            | 1,366            |
| - Housing Revenue Account         | -                | 2,052            |
| - National Heritage Memorial Fund | 29               | 695              |
| - Other Capital Contributions     | 1,990            | 2,262            |

**Total Capital Grants and Contributions**

|               |               |
|---------------|---------------|
| <b>12,442</b> | <b>22,794</b> |
|---------------|---------------|

Revenue Support Grant

|         |         |
|---------|---------|
| 239,416 | 227,773 |
|---------|---------|

Distribution from Non Domestic Rate Pool

|        |        |
|--------|--------|
| 67,830 | 70,611 |
|--------|--------|

Council Tax Benefits Grant

|        |        |
|--------|--------|
| 10,552 | 10,189 |
|--------|--------|

**Total Grants credited to Taxation and Non Specific Grant Income**

|                |                |
|----------------|----------------|
| <b>330,240</b> | <b>331,367</b> |
|----------------|----------------|

**Credited to Services**

Housing Benefits Grant

|        |        |
|--------|--------|
| 51,164 | 46,705 |
|--------|--------|

Administration of Benefits Grant

|       |       |
|-------|-------|
| 1,545 | 1,686 |
|-------|-------|

Education Maintenance Allowance

|     |     |
|-----|-----|
| 755 | 982 |
|-----|-----|

European Grants

|     |     |
|-----|-----|
| 296 | 610 |
|-----|-----|

Private Sector Housing Grant

|     |       |
|-----|-------|
| 300 | 1,219 |
|-----|-------|

Fairer Scotland Fund

|    |       |
|----|-------|
| 56 | 1,824 |
|----|-------|

Criminal Justice Grant

|       |       |
|-------|-------|
| 1,484 | 1,502 |
|-------|-------|

Determined to Succeed

|   |     |
|---|-----|
| - | 516 |
|---|-----|

Future Jobs Fund

|     |    |
|-----|----|
| 867 | 20 |
|-----|----|

Other Grants

|       |       |
|-------|-------|
| 5,108 | 4,973 |
|-------|-------|

Contribution from - SEEL

|       |       |
|-------|-------|
| 1,350 | 1,193 |
|-------|-------|

- Local Authorities

|       |       |
|-------|-------|
| 1,033 | 1,038 |
|-------|-------|

- NHS

|       |       |
|-------|-------|
| 6,496 | 8,787 |
|-------|-------|

**Total Grants credited to Services**

|               |               |
|---------------|---------------|
| <b>70,454</b> | <b>71,055</b> |
|---------------|---------------|

**35. GENERAL FUND BALANCE**

The following amounts have been earmarked within the General Fund Balance.

General Fund Balance at 31 March

| 2010/11<br>£'000 | 2009/10<br>£'000 |
|------------------|------------------|
| <b>16,109</b>    | <b>10,146</b>    |

Less: Earmarked Balances -

|                               |               |              |
|-------------------------------|---------------|--------------|
| Education - Delegated Schemes | 1,685         | 977          |
| Energy Efficiency Fund        | 467           | 483          |
| Development Plan Project Team | 160           | 160          |
| Staffing Change Fund          | 7,812         | 5,896        |
| Older Peoples Forum           | 163           | -            |
| Capital Resources             | 2,500         | -            |
|                               | <b>12,787</b> | <b>7,516</b> |

Uncommitted General Fund Balance at 31 March

|              |              |
|--------------|--------------|
| <b>3,322</b> | <b>2,630</b> |
|--------------|--------------|

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1,685,000 (£977,000 2009/10) is held within the General Fund. This sum represents the amount by which schools underspent their delegated schemes and may be used to supplement their 2011/12 budgetary provision. This sum, although held within the General Fund, must be spent on Education Services and is not available to the authority for general use.

**36. LEASING AND PPP PAYMENTS**

The Council uses leased cars, street sweeping vehicles, occupies certain offices financed under the terms of various operating leases and leases windows and doors in some of the Council's housing stock. The amounts paid under these arrangements were as follows:-

|                    | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|--------------------|------------------|------------------------------|
| Plant and Vehicles | 2,333            | 1,877                        |
| Windows and Doors  | 700              | 700                          |
| Property           | 1,132            | 1,053                        |
|                    | <b>4,165</b>     | <b>3,630</b>                 |

Assets acquired under finance leases have been capitalised and are detailed in Note 13.

**Operating Leases**

The future cash payments required under operating leases are:-

|  | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|--|------------------|------------------------------|
| 2011/12 (2010/11) - Land and Buildings                       | 1,114            | 1,132                        |
| - Other Operating Leases                                     | 2,969            | 2,426                        |
| 2012/13 to 2015/16 (2011/12 to 2014/15) - Land and Buildings | 1,678            | 2,349                        |
| - Other Operating Leases                                     | 5,049            | 4,490                        |
| 2016/17 onwards (2015/16 onwards) - Land and Buildings       | 2,260            | 2,387                        |
| - Other Operating Leases                                     | 107              | 8                            |

The cumulative value of leases where the Council is a lessor is £4.968m for 636 properties.

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

**Education Service PPP1 Schools Project**

This is a 31 year PPP contract which was awarded in August 2001 for the construction, extension and refurbishment of existing facilities, for three high schools, three primary schools and two nursery schools in Bathgate, Broxburn, Whitburn and Linlithgow. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

The unitary charge is subject to annual RPI indexation. The PPP Contractor has price risk for utilities, so the council may be due a rebate on the unitary charge and this is reviewed bi-annually. The contractor is also entitled to a change adjustment to reflect any relevant costs incurred by the contractor within the first eleven and a half years of the contract. The council is however entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

The council has rights to access the school facilities each school day. The contract specifies standards for the services to be delivered by the PPP Contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

**Education Service PPP3 Schools Project**

This is a 31 year PPP contract for the construction of new facilities, for two high schools in Livingston (Deans) and Armadale. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 16 August 2039.

The Unitary Charge is subject to annual RPI indexation. The parties share the benefit/cost of improving or not achieving the set utility consumption targets, so the council may be due a rebate on the unitary charge and this is reviewed annually. Whilst the council may have to meet any additional cost of insurance premiums, it may also benefit from their reduction. In addition, the council is entitled to receive a 50% share of a refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities each week day, and each weekend. The contract specifies standards for the services to be delivered by the PPP Contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

**PPP Payments**

The future cash payments under two PPP schools contracts are analysed as follows:-

|                 | <b>Principal<br/>£'000</b> | <b>Interest<br/>£'000</b> | <b>Lifecycle<br/>Capital Costs<br/>£'000</b> | <b>Operating<br/>Costs<br/>£'000</b> | <b>2010/11<br/>Total<br/>£'000</b> | <b>2009/10<br/>Total<br/>£'000</b> |
|-----------------|----------------------------|---------------------------|--|--------------------------------------|------------------------------------|------------------------------------|
| Within one year | 2,352                      | 4,461                     | 40   | 4,119                                | 10,972                             | 10,376                             |
| 2 to 5 years    | 7,948                      | 16,519                    | 611  | 21,232                               | 46,310                             | 44,724                             |
| 6 to 10 years   | 12,405                     | 17,521                    | 889  | 32,849                               | 63,664                             | 61,567                             |
| 11 to 15 years  | 11,961                     | 13,894                    | 1,997  | 42,919                               | 70,771                             | 68,522                             |
| 16 to 20 years  | 15,341                     | 10,202                    | 2,395  | 50,764                               | 78,702                             | 76,281                             |
| 21 to 25 years  | 16,631                     | 4,879                     | 429  | 40,426                               | 62,365                             | 67,461                             |
| 26 to 30 years  | 11,323                     | 1,102                     | -  | 25,261                               | 37,686                             | 47,632                             |
|                 | <b>77,961</b>              | <b>68,578</b>             | <b>6,361</b>                                 | <b>217,570</b>                       | <b>370,470</b>                     | <b>376,563</b>                     |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

**37. RELATED PARTIES**

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

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in the subjective analysis in note 34 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are detailed below.

Councillors

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 Note 2.4 on Page 8. There are no related party transactions with members of the Council.

Officers

There are no related party transactions with officers of the Council.

During the year, the Council entered into a number of transactions with related parties which include Central Government, Other Local Authorities, Police, Fire and Joint Valuation Boards and related companies.

|   | 2010/11<br>£'000 | Restated<br>2009/10<br>£'000 |
|---|------------------|------------------------------|
| <b>EXPENDITURE</b>  |                  |                              |
| <b>Government Payments</b>  |                  |                              |
| PAYE and National Insurance                                       | 57,201           | 56,233                       |
| Superannuation – Teachers   | 10,606           | 10,513                       |
| <b>Other Local Authority Payments</b>                             |                  |                              |
| Superannuation  | 22,010           | 21,001                       |
| Other Payments  | 1,235            | 913                          |
| <b>Other Related Party Payments</b>                               |                  |                              |
| Police, Fire and Joint Valuation Boards                           | 21,569           | 25,467                       |
| West Lothian Municipal Bank Ltd.                                  | 36               | 37                           |
| West Lothian Leisure Ltd.   | 2,243            | 1,915                        |
| Members Salaries  | 685              | 711                          |
| Criminal Justice Authority  | 2,374            | 2,360                        |
| SESTRAN / SESPLAN   | 74               | 36                           |
|   | <b>118,033</b>   | <b>119,186</b>               |
| <b>Other Related Party Income</b>                                 |                  |                              |
| Other Local Authority Receipts                                    | 1,033            | 1,038                        |
| West Lothian Municipal Bank Ltd.                                  | 18               | 18                           |
| Criminal Justice Authority  | 1,940            | 1,957                        |
| West Lothian Leisure Ltd. - Fees                                  | 24               | 29                           |
|   | <b>3,015</b>     | <b>3,042</b>                 |
| <b>BALANCE SHEET</b>  |                  |                              |
| The amounts due (to) or from related parties are detailed below:- |                  |                              |
| Government departments  | (8,754)          | (1,351)                      |
| Other local authorities   | (4,533)          | (2,507)                      |
| Related companies   |                  |                              |
| - West Lothian Municipal Bank Ltd.                                | 1,010            | 1,114                        |
| - West Lothian Leisure Ltd.                                       | 376              | 336                          |
|   | <b>(11,901)</b>  | <b>(2,408)</b>               |

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 38. SEGMENT REPORTING - 2009/10

**Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Corporate Management Team on the basis of budget reports analysed across Service areas. The accounting policies for depreciation, impairment, IAS 19 pension costs, employee holiday pay accruals do not impact on the service budget reports as a service budget to the value of the actual costs is allocated to Services to ensure that these accounting policies do not impact on the service outturn for the year.

The services reported to management include central support services and these are reallocated as support services in the Comprehensive Income and Expenditure Statement. As a result these are included in the reconciliation to subjective analysis.

| 2009/10  | Total Income<br>£'000 | Employee Expenses<br>£'000 | Other Service Expenses<br>£'000 | Depreciation<br>£'000 | Total Expenditure<br>£'000 | Net Expenditure<br>£'000 |
|--|-----------------------|----------------------------|---------------------------------|-----------------------|----------------------------|--------------------------|
| Schools with Education Support                               | (4,236)               | 107,966                    | 19,254                          | 17,282                | 144,502                    | 140,266                  |
| Area Services (including Arts, Sports and Outdoor Education) | (10,499)              | 16,511                     | 11,441                          | 12,722                | 40,674                     | 30,175                   |
| Planning and Economic Development Services                   | (3,529)               | 4,795                      | 3,085                           | 337                   | 8,217                      | 4,688                    |
| Operational Services   | (21,388)              | 30,424                     | 41,494                          | 5,623                 | 77,541                     | 56,153                   |
| Housing, Construction and Building Services                  | (30,594)              | 17,853                     | 14,408                          | 72                    | 32,333                     | 1,739                    |
| Corporate Services   | (1,232)               | 7,243                      | 4,884                           | 1,702                 | 13,829                     | 12,597                   |
| WLCHCP & Social Policy                                       | (20,719)              | 35,732                     | 60,062                          | 4,368                 | 100,162                    | 79,443                   |
| Chief Executive, Finance and Estates                         | (10,213)              | 7,433                      | 17,882                          | 7,689                 | 33,004                     | 22,791                   |
| Joint Boards   | (679)                 | -                          | 25,466                          | -                     | 25,466                     | 24,787                   |
| Other Services - Non Service Expenditure                     | (52,537)              | 3,377                      | 51,246                          | -                     | 54,623                     | 2,086                    |
| HRA  | (38,129)              | 4,338                      | 22,485                          | 11,304                | 38,127                     | (2)                      |
| <b>Total</b>   | <b>(193,755)</b>      | <b>235,672</b>             | <b>271,707</b>                  | <b>61,099</b>         | <b>568,478</b>             | <b>374,723</b>           |

**Reconciliation of Service Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement**

|   | £'000          |
|---|----------------|
| Net Expenditure in the Service Analysis   | 374,723        |
| Net expenditure of services and support services not included in the Analysis     | -              |
| Amounts in the Net Cost of Services not reported to management in the Analysis    | -              |
| Amounts included in the Service Analysis not included in the Net Cost of Services | 10,119         |
| <b>Net Cost of Services</b>   | <b>384,842</b> |

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of service 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 Account.

|  | Service Analysis<br>£'000 | Not included in Net Cost of Services<br>£'000 | Allocation of Support Services<br>£'000 | Net Cost of Services<br>£'000 | Corporate Amounts*<br>£'000 | Total<br>£'000   |
|--|---------------------------|---|---|-------------------------------|-----------------------------|------------------|
| Fees, charges and other service income                   | (193,755)                 | 4,780   | 5,365                                   | (183,610)                     | (4,780)                     | (188,390)        |
| Interest and investment income                           | -                         | -   | -                                       | -                             | (4,083)                     | (4,083)          |
| Government grants and contributions                      | -                         | -   | -                                       | -                             | (321,179)                   | (321,179)        |
| Income from council tax                                  | -                         | -   | -                                       | -                             | (67,387)                    | (67,387)         |
| <b>Total Income</b>                                      | <b>(193,755)</b>          | <b>4,780</b>                                  | <b>5,365</b>                            | <b>(183,610)</b>              | <b>(397,429)</b>            | <b>(581,039)</b> |
| Employee expenses  | 235,672                   | (38)  | (13,768)                                | 221,866                       | 38                          | 221,904          |
| Other service expenses                                   | 269,729                   | (1,522)                                       | (8,435)                                 | 259,772                       | 1,522                       | 261,294          |
| Support Service recharges                                | 1,978                     | (2,782)                                       | 22,310                                  | 21,506                        | 804                         | 22,310           |
| Depreciation, amortisation and impairment                | 61,099                    | 9,986   | (5,472)                                 | 65,613                        | 1,253                       | 66,866           |
| Interest Payments  | -                         | (305)   | -                                       | (305)                         | 28,189                      | 27,884           |
| (Gain) or Loss on Disposal of Non Current Assets         | -                         | -   | -                                       | -                             | 1,548                       | 1,548            |
| <b>Total Expenditure</b>                                 | <b>568,478</b>            | <b>5,339</b>                                  | <b>(5,365)</b>                          | <b>568,452</b>                | <b>33,354</b>               | <b>601,806</b>   |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>374,723</b>            | <b>10,119</b>                                 | <b>-</b>                                | <b>384,842</b>                | <b>(364,075)</b>            | <b>20,767</b>    |

\* Corporate Amounts are amounts reported below the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE FINANCIAL STATEMENTS

## STATEMENT 8

## 38. SEGMENT REPORTING - 2010/11

**Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Corporate Management Team on the basis of budget reports analysed across Service areas. The accounting policies for depreciation, impairment, IAS 19 pension costs, employee holiday pay accruals do not impact on the service budget reports as a service budget to the value of the actual costs is allocated to Services to ensure that these accounting policies do not impact on the service outturn for the year.

The services reported to management include central support services and these are reallocated as support services in the Comprehensive Income and Expenditure Statement. As a result these are included in the reconciliation to subjective analysis.

| 2010/11  | Total Income<br>£'000 | Employee Expenses<br>£'000 | Other Service Expenses<br>£'000 | Depreciation<br>£'000 | Total Expenditure<br>£'000 | Net Expenditure<br>£'000 |
|--|-----------------------|----------------------------|---------------------------------|-----------------------|----------------------------|--------------------------|
| Schools with Education Support                               | (4,112)               | 109,671                    | 21,735                          | 14,753                | 146,159                    | 142,047                  |
| Area Services (including Arts, Sports and Outdoor Education) | (8,371)               | 17,338                     | 9,739                           | 11,213                | 38,290                     | 29,919                   |
| Planning and Economic Development Services                   | (4,154)               | 4,966                      | 2,982                           | 4,344                 | 12,292                     | 8,138                    |
| Operational Services   | (20,434)              | 33,324                     | 41,920                          | 8,645                 | 83,889                     | 63,455                   |
| Housing, Construction and Building Services                  | (30,608)              | 19,114                     | 16,329                          | 82                    | 35,525                     | 4,917                    |
| Corporate Services   | (1,267)               | 8,148                      | 4,374                           | 2,860                 | 15,382                     | 14,115                   |
| WLCHCP & Social Policy                                       | (16,869)              | 38,478                     | 55,126                          | 1,109                 | 94,713                     | 77,844                   |
| Chief Executive, Finance and Estates                         | (11,193)              | 7,896                      | 18,968                          | 23,210                | 50,074                     | 38,881                   |
| Joint Boards   | (641)                 | -                          | 21,643                          | -                     | 21,643                     | 21,002                   |
| Other Services - Non Service Expenditure                     | (55,806)              | (58,363)                   | 83,021                          | -                     | 24,658                     | (31,148)                 |
| HRA  | (39,490)              | 4,098                      | 21,332                          | 14,060                | 39,490                     | -                        |
| <b>Total</b>   | <b>(192,945)</b>      | <b>184,670</b>             | <b>297,169</b>                  | <b>80,276</b>         | <b>562,115</b>             | <b>369,170</b>           |

**Reconciliation of Service Income and Expenditure to Cost of Services in Comprehensive Income and Expenditure Statement**

|   | £'000          |
|---|----------------|
| Net Expenditure in the Service Analysis   | 369,170        |
| Net expenditure of services and support services not included in the Analysis     | -              |
| Amounts in the Net Cost of Services not reported to management in the Analysis    | -              |
| Amounts included in the Service Analysis not included in the Net Cost of Services | 104,535        |
| <b>Net Cost of Services</b>   | <b>473,705</b> |

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of service 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 Account.

|  | Service Analysis<br>£'000 | Not included in Net Cost of Services<br>£'000 | Allocation of Support Services<br>£'000 | Net Cost of Services<br>£'000 | Corporate Amounts*<br>£'000 | Total<br>£'000   |
|--|---------------------------|---|---|-------------------------------|-----------------------------|------------------|
| Fees, charges and other service income                   | (192,945)                 | 4,747   | 5,922                                   | (182,276)                     | (4,747)                     | (187,023)        |
| Interest and investment income                           | -                         | -   | -                                       | -                             | (3,186)                     | (3,186)          |
| Government grants and contributions                      | -                         | -   | -                                       | -                             | (319,688)                   | (319,688)        |
| Income from council tax                                  | -                         | -   | -                                       | -                             | (67,999)                    | (67,999)         |
| <b>Total Income</b>                                      | <b>(192,945)</b>          | <b>4,747</b>                                  | <b>5,922</b>                            | <b>(182,276)</b>              | <b>(395,620)</b>            | <b>(577,896)</b> |
| Employee expenses  | 184,670                   | 75  | (15,311)                                | 169,434                       | 39                          | 169,473          |
| Other service expenses                                   | 297,169                   | (31,508)                                      | (9,014)                                 | 256,647                       | 1,646                       | 258,293          |
| Support Service recharges                                | -                         | (845)   | 32,424                                  | 31,579                        | 845                         | 32,424           |
| Depreciation, amortisation and impairment                | 80,276                    | 132,066                                       | (14,021)                                | 198,321                       | 11,848                      | 210,169          |
| Interest Payments  | -                         | -   | -                                       | -                             | 26,474                      | 26,474           |
| (Gain) or Loss on Disposal of Non Current Assets         | -                         | -   | -                                       | -                             | 9,216                       | 9,216            |
| <b>Total Expenditure</b>                                 | <b>562,115</b>            | <b>99,788</b>                                 | <b>(5,922)</b>                          | <b>655,981</b>                | <b>50,068</b>               | <b>706,049</b>   |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>369,170</b>            | <b>104,535</b>                                | <b>-</b>                                | <b>473,705</b>                | <b>(345,552)</b>            | <b>128,153</b>   |

\* Corporate Amounts are amounts reported below the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

## HRA – INCOME &amp; EXPENDITURE STATEMENT

## STATEMENT 9

|             |   |                          |                          |
|-------------|---|--------------------------|--------------------------|
| PURPOSE     | The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. |                          |                          |
| INCOME      |   | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
|             | Dwellings Rent (gross)  | (38,024)                 | (36,671)                 |
|             | Non-Dwellings Rent (gross)  | (910)                    | (914)                    |
|             | Other Income  | (556)                    | (544)                    |
|             | <b>TOTAL INCOME</b>   | <b>(39,490)</b>          | <b>(38,129)</b>          |
| EXPENDITURE |   |                          |                          |
|             | Repairs and Maintenance   | 13,286                   | 14,023                   |
|             | Supervision and Management  | 9,055                    | 8,968                    |
|             | Depreciation and Revaluation of non current assets  | 160,232                  | 22,563                   |
|             | Bad or Doubtful Debts   | 272                      | 651                      |
|             | Other Expenditure   | 2,755                    | 3,162                    |
|             | <b>TOTAL EXPENDITURE</b>  | <b>185,600</b>           | <b>49,367</b>            |
|             | <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>   | <b>146,110</b>           | <b>11,238</b>            |
|             | HRA Services share of Corporate and Democratic Core (CDC)   | 62                       | 20                       |
|             | HRA share of Non Distributed Costs  | 40                       | 234                      |
|             | <b>Net Cost of HRA Services</b>   | <b>146,212</b>           | <b>11,492</b>            |
|             | <b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement</b>   |                          |                          |
|             | Loss on sale of HRA assets  | 2,961                    | 88                       |
|             | Interest payable and similar charges  | 3,802                    | 2,894                    |
|             | Pensions interest cost and expected return on pensions assets   | (2,174)                  | 104                      |
|             | Capital Grants and Contributions  | -                        | (22)                     |
|             | <b>Deficit for the year on HRA Services</b>   | <b>150,801</b>           | <b>14,556</b>            |

## MOVEMENT ON THE HRA STATEMENT

## STATEMENT 10

| PURPOSE | This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance. |   |                            |                            |
|---------|--|---|----------------------------|----------------------------|
|         | Note   | 2010/11<br>£'000  | 2009/10<br>£'000           |                            |
|         |  | (926)   | (924)                      |                            |
|         |  | 150,801   | 14,556                     |                            |
|         | 1  | (150,801)   | (14,558)                   |                            |
|         |  | -   | (2)                        |                            |
|         |  | <b>(926)</b>  | <b>(926)</b>               |                            |
| NOTES   | 1.   | <b>Adjustments between accounting basis and funding basis under regulations</b>   |                            |                            |
|         |  |   |                            |                            |
|         |  | Depreciation and Revaluation  | (160,232)                  | (22,563)                   |
|         |  | Loss on sale of HRA fixed assets  | (2,961)                    | (88)                       |
|         |  | Capital Grants and Contributions  | -                          | 22                         |
|         |  | Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund   | 2,134                      | (338)                      |
|         |  |   | (161,059)                  | (22,967)                   |
|         |  | <b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>  |                            |                            |
|         |  | Loans fund principal  | 2,093                      | 1,741                      |
|         |  | Capital expenditure funded by HRA   | 8,165                      | 6,668                      |
|         |  |   | <b>(150,801)</b>           | <b>(14,558)</b>            |
|         | 2.   | <b>Housing Stock</b>  |                            |                            |
|         |  | The Council's stock at 1 April 2010 was 12,895 houses and at 31 March 2011 was 12,923 houses. As a result the Council was responsible for managing an average of 12,909 dwellings during 2010/11. |                            |                            |
|         |  | Stock movements can be summarised as follows:-  |                            |                            |
|         |  | Stock as at 1 April   | 12,895                     | 12,831                     |
|         |  | Additions   | 167                        | 138                        |
|         |  | Less Demolitions  | (61)                       | -                          |
|         |  | Less Stock restated   | (1)                        | (3)                        |
|         |  | Less Sales  | (77)                       | (71)                       |
|         |  | Stock as at 31 March  | <b>12,923</b>              | <b>12,895</b>              |
|         |  | Housing Stock Numbers by type are as follows:   |                            |                            |
|         |  | 1 Bed   | 2,187                      | 2,139                      |
|         |  | 2 Bed   | 6,049                      | 6,039                      |
|         |  | 3 Bed   | 4,102                      | 4,131                      |
|         |  | 4 Bed   | 453                        | 453                        |
|         |  | More than 4 Bed   | 132                        | 133                        |
|         |  |   | <b>12,923</b>              | <b>12,895</b>              |
|         | 3.   | <b>Rent Arrears</b>   |                            |                            |
|         |  | Gross Rent Arrears at 31 March  | <b>2010/11</b><br>£706,157 | <b>2009/10</b><br>£618,523 |
|         | 4.   | <b>Bad Debts Provision</b>  |                            |                            |
|         |  | A bad debts provision of £576,205 (£596,208 at 31 March 2010) has been made in respect of house rent arrears and former tenants debt.   |                            |                            |
|         | 5.   | <b>Losses on Void Properties</b>  |                            |                            |
|         |  | Losses on void properties at 31 March   | <b>2010/11</b><br>£343,313 | <b>2009/10</b><br>£381,144 |

## COUNCIL TAX INCOME ACCOUNT

## STATEMENT 11

| PURPOSE  | This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992. |  |                             |       |       |                             |                  |               |      |                |
|--|---|--|-----------------------------|-------|-------|-----------------------------|------------------|---------------|------|----------------|
| INCOME   |   |  | 2010/11<br>£'000            |       |       |                             | 2009/10<br>£'000 |               |      |                |
|  | Gross Council Tax levied and contributions in lieu  |  |                             |       |       |                             | 77,493           |               |      | 76,828         |
| <u>Less:</u>   |   |  |                             |       |       |                             |                  |               |      |                |
| Discounts  |   | (6,455)  |                             |       |       |                             |                  | (6,469)       |      |                |
| Provision for bad debts  |   | (1,556)  |                             |       |       |                             |                  | (1,543)       |      |                |
| Net cost of benefits   |   | 64   |                             |       |       |                             |                  | 34            |      |                |
| Other deductions   |   | (2,150)  |                             |       |       |                             |                  | (2,035)       |      |                |
|  |   |  |                             |       |       | (10,097)                    |                  | (10,013)      |      |                |
| Adjustments for previous years' Community Charge and Council Tax |   |  |                             |       |       | 67,396                      |                  | 66,815        |      |                |
|  |   |  |                             |       |       | 603                         |                  | 572           |      |                |
| <b>Transfers to General Fund</b>                                 |   |  |                             |       |       | <b>67,999</b>               |                  | <b>67,387</b> |      |                |
| NOTES  | 1. Calculation of the Council Tax base 2010/11  |  |                             |       |       |                             |                  |               |      |                |
|  |   | PROPERTY BANDS   |                             |       |       |                             |                  |               |      |                |
|  |   | A  | B                           | C     | D     | E                           | F                | G             | H    | Total          |
| Properties   |   | 17,788   | 24,361                      | 9,322 | 7,413 | 8,844                       | 5,010            | 2,372         | 165  | 75,275         |
| Exemptions   |   | (760)  | (543)                       | (191) | (83)  | (76)                        | (37)             | (13)          | (15) | (1,718)        |
| Disabled Relief  |   | 167  | (83)                        | (1)   | 6     | (10)                        | (50)             | (28)          | (1)  | -              |
| Discounts (10%)  |   | (7)  | (6)                         | (4)   | (2)   | (2)                         | (1)              | -             | -    | (22)           |
| Discounts (25%)  |   | (2,525)  | (2,390)                     | (860) | (481) | (381)                       | (157)            | (62)          | (2)  | (6,858)        |
| Discounts (50%)  |   | (81)   | (110)                       | (79)  | (51)  | (39)                        | (13)             | (11)          | -    | (384)          |
| Effective Properties   |   | 14,582   | 21,229                      | 8,187 | 6,802 | 8,336                       | 4,752            | 2,258         | 147  | 66,293         |
| Ratio to Band D  |   | 6/9  | 7/9                         | 8/9   | 1     | 11/9                        | 13/9             | 15/9          | 18/9 |                |
| Band D Equivalents   |   | 9,721  | 16,511                      | 7,277 | 6,802 | 10,188                      | 6,864            | 3,763         | 294  | <b>61,420</b>  |
| Contributions in lieu  |   |  |                             |       |       |                             |                  |               |      | -              |
| Level of non-payment provided for                                |   |  |                             |       |       |                             |                  |               |      | <b>(1,535)</b> |
| <b>COUNCIL TAX BASE</b>  |   |  |                             |       |       |                             |                  |               |      | <b>59,885</b>  |
|  |   | 2. The level of Council Tax depends upon the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax Benefit Scheme is available to taxpayers on a low income. Other deductions include Disabled Relief. |                             |       |       |                             |                  |               |      |                |
|  |   | A bad debt provision of 2.25% of the net income from council tax has been provided, this represents a collection level of 97.75%.  |                             |       |       |                             |                  |               |      |                |
|  |   | 3. The Council Tax charge for each band is as follows:-  |                             |       |       |                             |                  |               |      |                |
|  |   | Band   | 2010/11<br>Council Tax<br>£ |       |       | 2009/10<br>Council Tax<br>£ |                  |               |      |                |
|  |   | A  | 752.00                      |       |       | 752.00                      |                  |               |      |                |
|  |   | B  | 877.33                      |       |       | 877.33                      |                  |               |      |                |
|  |   | C  | 1,002.67                    |       |       | 1,002.67                    |                  |               |      |                |
|  |   | D  | 1,128.00                    |       |       | 1,128.00                    |                  |               |      |                |
|  |   | E  | 1,378.67                    |       |       | 1,378.67                    |                  |               |      |                |
|  |   | F  | 1,629.33                    |       |       | 1,629.33                    |                  |               |      |                |
|  |   | G  | 1,880.00                    |       |       | 1,880.00                    |                  |               |      |                |
|  |   | H  | 2,256.00                    |       |       | 2,256.00                    |                  |               |      |                |

## NON-DOMESTIC RATE INCOME ACCOUNT

## STATEMENT 12

| PURPOSE  | This account shows the income from the rate levied on non-domestic property under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992.  |                         |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
|--|--|-------------------------|------------------|--|--------|-------------------------|--|-------|--------|---------------------|-------|--------|------------------------------|-------|--------|--------------|--------------|----------------|
| INCOME   |  | 2010/11<br>£'000        | 2009/10<br>£'000 |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Gross rates levied and contributions in lieu                     |  | 86,204                  | 85,053           |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| <u>Less</u>  |  |                         |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Reliefs and other deductions                                     | (15,919)   |                         | (15,210)         |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Payment of interest  | (3)  |                         | (57)             |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Provisions for bad and doubtful debts                            | (566)  |                         | (1,101)          |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
|  |  | (16,488)                | (16,368)         |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Adjustments for years prior to introduction of national NDR pool |  | 69,716                  | 68,685           |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Net non-domestic rate income                                     |  | 69,716                  | 68,685           |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| <b>Allocated:</b>  |  |                         |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| National non-domestic rate pool                                  |  | 69,807                  | 68,758           |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Cost of Council rate relief                                      |  | (91)                    | (73)             |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
|  |  | <b>69,716</b>           | <b>68,685</b>    |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| NOTES  | <p>1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2010/11 was £67,830,000 (£70,611,000 2009/10).</p> <p>2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government, and was 40.7p per £ in 2010/11 (48.1p in 2009/10). The rate was 41.4p (48.5p in 2009/10) for properties with a rateable value of more than £35,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge.</p> <p>3. Rateable values at 1 April 2010</p> <table border="1" data-bbox="1107 1167 1410 1429"> <thead> <tr> <th data-bbox="1107 1167 1267 1256"></th> <th data-bbox="1107 1256 1267 1301">Number</th> <th data-bbox="1107 1301 1410 1429">Rateable Value<br/>£'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="336 1256 1107 1301">Shops, Offices and other Commercial Subjects</td> <td data-bbox="1107 1256 1267 1301">2,513</td> <td data-bbox="1107 1301 1410 1335">87,337</td> </tr> <tr> <td data-bbox="336 1301 1107 1346">Industrial Subjects</td> <td data-bbox="1107 1301 1267 1346">1,726</td> <td data-bbox="1107 1346 1410 1379">75,865</td> </tr> <tr> <td data-bbox="336 1346 1107 1391">Miscellaneous (Schools etc.)</td> <td data-bbox="1107 1346 1267 1391">1,165</td> <td data-bbox="1107 1391 1410 1424">44,899</td> </tr> <tr> <td data-bbox="336 1391 1107 1429"><b>Total</b></td> <td data-bbox="1107 1391 1267 1429"><b>5,404</b></td> <td data-bbox="1107 1429 1410 1429"><b>208,101</b></td> </tr> </tbody> </table> |                         |                  |  | Number | Rateable Value<br>£'000 | Shops, Offices and other Commercial Subjects | 2,513 | 87,337 | Industrial Subjects | 1,726 | 75,865 | Miscellaneous (Schools etc.) | 1,165 | 44,899 | <b>Total</b> | <b>5,404</b> | <b>208,101</b> |
|  | Number   | Rateable Value<br>£'000 |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Shops, Offices and other Commercial Subjects                     | 2,513  | 87,337                  |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Industrial Subjects  | 1,726  | 75,865                  |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| Miscellaneous (Schools etc.)                                     | 1,165  | 44,899                  |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |
| <b>Total</b>   | <b>5,404</b>   | <b>208,101</b>          |                  |  |        |                         |  |       |        |                     |       |        |                              |       |        |              |              |                |

| <b>LOANS FUND REVENUE ACCOUNT</b> |   | <b>STATEMENT 13</b>   |                          |
|-----------------------------------|---|---|--------------------------|
| <b>PURPOSE</b>                    | <p>This statement shows the revenue transactions of the Loans Fund. The Loans Fund provides a central pool of finance for all Council expenditure.</p> <p>All external loans, borrowed to finance capital spending, are paid into the fund. Interest due on these borrowings and debt management expenses are allocated to this account. These costs are then charged annually to the Comprehensive Income and Expenditure Statement.</p> |   |                          |
| <b>EXPENDITURE</b>                |   | <b>2010/11<br/>£'000</b>  | <b>2009/10<br/>£'000</b> |
|                                   | Interest paid to External Lenders   | 19,126  | 14,870                   |
|                                   | Interest paid on Internal Revenue Account Balances  | 1,188   | 2,095                    |
|                                   | Losses on the Repurchase of Borrowing   | 79  | 79                       |
|                                   | <b>Total Interest</b>   | <b>20,393</b>   | <b>17,044</b>            |
|                                   | Expenses of Borrowing   | 294   | 337                      |
|                                   | <b>Total Expenditure</b>  | <b>20,687</b>   | <b>17,381</b>            |
| <b>INCOME</b>                     | Interest Received from Investments  | 2,048   | 2,141                    |
|                                   | Expenses charged to the Comprehensive Income and Expenditure Statement  | 294   | 337                      |
|                                   |   | <b>2,342</b>  | <b>2,478</b>             |
|                                   | Net Loans Fund interest charged to the Comprehensive Income and Expenditure Statement   | <b>18,345</b>   | <b>14,903</b>            |
|                                   | <b>Total Income</b>   | <b>20,687</b>   | <b>17,381</b>            |
| <b>NOTES</b>                      | 1.  | The average rate of interest on borrowings from the Loans Fund was 4.3% (3.9% 2009/10).   |                          |
|                                   | 2.  | The rate for debt management expenses was 0.1% (0.1% 2009/10).  |                          |
|                                   | 3.  | The amount of internal debt outstanding at 31 March 2011 was £440.1 million or £2,573 per head of population compared with £407.2 million or £2,402 per head of population at 31 March 2010. There is no covenant debt in 2010/11 however there is £0.2 million of covenant debt in the 2009/10 figure. |                          |

## CHARITABLE TRUSTS

## STATEMENT 14

|  |  |                          |                          |
|--|--|--------------------------|--------------------------|
| PURPOSE  | <p>The Council acts as sole trustee for 39 Charitable Trusts and Mortifications.</p> <p>The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Trusts at the year end.</p> |                          |                          |
| EXPENDITURE<br>INCOME<br>SURPLUS /<br>(DEFICIT)  | <b>INCOME AND EXPENDITURE ACCOUNT</b>  | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
|  | Beneficiaries  | 7                        | 6                        |
|  | Loans Fund and Dividend Interest   | 6                        | 10                       |
|  | For Year   | (1)                      | 4                        |
|  | At 1 April   | 365                      | 361                      |
|  | At 31 March  | <b>364</b>               | <b>365</b>               |
|  | <b>BALANCE SHEET</b>   |                          |                          |
|  | <b>Current Assets</b>  |                          |                          |
|  | Investments  | 47                       | 47                       |
|  | Revenue Advances to Loans Fund   | 317                      | 318                      |
|  |  | 364                      | 365                      |
|  | <b>Current Liabilities</b>   | -                        | -                        |
|  | <b>TOTAL ASSETS</b>  | <b>364</b>               | <b>365</b>               |
|  | <b>Reserves</b>  |                          |                          |
|  | Capital Fund   | 158                      | 158                      |
|  | Revenue Fund   | 206                      | 207                      |
| <b>TOTAL RESERVES</b>  | <b>364</b>   | <b>365</b>               |                          |
| NOTES  | 1. In order to preserve the capital value of Trust Funds, it is Council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2010/11 is disbursed in 2011/12.            |                          |                          |
|  | 2. The main fund balances where the Council is sole trustee at 31 March 2011 are:-   |                          |                          |
|  |  | <b>Capital<br/>£'000</b> | <b>Revenue<br/>£'000</b> |
|  | Irene Elizabeth Miller Trust   | 60                       | 2                        |
|  | West Lothian Trust for the Benefit of People with Disabilities   | 41                       | 16                       |
| Quarter Farm Trust   | 17   | 39                       |                          |
| James Wood Bequest   | 14   | 50                       |                          |
| Robert Turner of Armadale Trust  | 11   | 19                       |                          |
| 3. The Council also administers six other trusts, which have external and Council trustees. At 31 March 2011 (2010) the total assets of these trusts, valued at cost, was £208,000 (£205,000). |  |                          |                          |
| 4. The transition to IFRS has had no impact on Charitable Trusts.  |  |                          |                          |

## COMMON GOOD ACCOUNT

## STATEMENT 15

|                                 |  |   |                          |                          |
|---------------------------------|--|---|--------------------------|--------------------------|
| PURPOSE                         | <p>The Common Good Fund was inherited from West Lothian District Council and the former Linlithgow Town Council at the respective reorganisations of local government in 1996 and 1975 and is administered by the Council. Income from the Fund may be applied for the benefit of inhabitants of Linlithgow.</p> <p>The figures below summarise the Income and Expenditure arising during the year and the Assets and Liabilities of the Fund at the year end.</p> |   |                          |                          |
|                                 | <b>INCOME AND EXPENDITURE ACCOUNT</b>  |   | <b>2010/11<br/>£'000</b> | <b>2009/10<br/>£'000</b> |
|                                 | <b>Expenditure</b>   |   |                          |                          |
|                                 | Donations  | -   | -                        |                          |
|                                 | <b>Income</b>  |   |                          |                          |
|                                 | Interest   | -   | -                        |                          |
|                                 | <b>Surplus/(Deficit)</b>   |   |                          |                          |
|                                 | For year   | -   | -                        |                          |
|                                 | At 1 April   | 12  | 12                       |                          |
|                                 | At 31 March  | <b>12</b>   | <b>12</b>                |                          |
|                                 | <b>BALANCE SHEET</b>   |   |                          |                          |
|                                 | <b>Fixed Assets</b>  |   |                          |                          |
|                                 | Heritable Property   | 1   | 1                        |                          |
| Furnishings                     | 4  | 4   |                          |                          |
|                                 | <b>5</b>   | <b>5</b>  |                          |                          |
| <b>Current Liabilities</b>      |  |   |                          |                          |
| Revenue Advances to Loans Fund  | 16   | 16  |                          |                          |
| <b>TOTAL ASSETS</b>             | <b>21</b>  | <b>21</b>   |                          |                          |
| <b>FINANCED BY:</b>             |  |   |                          |                          |
| <b>Reserves</b>                 |  |   |                          |                          |
| Revenue Balance                 | 12   | 12  |                          |                          |
| Capital Reserve                 | 9  | 9   |                          |                          |
| <b>TOTAL LOANS AND RESERVES</b> | <b>21</b>  | <b>21</b>   |                          |                          |
| NOTES                           | 1.   | Fixed Assets represent book values taken over from former Councils as recorded in their Abstract of Accounts. They consist of:- |                          |                          |
|                                 |  |   | <b>£'000</b>             |                          |
|                                 |  | Furnishings   | 4                        |                          |
|                                 |  | Heritable Property  | 1                        |                          |
|                                 |  |   | <b>5</b>                 |                          |
| 2.                              | LASAAC has issued guidance on the application of accounting requirements to Common Good assets. The Council has not taken any action due to the insignificant amount involved (£5k) and have not included this amount in their asset register.   |   |                          |                          |
|                                 | 3. The transition to IFRS has had no impact on the Common Good Account.  |   |                          |                          |

## MOVEMENT IN RESERVES STATEMENT - GROUP

## STATEMENT 16

## PURPOSE

This statement shows the movement in the year on the different reserves held by the authority into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' accounting reserves. The deficit on the provision of services shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account (HRA) for council tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to Other Statutory Reserves line shows the statutory General Fund and HRA surplus or deficit for the year before any discretionary transfers to or from Other Statutory Reserves undertaken by the Council.

**MOVEMENT IN RESERVES STATEMENT - GROUP  
AS AT 31 MARCH 2011**

|  | Note | *Single<br>Entity<br>Usable<br>Reserves<br>£'000 | Single<br>Entity<br>Unusable<br>Reserves<br>£'000 | Group<br>Reserves<br>£'000 | Total<br>Group<br>Reserves<br>£'000 |
|--|------|--|---|----------------------------|-------------------------------------|
| <b>Balance at 1 April 2009</b>   |      | <b>69,079</b>                                    | <b>925,445</b>                                    | <b>(204,075)</b>           | <b>790,449</b>                      |
| <b>Movement in Reserves during 2009/10</b>                               |      |  |   |                            |                                     |
| Surplus (Deficit) on the provision of services                           |      | (20,767)   | -   | (15,790)                   | (36,557)                            |
| Other comprehensive income and expenditure                               |      | (157)  | (112,342)   | (106,015)                  | (218,514)                           |
| Total comprehensive income and expenditure                               |      | (20,924)   | (112,342)   | (121,805)                  | (255,071)                           |
| Adjustments between accounting basis and funding basis under regulations |      | 31,881   | (31,881)  | -                          | -                                   |
| Net increase (decrease) before transfers to other statutory reserves     |      | 10,957   | (144,223)   | (121,805)                  | (255,071)                           |
| Transfers to or from other statutory reserves                            |      | -  | -   | -                          | -                                   |
| <b>Increase (decrease) in year</b>                                       |      | <b>10,957</b>                                    | <b>(144,223)</b>                                  | <b>(121,805)</b>           | <b>(255,071)</b>                    |
| <b>Balance at 31 March 2010</b>  |      | <b>80,036</b>                                    | <b>781,222</b>                                    | <b>(325,880)</b>           | <b>535,378</b>                      |
| <b>Movement in Reserves during 2010/11</b>                               |      |  |   |                            |                                     |
| Surplus (Deficit) on the provision of services                           |      | (128,153)  | -   | 21,554                     | (106,599)                           |
| Other comprehensive income and expenditure                               |      | -  | 66,525  | 14,544                     | 81,069                              |
| Total comprehensive income and expenditure                               |      | (128,153)  | 66,525  | 36,098                     | (25,530)                            |
| Adjustments between accounting basis and funding basis under regulations |      | 134,422  | (134,422)   | -                          | -                                   |
| Net increase (decrease) before transfers to other statutory reserves     |      | 6,269  | (67,897)  | 36,098                     | (25,530)                            |
| Transfers to or from other statutory reserves                            |      | -  | -   | -                          | -                                   |
| <b>Increase (decrease) in year</b>                                       |      | <b>6,269</b>                                     | <b>(67,897)</b>                                   | <b>36,098</b>              | <b>(25,530)</b>                     |
| <b>Balance at 31 March 2011</b>  |      | <b>86,305</b>                                    | <b>713,325</b>                                    | <b>(289,782)</b>           | <b>509,848</b>                      |

\*Statement 4 and Notes 6, 7 and 8 to the Financial Statements provide details of the Single Entity Reserves

**GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT STATEMENT 17****PURPOSE**

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.

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

|   | Group Note | 2010/11               |                       |                     | Restated 2009/10      |                       |                     |
|---|------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
|   |            | Gross Expend<br>£'000 | Gross Income<br>£'000 | Net Expend<br>£'000 | Gross Expend<br>£'000 | Gross Income<br>£'000 | Net Expend<br>£'000 |
| Education Services  |            | 186,108               | 8,050                 | 178,058             | 181,053               | 9,773                 | 171,280             |
| Housing   |            | 88,843                | 79,009                | 9,834               | 87,176                | 75,433                | 11,743              |
| Cultural and Related Services   |            | 34,037                | 5,874                 | 28,163              | 33,321                | 5,702                 | 27,619              |
| Environmental Services  |            | 30,009                | 8,997                 | 21,012              | 19,943                | 2,647                 | 17,296              |
| Fire Services   |            | 6,615                 | -                     | 6,615               | 8,112                 | -                     | 8,112               |
| Roads and Transport Services  |            | 28,019                | 2,951                 | 25,068              | 32,817                | 11,577                | 21,240              |
| Police Services   |            | 13,781                | 596                   | 13,185              | 16,173                | 669                   | 15,504              |
| Planning and Development Service  |            | 22,992                | 10,047                | 12,945              | 21,621                | 10,807                | 10,814              |
| Social Work   |            | 104,607               | 21,557                | 83,050              | 98,645                | 22,215                | 76,430              |
| Joint Valuation Board   |            | 1,172                 | 45                    | 1,127               | 1,182                 | 10                    | 1,172               |
| Central Services  |            | 6,132                 | 5,522                 | 610                 | 5,497                 | 5,510                 | (13)                |
| Corporate and Democratic Core   |            | 6,572                 | 62                    | 6,510               | 6,251                 | 62                    | 6,189               |
| Non-Distributed Costs   |            | (68,358)              | -                     | (68,358)            | 3,014                 | 4                     | 3,010               |
| <b>Net Cost of General Fund Services</b>                                  |            | <b>460,529</b>        | <b>142,710</b>        | <b>317,819</b>      | <b>514,805</b>        | <b>144,409</b>        | <b>370,396</b>      |
| Housing Revenue Account   |            | 185,600               | 39,490                | 146,110             | 49,367                | 38,129                | 11,238              |
| Exceptional Items   |            | 9,852                 | 76                    | 9,776               | 4,280                 | 1,072                 | 3,208               |
| <b>Net Cost of Services</b>   |            | <b>655,981</b>        | <b>182,276</b>        | <b>473,705</b>      | <b>568,452</b>        | <b>183,610</b>        | <b>384,842</b>      |
| Other Operating Expenditure   |            | 9,216                 | 7                     | 9,209               | 1,548                 | 13                    | 1,535               |
| Finance and Investment Income and Expenditure                             |            | 41,169                | 8,059                 | 33,110              | 32,157                | 8,987                 | 23,170              |
| Share of corporation tax of Joint Venture                                 |            | 15                    | -                     | 15                  | 19                    | -                     | 19                  |
| Taxation and Non-Specific Grant Income                                    |            | -                     | 387,687               | (387,687)           | -                     | 388,565               | (388,565)           |
| <b>(Surplus) or Deficit on Provision of Services</b>                      |            | <b>706,381</b>        | <b>578,029</b>        | <b>128,352</b>      | <b>602,176</b>        | <b>581,175</b>        | <b>21,001</b>       |
| Share of Operating Results of Associates and Joint Ventures               |            | 33,528                | 55,281                | (21,753)            | 74,416                | 58,860                | 15,556              |
| <b>(Surplus) or Deficit on Group</b>                                      |            | <b>739,909</b>        | <b>633,310</b>        | <b>106,599</b>      | <b>676,592</b>        | <b>640,035</b>        | <b>36,557</b>       |
| Surplus on revaluation of property, plant and equipment                   |            |                       |                       | (25,104)            |                       |                       | (30,128)            |
| (Surplus) / Deficit on revaluation of available for sale financial assets |            |                       |                       | (139)               |                       |                       | 120                 |
| Actuarial (gains) / losses on pension assets and liabilities              |            |                       |                       | (41,282)            |                       |                       | 142,350             |
| Other unrealised gains or losses  |            |                       |                       | -                   |                       |                       | 157                 |
| (Gains) / Losses on Investments in Associates and Joint Ventures          |            |                       |                       | (14,544)            |                       |                       | 106,015             |
| <b>Other Comprehensive Income and Expenditure</b>                         |            |                       |                       | <b>(81,069)</b>     |                       |                       | <b>218,514</b>      |
| <b>Total Comprehensive Income and Expenditure</b>                         |            |                       |                       | <b>25,530</b>       |                       |                       | <b>255,071</b>      |

## GROUP BALANCE SHEET

## STATEMENT 18

## PURPOSE

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. The first category of reserves are usable reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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 are adjustment accounts that absorb the differences between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

|  | Note | As at<br>31 March<br>2011<br>£'000 | Restated<br>As at<br>31 March<br>2010<br>£'000 | Restated<br>As at<br>1 April<br>2009<br>£'000 |
|--|------|------------------------------------|--|---|
| <b>LONG TERM ASSETS</b>                                  |      |                                    |  |   |
| <b>Property, Plant and Equipment</b>                     |      |                                    |  |   |
| - Council Dwelling                                       |      | 398,562                            | 537,736  | 528,112                                       |
| - Other Land and Buildings                               |      | 746,103                            | 715,956  | 577,761                                       |
| - Vehicles, Plant, Furniture and Equipment               |      | 16,281                             | 16,645   | 11,919  |
| - Infrastructure Assets                                  |      | 167,510                            | 152,382  | 143,041                                       |
| - Community Assets                                       |      | 1,624                              | 1,624  | 1,624   |
| - Assets under construction                              |      | 10,496                             | 35,533   | 85,215  |
| - Surplus Assets, not yet held for disposal              |      | 31,675                             | 56,428   | 53,065  |
|  |      | 1,372,251                          | 1,516,304                                      | 1,400,737                                     |
| Long Term Investments                                    |      | 17,664                             | 25   | 145   |
| Long Term Debtors  |      | 2,422                              | 19   | 14  |
| <b>TOTAL LONG TERM ASSETS</b>                            |      | <b>1,392,337</b>                   | <b>1,516,348</b>                               | <b>1,400,896</b>                              |
| <b>CURRENT ASSETS</b>                                    |      |                                    |  |   |
| Short Term Investments                                   |      | 83,604                             | 55,000   | 80,500  |
| Inventories  |      | 1,171                              | 797  | 847   |
| Short Term Debtors                                       |      | 25,471                             | 25,288   | 27,000  |
| Cash and Cash Equivalents                                |      | 37,045                             | 42,422   | 947   |
| <b>TOTAL CURRENT ASSETS</b>                              |      | <b>147,291</b>                     | <b>123,507</b>                                 | <b>109,294</b>                                |
| <b>CURRENT LIABILITIES</b>                               |      |                                    |  |   |
| Short Term Borrowing                                     |      | (41,679)                           | (6,353)  | (107,066)                                     |
| Short Term Creditors                                     |      | (73,438)                           | (66,926)                                       | (69,551)                                      |
| Provisions   |      | (848)                              | (1,418)  | (1,117)                                       |
| <b>TOTAL CURRENT LIABILITIES</b>                         |      | <b>(115,965)</b>                   | <b>(74,697)</b>                                | <b>(177,734)</b>                              |
| <b>NET CURRENT ASSETS (LIABILITIES)</b>                  |      | <b>31,326</b>                      | <b>48,810</b>                                  | <b>(68,440)</b>                               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>             |      | <b>1,423,663</b>                   | <b>1,565,158</b>                               | <b>1,332,456</b>                              |
| <b>LONG TERM LIABILITIES</b>                             |      |                                    |  |   |
| Long Term Creditors                                      |      | (2,134)                            | (2,412)  | (2,236)                                       |
| Long Term Borrowing                                      |      | (426,163)                          | (399,624)                                      | (229,521)                                     |
| Defined Benefit Scheme Liability                         |      | (120,127)                          | (228,340)                                      | (86,078)                                      |
| Other Long Term Liabilities                              |      | (75,609)                           | (73,524)                                       | (20,097)                                      |
| Share of Net Liabilities of Associates and Joint Venture |      | (289,782)                          | (325,880)                                      | (204,075)                                     |
| <b>TOTAL LONG TERM LIABILITIES</b>                       |      | <b>(913,815)</b>                   | <b>(1,029,780)</b>                             | <b>(542,007)</b>                              |
| <b>TOTAL NET ASSETS</b>                                  |      | <b>509,848</b>                     | <b>535,378</b>                                 | <b>790,449</b>                                |
| <b>Financed by:</b>                                      |      |                                    |  |   |
| <b>USABLE RESERVES</b>                                   |      |                                    |  |   |
| General Fund Balance                                     |      | 16,109                             | 10,146   | 4,602   |
| HRA Balance  |      | 926                                | 926  | 924   |
| Capital Fund   |      | 60,557                             | 58,850   | 53,249  |
| Insurance Fund   |      | 8,648                              | 10,050   | 10,208  |
| Repair and Renewals Fund                                 |      | 65                                 | 64   | 96  |
| <b>TOTAL USABLE RESERVES</b>                             |      | <b>86,305</b>                      | <b>80,036</b>                                  | <b>69,079</b>                                 |
| <b>UNUSABLE RESERVES</b>                                 |      | <b>713,325</b>                     | <b>781,222</b>                                 | <b>925,445</b>                                |
| <b>GROUP RESERVES</b>                                    |      | <b>(289,782)</b>                   | <b>(325,880)</b>                               | <b>(204,075)</b>                              |
| <b>TOTAL RESERVES</b>                                    |      | <b>509,848</b>                     | <b>535,378</b>                                 | <b>790,449</b>                                |

The unaudited accounts were issued on 22 June 2011 and the audited accounts were authorised for issue on 29 September 2011.

*Donald Forrest*

DONALD FORREST CPFA, Head of Finance and Estates

**GROUP CASH FLOW STATEMENT****STATEMENT 19****PURPOSE**

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 amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income 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.

|   | <b>Note</b> | <b>2010/11<br/>£'000</b> | <b>Restated<br/>2009/10<br/>£'000</b> |
|---|-------------|--------------------------|---------------------------------------|
| Net surplus (deficit) on Group  |             | <b>(106,599)</b>         | <b>(36,557)</b>                       |
| Adjust net surplus or deficit on the provision of services for non cash movements |             | 158,573                  | 90,349                                |
| Net cash flows from Operating Activities  |             | 51,974                   | 53,792                                |
| Net cash flows from Investing Activities  |             | (112,500)                | (78,703)                              |
| Net cash flows from Financing Activities  |             | 55,149                   | 66,386                                |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       |             | <b>(5,377)</b>           | <b>41,475</b>                         |
| <b>Cash and cash equivalents at the beginning of the reporting period</b>         |             | <b>42,422</b>            | <b>947</b>                            |
| <b>Cash and cash equivalents at the end of the reporting period</b>               |             | <b>37,045</b>            | <b>42,422</b>                         |

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

**1. ACCOUNTING POLICIES**

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 8 Note 1.

**2. COMBINING ENTITIES**

The Council has a number of related companies full details of which are shown on page 57 of the Accounts. For the purposes of consolidation and incorporation within the Group Accounts the Council does not have any subsidiary companies but has significant influence over West Lothian Leisure Ltd, the Lothian and Borders Police and Fire Boards and the Lothian Valuation Joint Board. These interests are deemed to be Associates. The Council has a 50% joint venture in West Lothian Recycling Ltd.

The following shares of the accounts of these bodies have been included within the Group Accounts.

**Associates**

|                           |  |
|---------------------------|--|
| West Lothian Leisure Ltd. | - basis - WLC funding to total income  |
| Joint Boards              | - basis - WLC funding to total funding |
| - Fire                    | - basis - WLC funding to total funding |
| - Valuation               | - basis - WLC funding to total funding |

|  | 2010/11 | 2009/10 |
|--|---------|---------|
|  | 24.97%  | 25.05%  |
|  | 15.71%  | 15.71%  |
|  | 15.64%  | 15.69%  |
|  | 18.39%  | 18.39%  |
|  | 50%     | 50%     |

**Joint Venture**

|                             |                                |
|-----------------------------|--------------------------------|
| West Lothian Recycling Ltd. | - basis - 50% of share capital |
|-----------------------------|--------------------------------|

The summarised Financial Information of the associates and joint venture are detailed below:

| Council share of Associates and Joint Ventures |         | Police<br>£'000 | Fire<br>£'000 | Valuation<br>£'000 | West Lothian<br>Leisure<br>£'000 | West Lothian<br>Recycling<br>£'000 | Total<br>£'000 |
|--|---------|-----------------|---------------|--------------------|----------------------------------|------------------------------------|----------------|
| Total Assets                                   | 2010/11 | 20,732          | 8,551         | 279                | 1,000                            | 328                                | 30,890         |
|  | 2009/10 | 21,229          | 8,339         | 286                | 726                              | 275                                | 30,855         |
| Total Liabilities and shareholders equity      | 2010/11 | (263,107)       | (55,706)      | (1,111)            | (680)                            | (68)                               | (320,672)      |
|  | 2009/10 | (286,861)       | (66,512)      | (2,361)            | (943)                            | (58)                               | (356,735)      |
| Net Assets / (Liabilities)                     | 2010/11 | (242,375)       | (47,155)      | (832)              | 320                              | 260                                | (289,782)      |
|  | 2009/10 | (265,632)       | (58,173)      | (2,075)            | (217)                            | 217                                | (325,880)      |
| Included in Surplus / (Deficit) in Group       | 2010/11 | 17,206          | 3,143         | 627                | 535                              | 43                                 | 21,554         |
|  | 2009/10 | (12,130)        | (3,087)       | 18                 | (661)                            | 70                                 | (15,790)       |

The accounting period for the Associates is the 31 March 2011 while the Joint Venture is the 31 December 2010. The associates and joint venture have been accounted for using the equity method.

The Charitable Trusts and Common Good Fund, which the Council manages, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 14 and 15 on pages 50 and 51.

**3. FINANCIAL IMPACT OF CONSOLIDATION**

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2011 (2010) is to reduce the net assets by £289.8m (£325.9m) representing the Council's share of net liabilities of these organisations. The net liabilities are attributable to the Joint Boards which have significant pension liabilities under IAS 19 of £309.1m (£345.9m) as the Police and Fire Officers pension schemes are unfunded and pension payments, net of officer's contributions, are met annually from revenue funding. The split of these pension liabilities is detailed below:

- Lothian and Borders Fire Board
- Lothian and Borders Police Board
- Lothian Valuation Joint Board

|  | 2010/11<br>£'000 | Re-stated<br>2009/10<br>£'000 |
|--|------------------|-------------------------------|
|  | (53,489)         | (64,521)                      |
|  | (254,747)        | (279,185)                     |
|  | (913)            | (2,159)                       |
|  | <b>(309,149)</b> | <b>(345,865)</b>              |

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

**4. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

The 2010/11 (2009/10) share of Associates pension interest cost and expected return on pension assets is £16.8m (£15.6m restated). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of Associates for the year.

**5. NON MATERIAL INTEREST IN OTHER ENTITIES**

The Council has a relationship with the following companies which have been set up for specific purposes. The following companies are not consolidated into the Group Accounts as they are not considered to be a material part of the Group.

Accounts of the companies may be obtained on application to the Head of Finance and Estates.

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

**5.1 West Lothian Municipal Bank Limited**

The company has carried on business in Armadale as a Bank of Deposit, basically a savings bank, since 1964. Members of the Council are the sole shareholders and directors of the company. The company does not pay a dividend and the directors are not paid any remuneration. The Council does not have a shareholding in the company. The Council matches the expenses and interest incurred so that no profit or loss is made. The vast majority of the funds of the company are lent to the Council who guarantee to make good to a depositor any principal and interest due, should the company default in payment.

The following details have been extracted from the most recent accounts of the company which, where audited, have had no qualifications to the audit certificate.

|                                | Unaudited<br>17 April 2011<br>£'000 | 17 April 2010<br>£'000 |
|--------------------------------|-------------------------------------|------------------------|
| Debtors - West Lothian Council | 1,010                               | 1,114                  |
| Creditors - due to Depositors  | 1,088                               | 1,202                  |

**5.2 WL Ventures Group Limited**

The company is limited by guarantee and was set up to promote industry and commerce within West Lothian. The Council has a right to nominate six members and directors.

The unaudited (audited) accounts for the period ended 31 March 2011 (31 March 2010) show a profit (loss) before and after tax of £12,069 (£10,103 loss) with net assets of £496,129 (£484,060).

**5.3 West Lothian Enterprise Limited**

The company is limited by guarantee. The principal activity is the management of funds designed for investments in industrial and commercial businesses with a view to promoting economic development. The company commenced in 2009/10.

The unaudited (audited) accounts for the period ended 31 March 2011 (31 March 2010) show a loss before and after tax of £4,687 (£4,191) with net liabilities of £8,878 (£4,191).

**5.4 West Lothian Housing Partnership Limited**

The Partnership is a company limited by guarantee and was formally incorporated in 1998. In June 2001 the Partnership was registered as a charity with the Inland Revenue and achieved contractual registration with the Scottish Housing Regulator in November 2001.

The company's main aim is to develop and operate new housing for rent. During the financial year the company had 380 properties under management. In return for sponsorship, funding and land the company gave the Council full nomination rights for all initial house lets, reverting to 50% nominations for subsequent vacancies thereafter.

The company is managed by a board of fifteen directors.

The unaudited (audited) accounts for the year to 31 March 2011 (2010) show a profit before and after tax of £500,300 (£339,863) with net assets of £1,991,053 (£1,490,753).

**5.5 Visit West Lothian Limited**

Visit West Lothian Limited was set up in August 2008 as a company limited by guarantee. The company consists of one employee, the Tourism Executive, and a board of 7 Directors comprising 1 council representative and 6 stakeholders. The purpose of the company is to promote and develop West Lothian as a visitor destination. As part of this the company aims to maximise the economic impact of West Lothian's visitor potential, improve the quality of the visitor experience and raise the profile of the locality. The company is funded by the council but also works to access available funding sources and generate additional revenue.

The unaudited (audited) accounts for the year ended 31 March 2011 (2010) show a profit before and after tax of £4,855 (£5,075) with net assets of £16 (£14,805).

**5.6 The West of Scotland Archaeology Service**

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contributions of £15,287 (£15,287 2009/10) representing 8.6% of the Committee's estimated running costs for the year to 31 March 2011.

**5.7 South East of Scotland Transport Partnership (SESTRAN)**

The Council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the Council with capital grant for West Lothian projects within the plan. During the year, the Council made a contribution of £34,034 (£35,651 2009/10) and had a voting share of 12.5%.

**5.8 SESplan is the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan)**

The Council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning etc. (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the Council made a contribution of £40,000 to the running costs of SESplan, representing 17% of the authority's running costs. The Council has a voting share of 17%.

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

## 6. PRIOR YEAR ADJUSTMENTS

|  | SORP<br>Audited<br>Accounts<br>£'000 | Police<br>Percentage<br>£'000 | Council<br>IFRS<br>Leases<br>£'000 | Associates<br>IFRS<br>Adjustments<br>£'000 | IFRS Revised<br>Comparatives<br>£'000 |
|--|--------------------------------------|-------------------------------|------------------------------------|--|---------------------------------------|
| <b>Comprehensive Income<br/>and Expenditure Accounts 2009/10</b> |                                      |                               |                                    |  |                                       |
| Financing and Investment Income                                  | 24,163                               | 132                           | (161)                              | (964)                                      | 23,170                                |
| Share of Operating Results of Associates<br>and Joint Ventures   | 308                                  | (165)                         | -                                  | 15,413                                     | 15,556                                |
| <b>Balance Sheet at 1 April 2009</b>                             |                                      |                               |                                    |  |                                       |
| Share of Net Liabilities of Associates<br>and Joint Venture      | (118,526)                            | (85,549)                      | -                                  | -  | (204,075)                             |
| Group Reserves   | (118,526)                            | (85,549)                      | -                                  | -  | (204,075)                             |
| <b>Balance Sheet at 31 March 2010</b>                            |                                      |                               |                                    |  |                                       |
| Share of Net Liabilities of Associates<br>and Joint Venture      | (181,265)                            | (139,379)                     | -                                  | (5,236)                                    | (325,880)                             |
| Group Reserves   | (181,265)                            | (139,379)                     | -                                  | (5,236)                                    | (325,880)                             |

## STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE

The statement assures stakeholders on the adequacy of corporate governance arrangements within West Lothian Council.

The Council must ensure its business is conducted in accordance with the law and proper standards, and that public money is used efficiently and effectively. In discharging this accountability, elected members and senior officers are responsible for stewardship of resources and governance of the Council's affairs. To this end, the Council has in place a Code of Corporate Governance, as well as management and reporting arrangements to ensure the Code is adhered to. In June 2010, the Council adopted a revised Code based on the CIPFA/SOLACE framework – Delivering Good Governance in Local Government. The revised Code has increased the number of governance requirements significantly compared to the previous code.

The Chief Legal Officer reports annually to the Council Executive on compliance with the Code and chairs a working group that is responsible for overseeing the operation of corporate governance in practice. The annual report for 2010/11 is available on request.

The working group uses a scoring system and Covalent to monitor progress against each of the requirements of the Code. The new Code has 370 items assessed across three aspects – approach, deployment and review. In the first year of review only the approach levels have been assessed due to the significantly greater detail of the new Code. Work has started on extending the assessment to deployment and to review and evidence of compliance with these factors will be reported in next year's annual report. Based on the evidence gathered, the Group has established that the governance approach requirements of the Code were substantially met in 2010/11.

As well as ensuring there are proper systems and procedures in place, the working group also focuses on enhancing the quality of these systems and procedures and verifying their deployment throughout the Council. The evidence in the annual report for 2010/11 indicates arrangements for corporate governance have operated well. However, it was recognised there is scope for significant improvement in Procurement arrangements. A thorough review of all aspects of Procurement is being undertaken and a rolling comprehensive improvement plan will be implemented from summer 2011 onwards. This aspect of corporate governance will continue to be prioritised on an ongoing basis to deliver further quality refinement and more comprehensive evidence of deployment in areas where improvement is possible.

The Internal Audit Manager independently reviews the adequacy, effectiveness and extent of compliance with the Code. An internal audit conducted in 2010/11 covered Annual Statements of Compliance and concluded that the level of control requires improvement.

West Lothian Council's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010).

On the basis of reports by the Chief Legal Officer and Internal Audit Manager, we can state that governance arrangements are operating satisfactorily within West Lothian Council and that the requirements of the local Code of Corporate Governance continue to be substantially met. Effective governance arrangements will remain a key priority for the council in future, including continuous review and improvement of governance arrangements and ensuring that the revised Code is embedded across the whole Council.

**Graham Hope**  
Chief Executive  
29 September 2011

**Councillor Peter Johnston**  
Leader of the Council