# Annual Financial Statements

# Year Ended
# 31 March 2011

WEST
DUNBARTONSHIRE
COUNCIL

CONTENTS

## Introduction

The purpose of these Financial Statements is to provide clear information about the Council's financial position as at 31 March 2011. The foreword is intended to give the reader an easy to understand guide to the most significant matters reported in the Financial Statements.

## Overview of Core Financial Statements

The Financial Statements comply fully with the Code of Practice on Local Authority Accounting in United Kingdom. Two major categories of expenditure are included in the financial statements: revenue and capital. Revenue expenditure represents the day to day running costs that the Council incurs to provide services. Capital expenditure is the cost of acquiring, constructing and improving the assets which the Council uses to provide services.

Revenue expenditure is recorded in a number of accounts with the main purposes of each statement summarised as follows:

- The Movement in Reserves Statement details shows how the Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the General Fund for the year. It also highlights movement on all other reserves held on the Council's Balance Sheet. It is shown on page 12.
- The Comprehensive Income and Expenditure Statement details the income and expenditure relating to all Council services. It is shown on pages 13 to 14.
- Housing Revenue Account is funded mainly from rents and deals with the costs of managing and maintaining the Council's own housing stock. It is shown on pages 87 to 89 which also includes the statement of movement on the Housing Revenue Account Balance.

Capital expenditure is analysed for each department in note 20 on pages 68 to 69 which details the capital expenditure of each department and summarises the sources of finance that have been applied to each programme.

The Balance Sheet on page 15 brings together 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. It is also a report on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.

The Cash Flow Statement on page 16 summarises the inflows and outflows of cash arising from transactions with third parties on both day to day revenue transactions and on capital activities. Cash is defined for the purpose of the statement as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.

Additional Notes To The Core Financial Statements are provided on pages 17 to 86 which give further information and analysis relevant to each statement.

## Comprehensive Income and Expenditure Statement

This account covers the day to day operational expenditure for each department of the Council. Income from council tax, non domestic rates and revenue support grant was £245.568m, with a net expenditure on services for the year of £247.627m (as shown on page 13 - Net Cost of Services £197.312m less non distributed costs of £50.315m)

## Comprehensive Income and Expenditure Account

When the overall General Services surplus for the year of £8.319m is added to the brought forward balance from the previous year, the accumulated surplus at 31 March 2011 is £14.967m (as shown on page 12). This includes an earmarked amount of £10.256m leaving £4.711m available for future use. This un-earmarked balance compares with that of £3.376m as at 31 March 2010 and confirms that the un-earmarked reserve position has increased by £1.335m during the year.

During the year, the Council had to absorb a number of significant budget pressures that arose during the year in relation to the economic downturn and additional pension costs and severance incurred due to departmental restructuring and service re-design throughout the Council. Due to tight financial control over service spending, the Council was able to return an in year service surplus of £6.290m against original budget (2009/10 £1.380m). The Council's budgetary performance for the year is summarised in the following table:

| | £m | £m |
|---|---|---|
| Un-earmarked balance at 31 March 2010 | | 3.376 |
| | | |
| Planned surplus within budget | 0.250 | |
| Top up of bad debt provisions | (0.210) | |
| Top up of balances held for severance/ single status | (2.773) | |
| Accelerated payment to the Pension Fund | (2.222) | (4.955) |
| | | (1.579) |
| In year surplus against budget | | 6.290 |
| Un-earmarked balance at 31 March 2011 | | 4.711 |

The policy aims to retain a prudential reserve of 2% of net expenditure (excluding precepts) to safeguard assets and services against financial risk. The current target prudential reserves level for the General Fund is £4.200m and the Council has successfully restored its reserve beyond this level during 2010/11.

## Housing Revenue Account

By law, the Council has to maintain a separate account for its housing stock. The number of units owned by the Council at 31 March 2011 was 11,331. The account shows a surplus for the year of £0.026m. In line with the prudential reserves policy, the target reserves level for the Housing Revenue Account is £0.653m. Taking account of an in year surplus (£0.026m), the brought forward balance from the previous year (£2.642m) and earmarked amounts for housing stock transfer (£1.966m) and rent capping (£0.049m), the balance available to the HRA for future use is £0.653m.

## Cash Flow Statement

The Council's cash flow statement shows an increase of cash and cash equivalents of £8.166m during 2010/11 (page 16) mainly as a result of year end creditors increasing and management action to decrease debtors held.

## Principal Sources of Finance

The principal sources of finance utilised by the Council in 2010/11 were as follows:

| | | |
|---|---|---|
| Revenue support grant | £170.715 million | provided by the Scottish Government |
| Specific Government grants | £11.971 million | provided by the Scottish Government |
| Non-domestic rate income | £36.390 million | provided by the Scottish Government |
| Council tax/community charge | £38.463 million | raised from local taxpayers |
| Housing rents | £30.160 million | raised from tenants |

Although the Council received £36.390m non domestic income from the Scottish Government, £64.815m was paid to the Scottish Government from non domestic rates collected in West Dunbartonshire which represents a net contribution to the national pool of £28.425m.

Despite the economic downturn, the Council's council tax team was able to maintain the in-year collection of council tax at 94.1% which together with an increased collection of aged debt allowed council tax collection to reach record levels during the year.

## Pension Assets and Liabilities

The balance sheet shown on page 15 feature an assessed pension fund liability of £80.842m based on a snapshot valuation of the fund at 31 March 2011. Further information on the pension fund is provided in note 14 on pages 51 to 58. The valuation states that assets held at the valuation date were sufficient to cover only 92.29% of accrued liabilities.

The pension scheme liability has decreased by £101.323m as advised by the appointed actuaries, and this is mainly as a result of the change from using consumer price index (CPI) rather than retail price index (RPI). The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers together with planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities.

## Council Assets

The present economic climate has resulted in more volatile asset values and the Council's valuer found it necessary to carry out further impairment reviews during 2010/11 in respect of particular assets. This is further detailed in note 17 on pages 63 to 66, notes 17 and 18 on page 67 and note 22 on page 70.

## Long Term Borrowing

The Council's Treasury Strategy for 2010/11 was agreed by the Council in March 2010. The Council raised new long term loans of £24.458m and repaid naturally maturing debt of £20.078m. The total outstanding long term debt (excluding PPP debt) as at 31 March 2011 was £221.023m including £101.144m for the Council's housing stock. The interest and expenses rate charged by the Council's loans fund was 5.76%.

## Trading Operations

The Council now maintains separate accounts for two statutory trading operations under the provisions of the Local Government Scotland Act 2003: Housing Property Maintenance and Grounds Maintenance/Street Cleaning. These two operations returned a total collective surplus of £2.861m (excluding notional interest). Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Further details are provided in note 8 on pages 44 to 45.

## Capital Finance

The Council is able to regulate its own capital spending limits within the framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. The necessary treasury indicators and safeguards have been approved by Council and have resulted in increases to both the General Services and Housing Capital programmes for 2010/11 and beyond. Details of the capital expenditure and financing are shown in note 20 on pages 68 to 69. Total gross capital expenditure amounted to £47.097m.

## Public Private Partnership

The Council entered into a public private partnership for the provision for three new Community Learning Centres. The agreement provides the Council with replacement buildings for three secondary schools which were handed over in 2009/10 with a further primary school handed over during 2010/11. In accordance with statutory accounting guidance, full details of the agreement is provided within note 22 on page 70.

## Group Accounts

Local authorities are asked to prepare group accounts in addition to their own Financial Statements where they have material interest in other organisations. The group accounts on pages 103 to 114 consolidate the Council's Financial Statements with five other entities, together with the Common Good and Trust Funds. The effect of combining these entities on the group balance sheet is to reduce reserves and net assets by £269.519m, creating an overall net asset of £75.561m. This reflects the combined pension liability of these organisations similar to that of the Council. However, as there is no reason to suggest that future funding to these bodies will not continue, the accounts have been prepared on a going concern basis.

## Financial Strategy

During the course of the year, the Council faced a number of significant financial pressures resulting from general inflationary increases and the overall downturn in the economy. The latest projections for public sector expenditure from the Treasury, as well as various academic institutions outline a scenario where resources continue to decline in real terms over the next five to ten years at the same time as demand for services continues to increase annually driven by demographic change and policy pressures.

The Council has considered the potential risks for the Council at both a corporate and a service level of the economic downturn and has updated its financial strategy accordingly. The Council now faces significant funding gaps of around £12.618m for the period to 2013/14 and is currently reviewing its spending commitments accordingly. The Council at their meeting on 28 April 2010 agreed to take advantage of the borrowing consent of £4.413m, awarded to the Council to compensate for the effect on council balances of meeting its equal pay and single status commitments. This borrowing option has been earmarked for investment into service redesign and business transformation which is crucial to service delivery within the revised financial limits.

# Foreword by the Executive Director of Corporate Services

## Future Events

The council commenced on its service redesign and business transformation during 2010/11, with a number of major projects underway. Final decisions on detailed business cases for these projects should be confirmed and implementation commenced during 2011/12. These include:

- Income Securitisation – the creation of a Special Purpose Vehicle used to manage the commercial unit portfolio and to make available further investment sums for Council service delivery. A number of projects stemming from this potential investment are currently under review;
- Leisure Trust – the movement towards a transfer of selected leisure facilities to a managed Trust;
- Partial Housing Stock Transfer – the ballot to transfer selective housing stock areas to Registered Social Landlords is now due during 2012.

## Provisions

The Council has two main provisions held on its Balance Sheet, totalling £4.648m. The Council holds funds for future equal pay claims and for further service re-design which will allow for a number of early terminations of contracts (through early retirement and severance).

## International Financial Reporting Standards (IFRS)

The UK government has agreed that from 1 April 2010, local government financial statements should be IFRS compliant. This has resulted in a complete change to the format of financial statements this year. As 2009/10 is the comparison year, a modified set of 2009/10 financial statements to ensure IFRS compliance have been prepared, for use in these financial statements.

Note 5 on pages 39 to 41 identifies the material changes from the audited 2009/10 financial statements. These changes include changes in classification of assets (both long and short term), valuation methodology changes for particular types of asset, immediate recognition of capital grants (previously deferred) and inclusion of a staff pay accrual.

## Conclusion

The financial results show an increase in the Council's overall balances after adjusting for a carry-forward of budgeted resources. Considering the significant and exceptional financial pressures being faced by the Council, we have successfully managed our affairs within the budget set and the financial objectives prescribed. This is a satisfactory performance and reflects well on both the efforts and professionalism of the staff and on our financial management and monitoring procedures.

## Acknowledgement

The production of the Annual Financial Statements is very much a team effort and I wish to record my thanks to both my own staff and to colleagues in all services whose efforts have contributed to the completion of these Financial Statements.

Joyce White FCMA Chartered FCIPD
Executive Director of Corporate Services
West Dunbartonshire Council
30 September 2011

# Statement of Responsibilities

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 Executive Director of Corporate Services;

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

- to approve the Financial Statements.

The Executive Director of Corporate Services Responsibilities:

The Executive Director of Corporate Services 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).

In preparing these Financial Statements, the Executive Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code.

The Executive Director of Corporate Services has also:

- kept proper accounting records which were up to date; and

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

## Statement on the System of Internal Financial Control

This statement is given in response to the financial statements of West Dunbartonshire Council for the year ended 31 March 2011. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources at the Council's disposal.

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

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

- comprehensive budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecast;
- clearly defined capital expenditure guidelines;
- an effective Internal Audit service; and
- scrutiny by the Audit & Performance Review Committee of the Council.

The Head of Audit, Performance and Strategic Planning produces an annual audit plan based on a risk assessment of the Council's systems and processes which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The audit plan is endorsed by the Audit & Performance Review Committee. This Committee meets regularly and receives reports from the Head of Audit, Performance and Strategic Planning. Our external auditors also attend. The Head of Audit, Performance and Strategic Planning produces an annual report on the work carried out by Internal Audit during the year. This report contains a view on the effectiveness of the system of internal financial control. Although during the year slippage occurred from the level of audit work planned, the independent opinion reached in the annual internal audit report was that reasonable assurance could be placed on the system of internal financial control.

The Internal Audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Head of Audit, Performance and Strategic Planning meets regularly with chief internal auditors for other authorities and staff are appropriately trained.

## Statement on the System of Internal Financial Control

Our review of the effectiveness of the system of internal financial control is informed by:

- the audit work undertaken by Internal Audit during the year to 31 March 2011;
- the assessment of risk completed during reviews of the strategic audit plan;
- reports issued by the Council's external auditors, KPMG LLP, and other review agencies;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and
- statements of internal financial control produced by those authorities which the Council has determined will be included in the preparation of Group Accounts:
    - Strathclyde Joint Police Board;
    - Strathclyde Fire Board;
    - Strathclyde Partnership for Transport; and
    - Strathclyde Concessionary Travel Joint Board .

From the above, we are 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 take appropriate action.

The Council has recently undergone a realignment of the Chief Executive's departmental structure to incorporate audit, risk and performance management, which has recently been finalised. The Risk Management process has been reviewed and new strategic risks have been identified. Work will continue on embedding risk management across the Council during 2011/12 to ensure the Council can prepare a full Governance Statement for future years.

| | | | |
|---|---|---|---|
| Signed | D. McMillan<br>Chief Executive | Signed | Joyce White<br>Executive Director of Corporate Services |
| Date | 30 September 2011 | Date | 30 September 2011 |

# Core Financial Statements

The financial statements comprise the following primary statements:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cashflow Statement; and
- Summary of significant accounting policies and other explanatory notes

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the authority’s services, more details of which are shown in 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 for council tax setting and dwelling rent setting purposes. The net increase/decrease before transfer to earmarked reserves line shows the statutory general fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Comprehensive Income and Expenditure Statement

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. The Council 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.

## Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first of the category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 accounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line ‘adjustments between accounting basis and funding basis under regulations’.

# Core Financial Statements

## Cash Flow Statement

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

# Movement in Reserves Statement

| | | Usable Reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | General Fund balance £000 £000 | HRA Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 | Capital Reserve £000 | Other Reserves £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
| Opening Balance at 1 April 2009 | | 5,036 | 1,839 | 8,507 | 205 | 6,016 | 356 | 21,959 | 305,205 | 327,164 |
| Movement in reserve 2009/10 | | | | | | | | | | |
| Surplus or (deficit) on provision of services | | 5,234 | (6,471) | 0 | 0 | 0 | (100) | (1,337) | 0 | (1,337) |
| Other Comprehensive Expenditure and Income | | 121 | 0 | (1,310) | 0 | (628) | 0 | (1,817) | (90,495) | (92,312) |
| Total Comprehensive Expenditure and Income | | 5,355 | (6,471) | (1,310) | 0 | (628) | (100) | (3,154) | (90,495) | (93,649) |
| Adjustments between accounting basis and funding basis under regulations | 6 | (3,743) | 7,274 | 0 | (155) | 0 | 0 | 3,376 | (10,935) | (7,559) |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | | 1,612 | 803 | (1,310) | (155) | (628) | (100) | 222 | (101,430) | (101,208) |
| Closing Balance at 31 March 2010 | | 6,648 | 2,642 | 7,197 | 50 | 5,388 | 256 | 22,181 | 203,775 | 225,956 |
| Opening Balance at 1 April 2010 | | 6,648 | 2,642 | 7,197 | 50 | 5,388 | 256 | 22,181 | 203,775 | 225,956 |
| Movement in reserve 2010/11 | | | | | | | | | | |
| Surplus or (deficit) on provision of services | | 46,360 | (7,164) | 0 | 0 | 0 | 0 | 39,196 | 0 | 39,196 |
| Other Comprehensive Expenditure and Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 69,579 | 69,579 |
| Total Comprehensive Expenditure and Income | | 46,360 | (7,164) | 0 | 0 | 0 | 0 | 39,196 | 69,579 | 108,775 |
| Adjustments between accounting basis and funding basis under regulations | 6 | (38,880) | 7,190 | (5,536) | (50) | (447) | 0 | (37,723) | 37,723 | 0 |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | | 7,480 | 26 | (5,536) | (50) | (447) | 0 | 1,473 | 107,302 | 108,775 |
| Transfers to/from Capital Reserve | | 839 | 0 | 0 | 0 | (785) | (54) | 0 | 0 | 0 |
| Closing Balance at 31 March 2011 | | 14,967 | 2,668 | 1,661 | 0 | 4,156 | 202 | 23,654 | 311,077 | 334,731 |

# Comprehensive Income and Expenditure Statement

| 2009/10 Gross Expenditure £000 | 2009/10 Gross Income £000 | 2009/10 Net Expenditure £000 | Notes | | 2010/11 Gross Expenditure £000 | 2010/11 Gross Income £000 | 2010/11 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| | | | | Service | | | |
| 5,558 | 2,120 | 3,438 | | Central Services | 16,316 | 1,551 | 14,765 |
| 16,084 | 2,677 | 13,407 | | Cultural and Related Services | 18,093 | 2,859 | 15,234 |
| 102,964 | 7,426 | 95,538 | | Educational Services | 114,609 | 7,995 | 106,614 |
| 16,891 | 6,089 | 10,802 | | Environmental Services | 16,054 | 5,181 | 10,873 |
| 80,661 | 76,305 | 4,356 | | Housing Services | 84,621 | 79,586 | 5,035 |
| 5,261 | 5,750 | (489) | | Planning and Development Services | 6,071 | 5,933 | 138 |
| 17,112 | 9,215 | 7,897 | | Roads and Transport Services | 17,952 | 9,644 | 8,308 |
| 75,684 | 13,515 | 62,169 | | Social Work Services | 78,401 | 14,783 | 63,618 |
| 10,326 | 0 | 10,326 | | Fire Services | 8,233 | 0 | 8,233 |
| 28,382 | 14,443 | 13,939 | | Police Services | 23,432 | 12,101 | 11,331 |
| 3,561 | 66 | 3,495 | | Corporate and Democratic Core | 3,535 | 57 | 3,478 |
| 5,135 | 0 | 5,135 | | Non distributed costs | (50,315) | 0 | (50,315) |
| 367,619 | 137,606 | 230,013 | 16 | Net Cost of Service | 337,002 | 139,690 | 197,312 |
| | | (12) | | (Gain) / loss on Disposal of non-current assets | | | 351 |
| | | 230,001 | | Other Operating Expenditure | | | 197,663 |
| | | (38,234) | | Council Tax | | | (38,463) |
| | | (38,338) | | Non-Domestic Rates | | | (36,390) |
| | | (161,267) | | Revenue Support Grant | | | (170,715) |
| | | (8,925) | | Recognised Capital Income (Grants, Contributions & Donations) | | | (7,800) |
| | | (246,764) | | Taxation and Non-Specific Grant Income | | | (253,368) |

# Comprehensive Income and Expenditure Statement

| 2009/10 Gross Expenditure £000 | 2009/10 Gross Income £000 | 2009/10 Net Expenditure £000 | Notes | | 2010/11 Gross Expenditure £000 | 2010/11 Gross Income £000 | 2010/11 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| | | (164) | | Interest Earned | | | (116) |
| | | 15,282 | | External Interest Payable and similar charges | | | 17,923 |
| | | 746 | | (Gain) / loss early settlement of borrowing | | | 806 |
| | | (2,262) | 8 | Surpluses on Trading Undertakings not included in net cost of services | | | (2,977) |
| | | 4,498 | 14 | Pension Interest Cost and Expected return on Pension Assets | | | 873 |
| | | 18,100 | | Finance and Investment Income and Expenditure | | | 16,509 |
| | | 1,337 | | (Surplus)/Deficit on the Provision of Services | | | (39,196) |
| | | (38,022) | | (Surplus) / Deficit on revaluation of property, plant, equipt. | | | (15,395) |
| | | (899) | 19 | (Surplus) / Deficit on revaluation of available for sale assets | | | (806) |
| | | 131,233 | 14 | Actuarial (gains) / losses on pension assets and liabilities | | | (53,378) |
| | | 92,312 | | Other Comprehensive Income and Expenditure | | | (69,579) |
| | | 93,649 | | Total Comprehensive (Income) and Expenditure | | | (108,775) |

# Balance Sheet

| 2008/09 £000 | 2009/10 £000 | Notes | | 2010/11 £000 |
|---|---|---|---|---|
| 588,881 | 714,945 | 17 | Property, Plant and Equipment | 738,288 |
| 153 | 100 | 18 | Intangible Assets | 94 |
| 412 | 331 | | Long Term Debtors | 270 |
| 589,446 | 715,376 | | Long Term Assets | 738,652 |
| 1,970 | 1,770 | 19 | Asset Held for Sale | 2,093 |
| 852 | 850 | 23 | Inventories | 954 |
| 26,801 | 30,965 | 24, 26 | Short Term Debtors | 27,224 |
| 26,221 | 4,764 | 25 | Cash and Cash Equivalents | 12,930 |
| 55,844 | 38,349 | | Current Assets | 43,201 |
| (3,551) | (3,500) | 29 | Provisions | (4,648) |
| (45,695) | (35,925) | 27, 26 | Short Term Creditors | (42,515) |
| (25,485) | (23,826) | | Short Term Borrowing | (4,003) |
| (74,731) | (63,251) | | Current Liabilities | (51,166) |
| 570,559 | 690,474 | | Net Assets | 730,687 |
| (193,810) | (280,889) | | Long Term Borrowing | (314,510) |
| (49,322) | (182,165) | 14 | Net Pensions Liability | (80,842) |
| (263) | (1,464) | | Capital Grants Receipts in Advance (conditions) | (604) |
| (243,395) | (464,518) | | Long Term Liabilities | (395,956) |
| 327,164 | 225,956 | | Total Assets Less Liabilities | 334,731 |
| | | | Represented by: | |
| 21,959 | 22,181 | MIR | Usable Reserves | 23,654 |
| 305,205 | 203,775 | MIR | Unusable Reserves | 311,077 |
| 327,164 | 225,956 | | Total Reserves | 334,731 |

The unaudited financial statements were issued on 30 June 2011 and the audited financial statements were authorised for issue on 30 September 2011.

Joyce White FCMA Chartered FCIPD
Executive Director of Corporate Services
West Dunbartonshire Council
30 September 2011

# Cash Flow Statement

| 2009/10 £000 | 2010/11 £000 |
|---|---|

| | | |
|---|---|---|
| | Operating Activities | |
| (97,156) | Taxation | (102,903) |
| (205,696) | Grants | (214,835) |
| (11,313) | Housing rents | (12,020) |
| (50,491) | Sale of goods and rendering of services | (49,814) |
| (303) | Interest received | (116) |
| (15,214) | Other receipts from operating activities | (6,735) |
| (380,173) | Cash Inflows from Operating Activities | (386,423) |
| 164,619 | Cash paid to and on behalf of employees | 176,622 |
| 19,262 | Housing benefit paid out | 21,406 |
| 21,276 | National NDR payment to national pool | 28,425 |
| 15,599 | Interest paid | 17,652 |
| 25,027 | Precepts paid | 20,326 |
| 126,810 | Other payments for operating activities | 91,791 |
| 372,593 | Cash Outflows from Operating Activities | 356,222 |
| (7,580) | Net Cash Inflow from Operating Activities | (30,201) |
| | Investing Activities | |
| 37,997 | Purchase of PPE, Investment Property and Intangible Assets | 35,412 |
| (685) | Proceeds from the sale of PPE and Intangible Assets | (2,521) |
| (9,308) | Other receipts from investing activities | (7,884) |
| 28,004 | Net Cash Flows from Investing Activities | 25,007 |
| | Financing Activities | |
| (51,545) | Cash receipts of short and long term borrowing | (24,458) |
| 997 | Cash payments for reduction in PPP liability outstanding | 1,408 |
| 51,564 | Repayments of short and long term borrowing | 20,078 |
| 1,016 | Net Cash Flows from Financing Activities | (2,972) |
| 21,440 | (Increase)/Decrease in Cash and Cash Equivalents | (8,166) |
| 26,204 | Cash and cash equivalents at the beginning of the reporting period | 4,764 |
| 4,764 | Cash and cash equivalents at the end of the reporting period | 12,930 |

# Notes to the Financial Statements

## Note 1 - Accounting Policies

1. General Principles

The Financial Statements summaries the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 (Financial Statements). 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 ("the code") and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and when it is probable that the economic benefits associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and when it is probable that the economic benefits associated with the transaction will flow to the Council;

- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payment is made;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than on cash flows fixed or determined by the contract; and

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and charged to revenue for the income that might not be collected.

# Notes to the Financial Statements

## Note 1 - Accounting Policies

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

Investments held by the Council comprise solely of short term lending of surplus funds to a limited number of high quality UK banks. All deposits are held in sterling. The carrying amount is the outstanding principal receivable.

Bank balances are included in the Balance Sheet at the closing balance in the Council's ledger and include cheques payable not yet cashed.

4. Changes in Accounting policies, Estimates and Errors

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years only.

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

5. Charges to Revenue for Property, Plant and Equipment

Services are debited with the following amounts to record the cost of using or holding fixed assets during the year:

- Depreciation, attributable to the assets used by the relevant service;
- Revaluation and impairment losses, where there is no accumulated gain in the Revaluation Reserve;
- Amortisation of intangible fixed assets.



The Council is not required to raise council tax to cover depreciation, revaluation or impairment losses. However, it is required to make annual provision from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are replaced by the revenue provision in the General Fund by an adjustment within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Intangible assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

Assets are measured originally at cost and only revalued where the fair value of the asset can be determined by reference to an active market.

Where an intangible asset has a finite useful life, the depreciable amount of an intangible asset is depreciated over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is recognised in the Surplus or Deficit on the Provision of Services when the asset is derecognised.

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



## 7. Property, Plant and Equipment

Assets that have physical substance and are held for the supply of goods and services, either directly or indirectly, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<u>Recognition</u>

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

Measurement

Initially measured at cost, comprising of:

- purchase price;

- any costs associated with bringing the asset to the location or condition necessary for it to be capable of operating in the manner intended by management; and

- the initial estimate of costs for dismantling and removing the item and restoring the site on which it is located to its original state.

The Council does not capitalise borrowing costs incurred during construction of an asset.

Where property, plant or equipment are acquired in exchange for a non monetary asset or assets, or a combination of monetary and non monetary assets, the cost of the acquired item shall be measured at fair value unless there is no economic substance to the exchange transaction, or the fair value of neither the asset received nor the asset given up can be reliably measured. The acquired item is measured at fair value even if the Council cannot immediately derecognise the asset given up. The acquired item is measured at the carrying amount of the asset given up if it is not measured at fair value.

## Note 1 - Accounting Policies

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

- Infrastructure, community and assets under construction assets – historical cost;
- Council dwellings – fair value, determined in accordance with existing use value of social housing (EUV-SH);
- Other buildings – fair value. Where there is no market based evidence of fair value because of the specialised nature of the asset and the asset is rarely sold, depreciated replacement cost is used as an estimate of fair value;
- Plant and equipment and other non property assets – fair value. Where assets in this class have either short useful lives or low values (or both), depreciated historical cost is considered to be a proxy for fair value where the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of the consumption of the asset class.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years. The programme of revaluation for 2010/11 and planned each of the following four years is as follows:

- 2010/11 Halls/ public conveniences/ leisure/ sports centres/ libraries/new build schools
- 2011/12 crematorium/ cemeteries/ operational offices/ depots
- 2012/13 all council non-operational properties
- 2013/14 housing stock/ schools/ social work homes
- 2014/15 Any properties not previously re-valued / general re-appraisal

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

Where decreases in value are identified, the revaluation loss is accounted by:

- Balance of revaluation gains for the asset in Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the total gain)

- No balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

Impairment

Assets are assessed at the end of each financial year for evidence in impairment or a reduction in value. Where indications exist and any possible differences are estimated to be material, the recoverable amount on the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- Balance of revaluation gains for the asset in Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the total accumulated gains)

- No balance of revaluation gains for the asset in the Revaluation Reserve – the carrying amount is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would be charged if the loss had not been recognised.

# Notes to the Financial Statements

## Note 1 - Accounting Policies

Disposals

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

Assets to be scrapped are not re-classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount in the Balance Sheet is written off to the Surplus and Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of a gain or loss on sale. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying borrowing requirement. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax. It is appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided on all property, plant and equipment over their useful economic lives, with an exception made for assets without a determinable finite useful life (i.e. non depreciating land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

# Notes to the Financial Statements

## Note 1 - Accounting Policies

The useful lives of assets, as estimated and advised by a suitably qualified officer, are as follows:

| | | |
|---|---|---|
| • Council dwellings | 40 years | straight line |
| • Other buildings * | 20-60 years | straight line |
| • Infrastructure | 20 years | straight line |
| • Vehicles, plant, equip | 5-10 years | straight line |
| • Intangibles | 5-10 years | straight line |

* Including components such as structure, mechanical and electrical, etc.

Where an item of property, plant and equipment assets has major components whose cost in significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged on assets and the depreciation that would be chargeable based upon historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

8. Assets Held for Sale

Assets held for sale are those where the carrying amount will be recovered principally through a sale transaction rather than through continued use. Before an asset can be classified as held for sale, the following conditions must be met:

1) The asset must be available for immediate sale in its present condition.
2) The sale must be highly probable and an active programme to locate a buyer and complete the plan must have been initiated.
3) The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
4) The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The assets are measured at the lower of carrying amount and fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length, less costs to sell at the initial classification and at the end of each reporting date. Assets are not depreciated. Revaluation gains shall be recognised for any initial or subsequent increase in fair value less costs to sell but not in excess of the cumulative impairment loss or revaluation loss that have been recognised in the Surplus of Deficit on the Provision of Services. Impairment losses (or revaluation losses) will be recognised for any subsequent decrease to fair value less costs to sell following reclassification in the Surplus or Deficit on the Provision of Service even where there is a balance on the assets Revaluation Reserve.

# Notes to the Financial Statements

## Note 1 - Accounting Policies

### 9. Construction Contract (Work in Progress)

Work in progress is valued at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

### 10. Employee Benefits

#### Benefits payable during employment

Short term employee benefits (i.e. fall due within 12 months of the year-end), such as wages and salaries, paid leave, paid sick leave, bonuses and non monetary benefits for current employees are recognised as an expense in the year in which the employees render service to the Council. An accrual is made against the services in the Surplus or Deficit on the Provision of Service for the costs of holiday entitlement and other forms of leave earned by the employee but not taken before the year end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision made by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept a voluntary termination package in exchange for those benefits. Termination benefits do not provide the Council with future economic benefits and consequently they are recognised on an accruals basis immediately in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Account when the authority is demonstrably committed to provision of the termination benefits.

Where termination benefits involve the enhancement of pensions, they are treated as pension costs for the purpose of the statutory transfer between the Pension Reserve and the General Fund of the amount by which the pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations. In the Movement in Reserves Statement appropriations are required to and from the Pension Reserve to remove notional debits and credits for termination benefits related to pensions enhancements and replace them with the cost of the cash paid, including any amounts due and not paid at the year end.

## Note 1 - Accounting Policies

### Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Scottish Pensions Agency; and
- The Local Government Pensions Scheme, administered by Glasgow City Council

Both schemes provide defined benefits to members earned as employees of the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet, and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council are included within the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates, projection of earnings for current employees, etc.
- Liabilities are discounted to their value at current prices using a discount rate of 5.5% (based upon the indicative return rate on long dated high quality corporate bonds)
- The assets of the local government pension fund attributable to the Council are included in the Balance Sheet at their fair value as follows:
    - Quotes securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

Note 1 - Accounting Policies

- The change in the net pensions liability is analysed into seven components:

  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.

  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

  - Expected return of assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

  - Contributions paid to the local government pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

# Notes to the Financial Statements

## Note 1 - Accounting Policies

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated in accordance to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove any notional debits and credits for retirement benefits and replace them with the cash paid or payable at the year end, to the pension fund and pensioners. The negative balance that arises on the Pension Reserve measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### Discretionary Benefits

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

### 11. Events after the reporting period

Events after the reporting period are those events (both favourable and unfavourable) that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types have been identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements is adjusted to reflect this;

- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect this. However, if the event is material, a disclosure is made within the notes of the nature and financial effect.

### 12. Exceptional items

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

## Note 1 - Accounting Policies

### 13. Financial liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the General Fund balance to be spread over future years. Premiums and discounts that were on the balance sheet as at 31 March 2007 are written off in accordance with the schedules in place at that time, however premiums and discounts that are incurred as a result of transactions that have taken place since 1 April 2007 are written off in accordance with regulations as follows:

Modified Loans

- Both old and new premiums and discounts are amortised over the life of the new loan using the effective interest rate as noted above.

Unmodified Loans

- New premiums and discounts are written off over the life of the new loan (if fixed) or over a maximum of 20 years (if variable or with an option to vary)
- Old premiums are written off over a maximum of 20 years.
- Old discounts are written off over a maximum of 5 years.

Note 1 - Accounting Policies

Straight Repayment

- Both old and new premiums and discounts are written off over a maximum of 5 years.

The reconciliation of amounts is charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

14. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

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

The Council has made a number of loans to community groups at less than market rates (soft loans). Where soft loans are made and are material, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the community groups, with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance in managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Any gains or losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Instruments entered into before 1 April 2006

Any financial guarantees the Council has committed to since 1 April 2006 have been recognised at fair value and assessed for probability of the guarantee being called and the likely amount payable under the guarantee. Any material provision for this has been recognised in the Financial Statements to the extent that provisions might be required or a contingent liability note is needed.

15. Government grants and contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

16. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

17. Leases

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operational.

Where the lease covers both land and buildings, the elements are considered separately for classification.

Council as Lessee

Finance Leases
Assets held under finance lease are recognised in the Balance Sheet at the start of the lease at its fair value at the lease's inception, or, if lower the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay. Initial direct costs to the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to revenue in the years they incur.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset – applied to write down the lease liability;

- A finance charge (debited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement

The Council is not required to raise council tax to cover depreciation/ revaluation or impairment losses arising on leased assets. Assets recognised under the finance lease are accounted for using the policies applied generally to Council owned assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Note 1 - Accounting Policies

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight line basis over the life of the lease, even if it does not match the pattern of payment.

Council as Lessor

Finance Leases

When the Council grants a finance lease over an asset, the asset is written out of the Balance Sheet as a disposal. At the start of the lease the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement, matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A receipt for the acquisition of the interest in the asset – applied to write down the lease asset (together with any premiums received);
- Finance income (credited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amounts due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element of the charge for the acquisition of the interest in the asset is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Notes to the Financial Statements

Note 1 - Accounting Policies

Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if it doesn't match the pattern of payment.

18. Overhead and support services

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and any depreciation and impairment losses chargeable on surplus assets in property, plant and equipment.

These two categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

19. Public private partnership (PPP) and similar contracts

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

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

- Fair value of the services received during the year
- Finance cost – an interest charge on the outstanding Balance Sheet liability
- Contingent rent – increases in the amount to be paid for the property arising during contract
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PPP contractor
- Lifecycle replacement costs – proportion of the amounts payable posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant work is carried out.

20. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal obligation, either legal or constructive, as a result of a past event that results in a probable outflow of resources embodying economic benefits or service potential being required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

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

When the effect of the time value of money is material, the amount of the provision recognised is the present value of the expenditures expected to be required to settle the obligation.

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. Where it becomes less than probable that a transfer of economic benefits is now required; the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle the provision is expected to be recovered from a third party, this is recognised as income for the relevant service if it is almost certain that reimbursement will be received if the authority settles the obligation.

### 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 are disclosed as a note to the accounts, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### Contingent assets

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

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

### 21. Reserves

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in reserves Statement. When expenditure is financed from a reserve, it is charged to the appropriate service to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserve Statement so that there is no net effect on Council Tax.

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

## Note 1 - Accounting Policies

22. Revenue expenditure funded from Capital under statute (deferred charges)

Expenditure incurred that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

23. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

## Note 2 – Accounting Standards that have been issued but have not yet been adopted

The only accounting policy change anticipated at this time for 2011/12 relates to FRS 30 Heritage Assets. This applies to all heritage assets that are held and maintained by the Council for their contribution to knowledge and culture. The FRS sets out new disclosure requirements, whether or not they are disclosed on the balance sheet, and encourages a full valuation approach

Disclosure information will include carrying amount, valuation methodology, opening and closing valuations and movement in the year.

The Council holds a number of heritage assets currently held at depreciated historic cost.

## Note 3 – Critical Judgement in Applying Accounting Policies

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 1. Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect are detailed below:

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

Holiday Entitlement – Unused holiday entitlement earned at 31 March 2011 but not taken at that date has been quantified of the basis of a 5% sample of all non term time staff. The sample is proportionate to the number of staff within each grade. The calculation in respect of unused annual leave for term time employees is based upon actual entitlement earned at 31 March 2011 and no estimation was required for these staff. The liability is shown within these financial Statements in respect of the holiday pay accrual is £7.645m

## Note 3 – Critical Judgement in Applying Accounting Policies

Service Concession – The Council currently operated a Public Private Partnership agreement (PPP)in relation to schools. The Council has determined that it has control over the services provided through the use of the schools and that a qualifying assets has been created. The appropriate treatment is to bring the assets ‘ on Balance Sheet’ along with a lease liability.

## Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain 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 as at 31 March 2011, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainty | Effect if actual results differ from assumptions |
|---|---|---|
| Property Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will incur in relation to those assets. The current economic climate makes it uncertain that the Council will be able to sustain its current level of spending on maintenance, bringing into doubt the useful lives assigned to assets | If the useful lives of assets are reduced, depreciation will increase and the carrying amount of assets will fall. It is estimated that the annual depreciation charge for buildings would increase by £0.291m for every year that useful lives had to be reduced. |
| Provision – severance and early retiral | The Council has set aside a provision of £2.695m for future early retiral or voluntary severance costs, based upon an average historic settlement figure and estimated leavers. It is not certain that the estimate accounts for all possible voluntary leavers or that the estimated average historic cost will be applicable The | An increase over the forthcoming year of 10% in either the total number of voluntary leavers or the estimated average cost would have an effect of adding £0.270m to the provision needed |
| Provision – single status | Council has set aside a provision of £3.578m for the settlement of claims arising from the Equal Pay Initiative, based upon the number of claims received and an average settlement amount. It is not certain that all valid claims have been received by the Council or that precedents set elsewhere on settlement values will be applicable | An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have an effect of adding £0.358m to the provision needed |
| Pension liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase by, changes to retirement ages, mortality rates and expected returns on pension assets held. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions applied | The effect on the net liability can be measured. However, the assumptions interact in complex ways. During 2010/11 the appointed actuaries advised that the net liability had decreased by £101.323m as a result of estimates being updated and an update to the assumptions (including pension increases being linked to CPI rather than RPI) |
| Arrears and bad debts | As at 31 March 2011, the Council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £52.941m with a sliding scale of bad debt provision written against this, depending on the age of the debt. | If collection rates were to deteriorate, the provision for bad debts would require to be reviewed to consider the appropriate level of provision. However, based upon prior experience, the bad debt provision is considered adequate. |

# Notes to the Financial Statements

## Note 5 – First Time Adoption of IFRS

The Financial Statements for 2010/11 is the first to be prepared on an IFRS basis. The accounting regulations (IFRS First Time Adoption of IFRS) require that the comparative amounts are restated to reflect the new accounting policies and that the date of transition to IFRS is the earliest comparative financial period reported in the Financial Statement. For West Dunbartonshire Council this means that the date of transition to IFRS is 1 April 2009.

The tables below provide an explanation of how the transition from accounting under UK GAAP to IFRS has affected the Council's financial position. The material differences between the amounts presented for the Council's net worth and net surplus or deficit as reported under UK GAAP to the revised reporting under IFRS are provided for the following dates:

- Balance Sheet as at 1 April 2009, the date of transition to IFRS
- Balance Sheet as at 31 March 2010, the latest period presented in the Council's most recent Annual Accounts under UK GAAP
- Comprehensive Income and Expenditure Statement for 2009/2010

Material Differences in Balance Sheet as at 31 March 2009

| | As Reported in Balance Sheet | Immediate Recognition of Capital Grant | Revaluation Losses Adjustment | Depreciation | Reclassification of Assets | Reclassification of Short Term Investments and Bank Overdraft | Accrual of Holiday Pay | Council Dwellings Revaluation | Material Differences | As Previously Presented under GAAP |
|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets and Liabilities | | | | | | | | | | |
| Property, Plant and Equipment | 588,881 | 0 | 0 | 419 | (59,697) | 0 | 0 | (28,797) | (88,075) | 500,806 |
| Non Operational Assets | 0 | 0 | 0 | 0 | 61,667 | 0 | 0 | 0 | 61,667 | 61,667 |
| Asset Held for Sale | 1,970 | 0 | 0 | 0 | (1,970) | 0 | 0 | 0 | (1,970) | 0 |
| Short Term Investments | 0 | 0 | 0 | 0 | 0 | 27,748 | 0 | 0 | 27,748 | 27,748 |
| Cash and Cash Equivalents | 26,221 | 0 | 0 | 0 | 0 | (26,173) | 0 | 0 | (26,173) | 48 |
| Bank Overdraft | 0 | 0 | 0 | 0 | 0 | (1,575) | 0 | 0 | (1,575) | (1,575) |
| Short Term Creditors | (45,695) | 0 | 0 | 0 | 0 | 0 | 7,367 | 0 | 7,367 | (38,328) |
| Deferred Liabilities | 0 | (22,950) | 0 | 0 | 0 | 0 | 0 | 0 | (22,950) | (22,950) |
| Capital Grants Receipts in Advance | (263) | 263 | 0 | 0 | 0 | 0 | 0 | 0 | 263 | 0 |
| | | (22,687) | 0 | 419 | 0 | 0 | 7,367 | (28,797) | (43,698) | |
| Reserves | | | | | | | | | | |
| Capital Grants Unapplied Account | 205 | (205) | 0 | 0 | 0 | 0 | 0 | 0 | (205) | 0 |
| Revaluation Reserve | 152,953 | 0 | 328 | 0 | 0 | 0 | 0 | (28,797) | (28,469) | 124,484 |
| Capital Adjustment Account | 230,784 | (22,482) | (328) | 419 | 0 | 0 | 0 | 0 | (22,391) | 208,393 |
| Statutory Mitigation Account | (7,367) | 0 | 0 | 0 | 0 | 0 | 7,367 | 0 | 7,367 | 0 |
| | | (22,687) | 0 | 419 | 0 | 0 | 7,367 | (28,797) | (43,698) | |
| Total Reserves | 327,164 | | | | | | | | | 283,466 |

# Notes to the Financial Statements

## Note 5 – First Time Adoption of IFRS

Material Differences in Balance Sheet as at 31 March 2010

| | As Reported in Balance Sheet | Immediate Recognition of Capital Grant | Revaluation Losses Adjustment | Revaluation Reserve Adjustments | Depreciation | Reclassification of Assets | Accrual of Holiday Pay | Council Dwellings Revaluation | Material Differences | Opening IFRS and Code Adjustments |
|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Assets and Liabilities | | | | | | | | | | |
| Property, Plant and Equipment | 714,945 | 0 | 0 | (417) | 427 | (200) | 0 | (1,763) | (1,953) | 712,992 |
| Asset Held for Sale | 1,770 | 0 | 0 | 0 | 0 | 200 | 0 | 0 | 200 | 1,970 |
| Short Term Creditors | (35,925) | (1,289) | 0 | 0 | 0 | 0 | 483 | 0 | (806) | (36,731) |
| Deferred Liabilities | 0 | 1,704 | 0 | 0 | 0 | 0 | 0 | 0 | 1,704 | 1,704 |
| Capital Grants Receipts in Advance | (1,464) | 1,201 | 0 | 0 | 0 | 0 | 0 | 0 | 1,201 | (263) |
| | | 1,616 | 0 | (417) | 427 | 0 | 483 | (1,763) | 346 | |
| Reserves | | | | | | | | | | |
| Capital Grants Unapplied Account | 50 | 155 | 0 | 0 | 0 | 0 | 0 | 0 | 155 | 205 |
| Revaluation Reserve | 177,710 | 0 | 1,946 | 605 | 161 | 0 | 0 | (2,680) | 32 | 177,742 |
| Capital Adjustment Account | 236,071 | 1,461 | (1,946) | (1,022) | 266 | 0 | 0 | 917 | (324) | 235,747 |
| Statutory Mitigation Account | (6,897) | 0 | 0 | 0 | 0 | 0 | 483 | 0 | 483 | (6,414) |
| | | 1,616 | 0 | (417) | 427 | 0 | 483 | (1,763) | 346 | |
| Total Reserves | 225,956 | | | | | | | | | 226,302 |

# Notes to the Financial Statements

## Note 5 – First Time Adoption of IFRS

Material Differences in Comprehensive Income and Expenditure Statement for 2009/2010

| | As Reported in CI&E Statement | Gains and Losses | Recognition of Capital Grant | Revaluation Losses Adjustment | Revaluation Reserve Adjustments | Depreciation | Accrual of Holiday Pay | Council Dwellings Revaluation | Material Differences | As Previously Presented under GAAP |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Cost of Service | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Services | 2,676 | 0 | (412) | 0 | 0 | 0 | (10) | 0 | (422) | 2,254 |
| Corporate and Democratic Core | 3,495 | 0 | 0 | 0 | 0 | 0 | (15) | 0 | (15) | 3,480 |
| Non distributed costs | 5,135 | 0 | 0 | 0 | 0 | 0 | (22) | 0 | (22) | 5,113 |
| Cultural and Related Services | 13,407 | 0 | 0 | 0 | 0 | 0 | (57) | 0 | (57) | 13,350 |
| Educational Services | 95,538 | 0 | (747) | 758 | 0 | 0 | 931 | 0 | 942 | 96,480 |
| Environmental Services | 10,802 | 0 | 0 | 0 | 0 | 0 | (46) | 0 | (46) | 10,756 |
| Housing Services | 4,356 | 0 | (326) | 321 | 0 | 0 | (15) | (815) | (835) | 3,521 |
| Planning and Development Services | (489) | 0 | (178) | 867 | 27 | (427) | 1 | 0 | 290 | (199) |
| Roads and Transport Services | 7,897 | 0 | (60) | 0 | 0 | 0 | (33) | 0 | (93) | 7,804 |
| Social Work Services | 62,169 | 0 | (135) | 0 | 0 | 0 | (264) | 0 | (399) | 61,770 |
| Corporate and Democratic Core | 3,495 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,495 |
| Non Distributed Costs | 5,135 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,135 |
| | | 0 | (1,858) | 1,946 | 27 | (427) | 470 | (815) | (657) | |
| Other Operating Expenditure | | | | | | | | | | |
| (Gain) / Loss on Disposal of Fixed Assets | (12) | 0 | 0 | 0 | 0 | 0 | 0 | (102) | (102) | (114) |
| Other Operating Income | | | | | | | | | | |
| Recognised Capital Income | (8,925) | 0 | 8,925 | 0 | 0 | 0 | 0 | 0 | 8,925 | 0 |
| (Surplus) / Deficit on revaluation of PP&E | (38,022) | 38,022 | 0 | 0 | 0 | 0 | 0 | 0 | 38,022 | 0 |
| (Surplus)/ Deficit on revaluation of available for sale assets | (899) | 899 | 0 | 0 | 0 | 0 | 0 | 0 | 899 | 0 |
| Actuarial (gains) / losses on pension assets and liabilities | 131,233 | (131,233) | 0 | 0 | 0 | 0 | 0 | 0 | (131,233) | 0 |
| | | (92,312) | 8,925 | 0 | 0 | 0 | 0 | (102) | (83,489) | |
| Overall charge to the Comprehensive (Income) & Expenditure | 93,649 | (92,312) | 7,067 | 1,946 | 27 | (427) | 470 | (917) | (84,146) | 9,503 |

Notes to the Financial Statements

Note 6 – Adjustments between funding accounting basis and funding basis under regulations

| | General Fund Reserve £000 | HRA Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied reserve £000 | Other Reserves £000 | Capital Reserve £000 | Total Usable reserves £000 |
|---|---|---|---|---|---|---|---|
| Usable Reserves 2009/10 | | | | | | | |
| Amortisation of intangible assets | 53 | 0 | 0 | 0 | 0 | 0 | 53 |
| Depreciation and impairment of non current assets | 11,215 | 14,864 | 0 | 0 | 0 | 0 | 26,079 |
| Capital grants and contributions | (7,067) | 0 | 0 | (155) | 0 | 0 | (7,222) |
| Net gain or loss on sale on non current assets | 26 | (38) | 0 | 0 | 0 | 0 | (12) |
| EIR interest adjustment | 34 | 29 | 0 | 0 | 0 | 0 | 63 |
| Pension scheme | 1,802 | (192) | 0 | 0 | 0 | 0 | 1,610 |
| Statutory Repayment of debt (loans fund advances) | (8,270) | (7,389) | 0 | 0 | 0 | 0 | (15,659) |
| Statutory repayment of debt (PPP) | (997) | 0 | 0 | 0 | 0 | 0 | (997) |
| Capital financed from current revenue | (69) | 0 | 0 | 0 | 0 | 0 | (69) |
| Net transfer to and from earmarked reserves required by legislation (holiday pay accrual) | (470) | 0 | 0 | 0 | 0 | 0 | (470) |
| Total Adjustments | (3,743) | 7,274 | 0 | (155) | 0 | 0 | 3,376 |
| | | | | | | | |
| Usable Reserves 2010/11 | | | | | | | |
| Reversal of previous impairment loss re current years valuation | (400) | (44) | 0 | 0 | 0 | 0 | (444) |
| Amortisation of intangible assets | 54 | 0 | 0 | 0 | 0 | 0 | 54 |
| Depreciation and impairment of non current assets | 21,401 | 14,634 | 0 | 0 | 0 | 0 | 36,035 |
| Consent to borrow for equal pay | 4,413 | 0 | 0 | 0 | 0 | 0 | 4,413 |
| Capital grants and contributions | (7,604) | (196) | 0 | 0 | 0 | 0 | (7,800) |
| Net gain or loss on sale on non current assets | 266 | 85 | 0 | 0 | 0 | 0 | 351 |
| EIR interest adjustment | 21 | 19 | 0 | 0 | 0 | 0 | 40 |
| Pension scheme | (47,886) | (59) | 0 | 0 | 0 | 0 | (47,945) |
| Statutory Repayment of debt (loans fund advances) | (8,503) | (7,231) | 0 | 0 | 0 | 0 | (15,734) |
| Statutory repayment of debt (PPP) | (1,408) | 0 | 0 | 0 | 0 | 0 | (1,408) |
| Net transfer to and from earmarked reserves required by legislation (holiday pay accrual) | 766 | (18) | 0 | 0 | 0 | 0 | 748 |
| Capital receipts applied to fund capital expenditure | 0 | 0 | (5,536) | 0 | 0 | (447) | (5,983) |
| Capital grants unapplied transferred to capital adjustment account | 0 | 0 | 0 | (50) | 0 | 0 | (50) |
| Total Adjustments | (38,880) | 7,190 | (5,536) | (50) | 0 | (447) | (37,723) |

## Note 6 – Adjustments between accounting basis and funding basis under regulations

| | Capital Adjustment Account £000 | Revaluation Reserve £000 | Pension Reserve £000 | Statutory Mitigation Account £000 | FIAA £000 | Total Unusable Reserves £000 |
|---|---|---|---|---|---|---|
| Unusable reserves 2009/10 | | | | | | |
| Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve | 4,533 | (4,533) | 0 | 0 | 0 | 0 |
| Reversal of previous impairment loss re current year revaluations | 2,017 | (1,946) | 0 | 0 | 0 | 71 |
| PPE revaluation adjustments | 0 | 416 | 0 | 0 | 0 | 416 |
| Write out of disposals | 1,190 | (1,190) | 0 | 0 | 0 | 0 |
| Amortisation of intangible assets | (53) | 0 | 0 | 0 | 0 | (53) |
| Depreciation and impairment of non current assets | (28,094) | (27) | 0 | 0 | 0 | (28,121) |
| Council dwellings | 0 | 2,679 | 0 | 0 | 0 | 2,679 |
| Capital grant and contributions | 439 | 0 | 0 | 0 | 0 | 439 |
| Net gain/ loss on sale of non current assets | 12 | 0 | 0 | 0 | 0 | 12 |
| EIR Interest adjustment | (63) | 0 | 0 | 0 | 0 | (63) |
| Pension Scheme adjustments | 0 | 0 | (1,610) | 0 | 0 | (1,610) |
| Statutory repayment of debt (loans fund advances) | 13,759 | 0 | 0 | 0 | 0 | 13,759 |
| Statutory repayment of debt (PPP) | 997 | 0 | 0 | 0 | 0 | 997 |
| Capital financed through current revenue | 69 | 0 | 0 | 0 | 0 | 69 |
| Net transfer to/from earmarked reserves required by legislation (holiday pay accrual) | 0 | 0 | 0 | 470 | 0 | 470 |
| Total Adjustments | (5,194) | (4,601) | (1,610) | 470 | 0 | (10,935) |
| | | | | | | |
| Unusable reserves 210/11 | | | | | | |
| Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve | 4,581 | (4,581) | 0 | 0 | 0 | 0 |
| Reversal of previous impairment loss re current year revaluations | 444 | 0 | 0 | 0 | 0 | 444 |
| Write out of disposals | 942 | (942) | 0 | 0 | 0 | 0 |
| Amortisation of intangible assets | (54) | 0 | 0 | 0 | 0 | (54) |
| Depreciation and impairment of non current assets | (36,035) | 0 | 0 | 0 | 0 | (36,035) |
| Modernisation Fund | (4,413) | 0 | 0 | 0 | 0 | (4,413) |
| Capital grant and contributions | 7,800 | 0 | 0 | 0 | 0 | 7,800 |
| Net gain/ loss on sale of non current assets | (351) | 0 | 0 | 0 | 0 | (351) |
| EIR Interest adjustment | 0 | 0 | 0 | 0 | (40) | (40) |
| Pension Scheme adjustments | 0 | 0 | 47,945 | 0 | 0 | 47,945 |
| Statutory repayment of debt (loans fund advances) | 15,734 | 0 | 0 | 0 | 0 | 15,734 |
| Statutory repayment of debt (PPP) | 1,408 | 0 | 0 | 0 | 0 | 1,408 |
| Net transfer to/from earmarked reserves required by legislation (holiday pay accrual) | 0 | 0 | 0 | (748) | 0 | (748) |
| Capital Grants unapplied transferred to capital adjustment account | 50 | 0 | 0 | 0 | 0 | 50 |
| Capital receipts applied to fund capital expenditure | 5,983 | 0 | 0 | 0 | 0 | 5,983 |
| Total Adjustments | (3,911) | (5,523) | 47,945 | (748) | (40) | 37,723 |

For further information on Unusable Reserves refer to note 31, page 85.

Notes to the Financial Statements

## Note 7 – Events After the Balance Sheet Date

The Financial Statements were authorised for issue by the Executive Director of Corporate Services on 30 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing as at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no adjustments which took place after 31 March 2011 which are considered to be relevant to the understanding of the Council's financial position at that time.

## Note 8 – Trading Operations

The Local Government Scotland Act 2003 repealed the legislation governing compulsory competitive tendering. The Act introduced a requirement for statutory trading accounts to be maintained for “significant trading operations”. A service is deemed to be a significant trading account where the service is provided in a competitive environment, it is charged on a basis other than straightforward recharge of cost and the service is deemed to be significant.

The Council has established 2 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are detailed below and these figures include an interest charge for the assets as noted within the accounting policies. It is the duty of a local authority to conduct each of its significant trading operations so that, taking every year with the two previous years, total revenue is not less than expenditure. The analysis for 2008/09 to 2010/11 is as follows:

| | | 2008/09 | 2009/10 | 2010/11 | Cumulative |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| The Council operates a Housing Property Maintenance Trading Service which delivers an economic, efficient and effective housing repairs service to its customers. | Turnover | 15,495 | 14,275 | 14,340 | 44,110 |
| | Expenditure | 14,284 | 12,848 | 12,885 | 40,017 |
| | Surplus | 1,211 | 1,427 | 1,455 | 4,093 |
| The Council operates a Grounds Maintenance/Street Cleaning Trading Service which aims to make a positive impact on the health and wellbeing of residents and visitors to the area through cleaner and well maintained Council areas. | Turnover | 9,011 | 8,563 | 8,870 | 26,444 |
| | Expenditure | 8,653 | 7,728 | 7,464 | 23,845 |
| | Surplus | 358 | 835 | 1,406 | 2,599 |
| Net Surplus on Trading Accounts | | 1,569 | 2,262 | 2,861 | 6,692 |
| Adjustment for Notional Interest | | 102 | 121 | 116 | |
| Surplus as noted in Comprehensive Income and Expenditure Statement | | 1,671 | 2,383 | 2,977 | |

Through annual review and evaluation the Council reduced its statutory trading operations to two services in 2007/08, namely grounds maintenance/street cleaning and housing property maintenance. The annual review confirms this is still appropriate. The above table confirms that both trading accounts which have been statutory for three years have met the break even target.

The Trading Operations require to budget for estimated ISA19 pension expenditure. In 2008/9 and 2009/10 the actual ISA19 pension charge resulted in a reduction to expenditure within the services, creating a further surplus. This adjustment does not bring cash into the trading operation, but is a technical adjustment required for accounting regulations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

## Note 9 – Related Parties

A requirement of the Accounting Code of Practice is that a local authority's Financial Statements should disclose material transactions with related parties i.e. organisations that the Council can influence or who can influence 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. Transactions involving related parties in 2010/11 that are within the Council's group accounts are summarised below:

| 2009/10 Net Payment £000 | Organisation | Description | 2010/11 Receipts £000 | 2010/11 Payment £000 | (Debtor)/ Creditor at 31.03.11 £000 |
|---|---|---|---|---|---|
| 762 | Dumbarton and Argyll & Bute Valuation Joint Board | Annual running costs | 0 | 762 | 0 |
| 13,939 | Strathclyde Police Joint Board | Annual running costs | 0 | 11,845 | 0 |
| 10,326 | Strathclyde Fire Joint Board | Annual running costs | 0 | 8,244 | 0 |
| 1,847 | Strathclyde Passenger Transport Authority | Annual running costs including concessionary fares scheme | 0 | 1,847 | 0 |

Transactions with other related parties are summarised below:

| 2009/10 Net Payment/ (Receipt) £000 | Organisation | Description | 2010/11 Receipts £000 | 2010/11 Payment £000 | (Debtor)/ Creditor at 31.03.11 £000 |
|---|---|---|---|---|---|
| 8,024 | Scottish Government | Teachers' pension fund contribution | 0 | 7,944 | 0 |
| (199,605) | Scottish Government | Revenue support grant | 207,105 | 0 | 0 |
| (16,834) | Scottish Government | Government grants | 14,580 | 0 | (84) |
| 1,708 | Clydebank Rebuilt | Contribution on regeneration of area | 0 | 2,735 | 0 |
| 16,682 | Strathclyde Pension Fund | Employee and employers' pension contributions | 0 | 17,078 | 1,354 |
| 28,298 | HM Revenue and Customs | VAT/Income tax and NI | 10,766 | 37,577 | 1,347 |

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).

## Note 9 – Related Parties

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2010/11 is shown in the remuneration statement on pages 93 to 98. The Council maintains a register of interests for members and reviews this for transactions carried out in the year with entities which members have an interest. In the year ended 31 March 2011, the Council has not had any material transactions for any body in which members have an interest.

## Note 10 – Agency Services

Transactions whereby the Council provides a service on behalf of external organisations are noted below:

| 2009/10 Net Payment/ (receipt) £000 | Organisation | Description | 2010/11 Receipts £000 | 2010/11 Payment £000 | (Debtor)/ Creditor at 31.03.11 £000 |
|---|---|---|---|---|---|
| 11,876 | Scottish Water | Water and sewerage charges collected by Council and paid over | 0 | 11,961 | 113 |
| (7,057) | NHS Greater Glasgow and Clyde | Care in the community services by the Council | 8,546 | 1,307 | (326) |

## Note 11 – Grant Income

The Council credited the following grants to Taxation and Non-specific Grant Income within the Comprehensive Income and Expenditure Statement in 2010/11.

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 199,605 | Revenue Support Grant | 207,105 |
| 761 | SPT Funding | 398 |
| 6,636 | General Services Capital Grant | 5,012 |
| 987 | Town Centre Regeneration Fund | 977 |
| 128 | Cities Growth Fund | 50 |
| 136 | Cycle/Walk/Safer Streets grant | 328 |
| 125 | Sustrans | 87 |
| 115 | E-Procurement | 51 |
| 0 | Scottish Futures Trust | 164 |
| 0 | Civic Heart | 530 |
| 0 | Warm Deal | 161 |
| 0 | UHIS | 16 |
| 0 | M C Link Cert | 20 |
| 37 | Other | 6 |
| 208,530 | | 214,905 |

Notes to the Financial Statements

## Note 11 – Grant Income

The Council credited the following grants to Services within the Comprehensive Income and Expenditure Statement in 2010/11.

| 31 March 2010 | | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 14,443 | Police | 12,101 |
| 9 | Supported Employment | 7 |
| 330 | Determined to Succeed | 255 |
| 22 | Gaelic | 0 |
| 18 | Schools Of Ambition | 0 |
| 32 | EMA Admin | 33 |
| 513 | EMA | 530 |
| 27 | Flexible Resource Support Team | 51 |
| 64 | Community dev and literacies | 1 |
| 13 | CLD HQ | 44 |
| 0 | FSF Youth Action Group | 25 |
| 19 | ESOL | 22 |
| 12 | Miscellaneous | 0 |
| 5 | Supported Study | 3 |
| 145 | Active School Program | 5 |
| 0 | Curriculum for excellence | 25 |
| 60 | Activity Agreement Pilot | 524 |
| 44 | School Milk | 34 |
| 872 | Private Sector Housing | 530 |
| 16 | Safer Streets | 14 |
| 5 | Road Safety | 2 |
| 73 | Telecare Grant (Community Alarms) | 166 |
| 0 | Roads – Winter Weather | 78 |
| 71 | Violence against woman | 72 |
| 6 | Rent Allowances | 0 |
| 12 | Vehicle Emission Testing | 4 |
| 0 | Private Water Supply | 12 |
| 6 | Greenspace | 0 |
| 41 | Violence Against women -Clyde Training Consortium | 41 |
| 16,858 | | 14,579 |

The Council has received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

Capital Grants Receipts in Advance

| 31 March 2010 | | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 50 | Cities Growth Fund | 0 |
| 1,289 | Town Centre Regeneration Fund | 312 |
| 84 | SPT Funding | 51 |
| 0 | Warm Deal | 127 |
| 0 | UHIS | 78 |
| 41 | Other | 36 |
| 1,464 | | 604 |

## Note 12 – Operating Leases

### Council as Lessee

The Council occupies a number of properties by way of an operating lease. The future minimum lease payment due under non-cancellable leases in future years are:

| 31 March 2010 | | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 359 | Not later than one year | 377 |
| 1,377 | Later than one year and not later than five years | 1,412 |
| 3,814 | Later than five years | 3,598 |
| 5,550 | | 5,387 |

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.417m (2009/10 - £0.337m)

# Notes to the Financial Statements

## Note 12 – Operating Leases

The Council has acquired a number of refuse collection and grounds maintenance vehicles by entering into operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

| 31 March 2010 | | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 42 | Not later than one year | 42 |
| 5 | Later than one year and not later than five years | 0 |
| 0 | Later than five years | 0 |
| 47 | | 42 |

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.049m (2009/10 - £0.026m)

The Council has acquired a number of photocopiers and vending machines by entering into operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

| 31 March 2010 | | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 179 | Not later than one year | 216 |
| 520 | Later than one year and not later than five years | 676 |
| 819 | Later than five years | 707 |
| 1,518 | | 1,599 |

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.234m (2009/10 - £0.224m)

## Note 12 – Operating Leases

### Council as Lessor

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businessses

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

| 31 March 2010 | | 31 March 2011 |
|---|---|---|
| £000 | | £000 |
| 3,865 | Not later than one year | 4,066 |
| 11,105 | Later than one year and not later than five years | 11,352 |
| 146,266 | Later than five years | 147,614 |
| 161,236 | | 163,032 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following future rent reviews. The income received within the appropriate service line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2.977m (2009/10 - £2.832m)

## Note 13 – Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £2.550m (£1.946m in 2009/10). These terminations were made as part of the redesign of services within the Council under voluntary severance and early retirement. There will be ongoing annual costs incurred by the Council for those staff leaving under early retirement due to ongoing pension costs

Note 14 – Defined Benefit Pension Schemes

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

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011, public services pensions would be uprated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has the effect of reducing the Council's liabilities in the 2011 Pension Fund by £53.762m and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There has been no impact on the General Fund or the Housing Revenue Account.

The authority participates in the following pension schemes:

The Local Government Pension Scheme, which is a defined benefit statutory scheme, operated as Strathclyde Pension Fund, and administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The employers' contribution rate is set by the Fund actuaries following valuation. The employer contribution rate for 2010/11 was 18.2%, and 2011/12 is set at 19.3%. In 2010/11, the Council paid an employer's contribution of £14.382m (2009/10 £13.235m) representing 20.23% (2009/10 18.67%) of employees' pensionable pay

The Teachers' Pension Scheme (Scottish Teachers' Superannuation Scheme (STSS)) which is a defined benefit scheme administered by the Scottish Pensions Agency. The employer pays a set contribution rate each year, and this is charged directly to the revenue account for the Education Service. The employer's contribution rate for 2010/11 was set at 14.9%. The amount paid over in respect of employer's contributions was £5.559m (2009/10 £5.613m). In respect of expenditure in respect of teachers added years, £0.006m payments were made (2009/10 £0.007m).

The Council has responsibility for unfunded liabilities in respect of teachers' pensions. These liabilities are administered as part of the Strathclyde Pension Fund and since they are unfunded with no investment assets built up to meet the pensions liabilities, cash has to be generated to meet actual pensions payments as they eventually fall due.

In addition, the Council is responsible for all pension payments relating to added years' benefits which it has awarded together with the related increases. In 2010/2011, these amounted to £1.932m (2009/10 £2.294m). Strain on the Fund costs are charged over the period to which they relate. In 2010/11, the charge (including a one off charge to cover historic payments being made on a phased basis) was £4.816m (2009/10 £0.832m) and the liability to meet future payments was £1.321m (2009/10 £1.923m).

# Notes to the Financial Statements

## Note 14 – Defined Benefit Pension Schemes

### 1) Local Government Pension Scheme

Councils are also required to disclose the capital cost of discretionary increases in pension payments agreed by the Authority. In 2010/2011 the capitalised costs that would have arisen from the early retiral of West Dunbartonshire Council employees and from predecessor authorities were as follows:

| | £000 |
|---|---|
| 2010/2011 | 5,302 |
| In earlier years | 38,996 |
| Total | 44,298 |

The council fully complies with the international accounting standard (IAS 19) concerning the disclosure of information on pension. IAS 19 states that although the pension benefits will not be payable until the employee retires, the council has a commitment to make these payments and must disclose the cost of this in its accounts at the time employees earn their future entitlements'.

The Council recognised the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge that the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the general fund via the movement in reserve statement. The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year.

The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

# Notes to the Financial Statements

## Note 14 – Defined Benefit Pension Schemes

### 1) Local Government Pension Scheme

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | Net cost of services | |
| 8,276 | Current service cost | 15,940 |
| 4,753 | Past service cost | (50,378) |
| 359 | Curtailments and settlements | 61 |
| 13,388 | | (34,377) |
| | Financing and investment Income and Expenditure | |
| 23,334 | Interest cost | 29,901 |
| (18,836) | Expected return on assets | (29,028) |
| 4,498 | | 873 |
| 17,886 | Total post employment benefit charged to the Surplus or Deficit on the provision of Services | (33,504) |
| 130,523 | Actuarial gains and losses | (50,603) |
| 148,409 | Total post employment benefit charged to the comprehensive income and expenditure statement | (84,107) |
| | Movement in Reserves Statement | |
| (17,886) | Reversal of net charges made to surplus of deficit for post employment benefits | (33,504) |
| | Actual amount charged against the General Fund balance in the year | |
| 13,235 | Employer contributions payable to Scheme | 14,382 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £65.381m.

Note 14 – Defined Benefit Pension Schemes

2) Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31 March are as follows:

| | 2010/11 | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Share of assets in the Strathclyde Pension Fund | 437,453 | 400,833 | 288,052 | 361,739 | 365,895 |
| Estimated liabilities in the Strathclyde Pension Fund | (473,997) | (539,413) | (306,388) | (341,378) | (390,471) |
| Net assets in the Strathclyde Pension Fund | (36,544) | (138,580) | (18,336) | 20,361 | (24,576) |
| Present Value of Unfunded Liabilities | | | | | |
| LGPS Unfunded | (17,375) | (16,393) | (10,630) | (10,240) | (10,933) |
| Teachers' pensions | (16,709) | (16,879) | (11,543) | (11,490) | (10,602) |
| Pre Local Government Reorganisation | (10,214) | (10,313) | (8,813) | (8,929) | (10,294) |
| Net pension asset/(liability) | (80,842) | (182,165) | (49,322) | (10,298) | (56,405) |

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £80.842m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £334.731m. However, statutory arrangements for funding the deficit means the financial position of the authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary.

Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The scheme assets have increased by £36.620m. This is due to investment markets improving which results in higher than expected returns. The expected return on assets is based on long term future expected investment return for each asset class as at the beginning of the period. The expected rate of return is 7.2% as at 31/03/10, this is an increase from 6.9% as at 31/03/09. From 31 March 2009, assets are now held at bid value and the historic figures are at mid market value.

The estimated liabilities have decreased by £65.416m due to financial assumptions as at 31 March 2011 being more favourable than they were at 31 March 2010 mainly due to pension increases now being linked to consumer price index (CPI) rather than retail price index (RPI).

In the UK budget statement on the 22 June 2010, the Chancellor announced that the effect from the 1 April 2011 on public services pension would be up rated in line with the Consumer Price Index (CPI) rather than the retail price index (RPI).

Notes to the Financial Statements

2) Pension Assets and Liabilities

This has the effect of reducing the Council's liabilities in 2011 Pension Fund by £53.762m and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There has been no impact upon the general fund or the housing revenue account.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The rate used to value liabilities is the basis of long dated high quality corporate bonds.

The actuarial valuation states that assets held at the valuation date were sufficient to cover 84.4% (2009/10 68.75%) of accrued liabilities at that date.

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 liabilities have been assessed by Hymens Robertson, an independent firm of actuaries, contracted by Glasgow City Council to provide all calculations on behalf of the authorities within the Strathclyde Pension Fund. Estimates of the Strathclyde Pension Fund are based upon the latest valuation of the scheme as at 31 March 2008.

The principal actuarial assumptions used at the balance sheet date are as follows:

| | 31/03/2011 | 31/03/2010 |
|---|---|---|
| Expected rate of return | 6.9% | 7.2% |
| Inflation/pension increase rate | 2.8% | 3.8% |
| Salary movement | 5.1% | 5.3% |
| Discount rate | 5.5% | 5.5% |
| | | |
| <u>Breakdown of expected rate of return:</u> | | |
| Equity | 7.5% | 7.8% |
| Bonds | 4.9% | 5.0% |
| Property | 5.5% | 5.8% |
| Cash | 4.6% | 4.8% |

<u>Mortality</u>

Based on these assumptions, the average future life expectancies at the age of 65 are:

| | Males | Females |
|---|---|---|
| Current pensioners | 20.6 years | 23.9 years |
| Future Pensioners | 22.6 years | 26.0 years |

2) Pension Assets and Liabilities

The above excludes any Net Pension liability that the Council may have to contribute to in respect of the Joint Boards of Police, Fire, Passenger Transport and Valuation. These costs are shown within each Joint Board's balance sheet and the Council may be required to make an increased constituent contribution in the years when the liability fails to be met.

The local government pension scheme's assets consist of the following categories. As at 31 March 2011, assets are now held at bid value and the historic figures are at mid market value:

| | 2010/11 | 2009/10 |
|---|---|---|
| Equity | 77% | 77% |
| Bonds | 13% | 13% |
| Property | 6% | 7% |
| Cash | 4% | 3% |

The actuarial gains/losses identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

| | 2010/11 | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Actual return less expected return in Pension Scheme Assets | 2,778 | 90,099 | (101,696) | (37,454) | 279 |
| As a percentage of scheme assets | 1% | 22% | (35.30%) | (10.35%) | 0.08% |
| | | | | | |
| Experience Gains and losses arising on the scheme liabilities | (4,320) | (22,939) | 34,375 | (1,316) | (1,625) |
| As a percentage of scheme liabilities | (1%) | (4%) | 10% | (0.4%) | (0.38%) |
| | | | | | |
| Changes in Financial Assumptions Underlying the Present Value of the scheme liabilities | 47,825 | (220,622) | 60,070 | 82,058 | 30,679 |
| Total Actuarial gain/loss recognised | 50,603 | (130,523) | (41,626) | 44,604 | 30,958 |
| (Cumulative) | (65,381) | (115,984) | 14,539 | 56,165 | 11,561 |

## Note 14 – Defined Benefit Pension Schemes

### 2) Pension Assets and Liabilities

The movement during the year on the defined obligation is noted as:

| | 2010/11 | 2009/10 |
|---|---|---|
| | £000 | £000 |
| Opening balance | 582,998 | 337,374 |
| Current service cost | 15,940 | 8,276 |
| Interest cost | 29,901 | 23,334 |
| Contributions by Members | 4,359 | 4,346 |
| Actuarial gains/losses | (47,825) | 220,622 |
| Past service costs/(gains) | (50,378) | 4,753 |
| Losses/(gains) on curtailment | 61 | 224 |
| Estimated unfunded benefits paid | (2,834) | (2,331) |
| Estimated benefits paid | (13,927) | (13,265) |
| Liabilities extinguished on settlement | 0 | (335) |
| | 518,295 | 582,998 |

The movement during the year regarding the fair value of the employer's assets is noted as:

| | 2010/11 | 2009/10 |
|---|---|---|
| | £000 | £000 |
| Opening balance | 400,833 | 288,052 |
| Expected return on assets | 29,028 | 18,836 |
| Contributions by Members | 4,359 | 4,346 |
| Contributions by employer | 14,382 | 13,235 |
| Contributions in respect of unfunded benefits | 2,834 | 2,331 |
| Actuarial gains/losses | 2,778 | 90,099 |
| Estimated unfunded benefits paid | (2,834) | (2,331) |
| Estimated benefit paid | (13,927) | (13,265) |
| Assets distributed on settlement | 0 | (470) |
| | 437,453 | 400,833 |

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

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

Notes to the Financial Statements

Note 14 – Defined Benefit Pension Schemes

2) Pension Assets and Liabilities

The actual return on scheme assets in the year was £31.883m (2009/10 £109.009m)

The total employee contributions expected to be made to the Local Government Pension Scheme for 2011/12 is £13.246m.

Note 15 – External Audit Costs

In 2010/11 the council incurred the following fees relating to external audit in respect of external audit services undertaken in accordance with the Code of Audit Practice:

| 2009/10 | | 2010/11 |
|---|---|---|
| £ | | £ |
| 315,400 | Fees payable for external audit services and certification of grant claims | 306,675 |
| 6,127 | Fees for work completed on Best Value Audit | 0 |
| 321,527 | | 306,675 |

Note 16 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Council on the basis of budget reports analysed across direcorates. These reports are prepared on a different basis from the accounting polices used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement).

- The cost of retirement benefits is based on cash flows (payments of employer’s pensions contributions) rather than current service cost of benefits accrued in the year.

- Expenditure on some support services is budgeted for centrally and not charged to directorates.



Note 16 – Amounts Reported for Resource Allocation Decisions

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11

| | Chief Executive £000 | Corporate Services £000 | Educational Services £000 | Social Work £000 | Housing, Environment and Economic Development £000 | Housing Revenue Account £000 | Joint Boards £000 | Miscellaneous £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | 1,871 | 57,302 | 7,451 | 14,633 | 40,106 | 32,810 | 0 | 273 | 154,446 |
| Government Grants | 0 | 16 | 1,297 | 150 | 713 | 0 | 12,101 | 0 | 14,277 |
| Total Income | 1,871 | 57,318 | 8,748 | 14,783 | 40,819 | 32,810 | 12,101 | 273 | 168,723 |
| Employee expenses | 1,734 | 13,581 | 70,262 | 34,971 | 26,799 | 4,662 | 0 | 1,850 | 153,859 |
| Other service expenses | 99 | 43,750 | 32,851 | 40,113 | 38,548 | 13,371 | 32,427 | 11,764 | 212,923 |
| Support service recharges | 0 | 2,779 | 3,182 | 1,963 | 2,392 | 1,849 | 0 | 1,684 | 13,849 |
| Total Expenditure | 1,833 | 60,110 | 106,295 | 77,047 | 67,739 | 19,882 | 32,427 | 15,298 | 380,631 |
| Net Expenditure | (38) | 2,792 | 97,547 | 62,264 | 26,920 | (12,928) | 20,326 | 15,025 | 211,908 |

## Note 16 – Amounts Reported for Resource Allocation Decisions

### Directorate Income and Expenditure 2009/10 Comparative Figures

| | Chief Executive £000 | Corporate Services £000 | Educational Services £000 | Social Work £000 | Housing, Environment and Economic Development £000 | Housing Revenue Account £000 | Joint Boards £000 | Miscellaneous £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | 1,709 | 54,622 | 6,761 | 13,357 | 39,172 | 32,648 | 0 | 780 | 149,049 |
| Government Grant | 0 | 24 | 1,324 | 153 | 849 | 0 | 14,443 | 0 | 16,793 |
| Total Income | 1,709 | 54,646 | 8,085 | 13,510 | 40,021 | 32,648 | 14,443 | 780 | 165,842 |
| Employee expenses | 1,573 | 13,189 | 67,878 | 33,466 | 26,445 | 299 | 0 | 3,883 | 146,733 |
| Other service expenses | 136 | 42,122 | 29,969 | 39,751 | 38,200 | 1,762 | 39,470 | 14,370 | 205,780 |
| Support service recharges | 0 | 2,978 | 2,755 | 1,596 | 2,918 | 1,521 | 0 | 806 | 12,574 |
| Total Expenditure | 1,709 | 58,289 | 100,602 | 74,813 | 67,563 | 3,582 | 39,470 | 19,059 | 365,087 |
| Net Expenditure | 0 | 3,643 | 92,517 | 61,303 | 27,542 | (29,066) | 25,027 | 18,279 | 199,245 |

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 199,245 | Net expenditure in the service analysis | 211,908 |
| (2,259) | Net Expenditure of Services and support services not in analysis | (2,977) |
| 30,765 | Amounts in the comprehensive income and expenditure statement not reported to management in the analysis | (14,596) |
| 227,751 | Cost of services in the comprehensive income and expenditure statement | 194,335 |

Notes to the Financial Statements

Note 16 – Amounts Reported for Resource Allocation Decisions

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included within the comprehensive income and expenditure statement.

Reconciliation to Subjective Analysis 2010/11

| | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts not Reported to Management for Decision Making £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|
| Fees, charges & other service income | 154,446 | 23,192 | 0 | 177,638 | 0 | 177,638 |
| Interest and Investment Income | 0 | 0 | 0 | 0 | 0 | 0 |
| Income from council tax | 0 | 0 | 0 | 0 | 38,463 | 38,463 |
| Government Grants | 14,277 | 0 | 0 | 14,277 | 214,905 | 229,182 |
| Total Income | 168,723 | 23,192 | 0 | 191,915 | 253,368 | 445,283 |
| Employee expenses | 153,859 | 12,444 | (48,975) | 117,328 | 875 | 118,203 |
| Other service expenses | 212,923 | 6,114 | 0 | 219,037 | 0 | 219,037 |
| Support service recharges | 13,849 | 1,396 | 0 | 15,245 | 0 | 15,245 |
| Depreciation, amortisation and impairment | 0 | 261 | 34,379 | 34,640 | 0 | 34,640 |
| Interest Payments | 0 | 0 | 0 | 0 | 18,729 | 18,729 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 20,326 | 20,326 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 351 | 351 |
| Total Expenditure | 380,631 | 20,215 | (14,596) | 386,250 | 40,281 | 426,531 |
| Surplus or Deficit on the Provision of Services | 211,908 | (2,977) | (14,596) | 194,335 | (213,087) | (18,752) |

# Notes to the Financial Statements

## Note 16 – Amounts Reported for Resource Allocation Decisions

### Reconciliation to Subjective Analysis 2009/10 Comparative Figures

| | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts not Reported to Management for Decision Making £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|
| Fees, charges & other service income | 149,049 | 22,838 | 0 | 171,887 | 0 | 171,887 |
| Interest and Investment Income | 0 | 0 | 0 | 0 | 164 | 164 |
| Income from council tax | 0 | 0 | 0 | 0 | 38,234 | 38,234 |
| Government Grants | 16,793 | 0 | 0 | 16,793 | 208,530 | 225,323 |
| Total Income | 165,842 | 22,838 | 0 | 188,680 | 246,928 | 435,608 |
| Employee expenses | 146,733 | 9,725 | 5,113 | 161,571 | 4,498 | 166,069 |
| Other service expenses | 205,780 | 9,957 | 0 | 215,737 | 0 | 215,737 |
| Support service recharges | 12,574 | 539 | 0 | 13,113 | 0 | 13,113 |
| Depreciation, amortisation and impairment | 0 | 358 | 25,652 | 26,010 | 0 | 26,010 |
| Interest Payments | 0 | 0 | 0 | 0 | 16,028 | 16,028 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | (12) | (12) |
| Total Expenditure | 365,087 | 20,579 | 30,765 | 416,431 | 20,514 | 436,945 |
| Surplus or Deficit on the Provision of Services | 199,245 | (2,259) | 30,765 | 227,751 | (226,414) | 1,337 |

## Note 17 – Property, Plant and Equipment

### 1) Movements in 2010/11

| | Council dwellings £000 | Other Land & buildings £000 | Industrial Units £000 | Vehicles & Plant £000 | Infrastructure £000 | Community £000 | Surplus Assets £000 | Assets Under Construction £000 | Property Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| Cost/Valuation at 1 April 2010 | 359,217 | 310,391 | 50,458 | 30,328 | 45,577 | 240 | 14,674 | 15,170 | 826,055 |
| Additions | 15,795 | 22,718 | 0 | 1,966 | 6,570 | 0 | 0 | 0 | 47,049 |
| Revaluations: | | | | | | | | | |
| - To Revaluation Reserve | (6,515) | 7,212 | (3,466) | 0 | 0 | (28) | 849 | 0 | (1,948) |
| - To Net cost of Service | 44 | (20) | 0 | 0 | 0 | 0 | 106 | 0 | 130 |
| Disposals | (1,713) | 0 | (213) | 0 | 0 | 0 | (125) | 0 | (2,051) |
| Assets reclassified to/from Held for Sale | 0 | (251) | (144) | 0 | 0 | 0 | (1,026) | 0 | (1,421) |
| Other Movements | 0 | 6,620 | (31) | 894 | 6,389 | 28 | 1,169 | (15,069) | 0 |
| As at 31 March 2011 | 366,828 | 346,670 | 46,604 | 33,188 | 58,536 | 240 | 15,647 | 101 | 867,814 |
| Depreciation/Impairment at 1 April 2010 | (21,375) | (50,143) | (6,898) | (15,798) | (14,294) | 0 | (2,553) | (49) | (111,110) |
| Depreciation charge | (10,306) | (7,889) | (421) | (3,514) | (2,532) | 0 | (2) | 0 | (24,664) |
| Depreciation:<br>- To Revaluation Reserve | 7,465 | 3,328 | 30 | 0 | 0 | 0 | 7 | 0 | 10,830 |
| Impairments: | | | | | | | | | |
| - To Revaluation Reserve | 0 | (259) | 5,076 | 0 | 0 | 0 | 150 | 0 | 4,967 |
| - To Net Cost of Service | (3,771) | (5,760) | 0 | 0 | 0 | 0 | (65) | 0 | (9,596) |
| Disposals | 43 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 47 |
| As At 31 March 2011 | (27,944) | (60,723) | (2,209) | (19,312) | (16,826) | 0 | (2,463) | (49) | (129,526) |
| Net Book Value at 31 March 2010 | 337,842 | 260,248 | 43,560 | 14,530 | 31,283 | 240 | 12,121 | 15,121 | 714,945 |
| Net Book Value at 31 March 2011 | 338,884 | 285,947 | 44,395 | 13,876 | 41,710 | 240 | 13,184 | 52 | 738,288 |

Notes to the Financial Statements

Note 17 – Property, Plant and Equipment

2) Movements in 2009/2010

| | Council dwellings £000 | Other Land & buildings £000 | Industrial Units £000 | Vehicles & Plant £000 | Infrastructure £000 | Community £000 | Surplus Assets £000 | Assets Under Construction £000 | Property Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| Cost/Valuation at 1 April 2009 | 368,693 | 221,828 | 49,263 | 25,462 | 42,220 | 240 | 13,587 | 6,012 | 727,305 |
| Additions | 16,098 | 89,680 | 0 | 4,866 | 3,357 | 0 | 0 | 9,158 | 123,159 |
| Revaluations: | | | | | | | | | |
| - To Revaluation Reserve | (24,543) | 678 | (530) | 0 | 0 | 0 | 31 | 0 | (24,364) |
| - To Net cost of Service | 392 | 725 | 649 | 0 | 0 | 0 | (164) | 0 | 1,602 |
| Disposals | (1,423) | 0 | (21) | 0 | 0 | 0 | 0 | 0 | (1,444) |
| Assets Reclassified (to)/from Held for sale | 0 | 0 | 943 | 0 | 0 | 0 | (1,130) | 0 | (187) |
| Other Movements | 0 | (2,520) | 154 | 0 | 0 | 0 | 2,350 | 0 | (16) |
| As at 31 March 2010 | 359,217 | 310,391 | 50,458 | 30,328 | 45,577 | 240 | 14,674 | 15,170 | 826,055 |
| | | | | | | | | | |
| Depreciation/Impairment at 1 April 2009 | (56,730) | (47,338) | (6,904) | (12,622) | (12,150) | 0 | (2,672) | (8) | (138,424) |
| Depreciation charge | (9,703) | (3,762) | (424) | (3,155) | (2,081) | 0 | (3) | 0 | (19,128) |
| Depreciation written out:<br>- To Revaluation Reserve | 7,512 | 4,667 | 417 | 0 | 0 | 0 | 122 | 0 | 12,718 |
| Impairments: | | | | | | | | | |
| - To Revaluation Reserve | 42,180 | 0 | 0 | 0 | 0 | 0 | 0 | (41) | 42,139 |
| - To Net Cost of Service | (4,670) | (3,710) | 0 | (21) | (63) | 0 | 0 | 0 | (8,464) |
| Disposal | 36 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 49 |
| As At 31 March 2010 | (21,375) | (50,143) | (6,898) | (15,798) | (14,294) | 0 | (2,553) | (49) | (111,110) |
| | | | | | | | | | |
| Net Book Value at 31 March 2009 | 311,963 | 174,490 | 42,359 | 12,840 | 30,070 | 240 | 10,915 | 6,004 | 588,881 |
| Net Book Value at 31 March 2010 | 337,842 | 260,248 | 43,560 | 14,530 | 31,283 | 240 | 12,121 | 15,121 | 714,945 |

# Notes to the Financial Statements

## Note 17 – Property, Plant and Equipment

### 3) Capital Commitments

As at 31 March 2011, the Council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for housing and non housing projects in 2011/12 budgeted to cost £4.616m (2009/10 £1.995m) and £1.420m (2009/10 £7.379m) respectively. The main commitments are:

| General Services | £m |
|---|---|
| Re-discovering Dumbarton | 0.117 |
| Clydebank Re-built | 0.394 |
| Brock Bowling Club | 0.909 |

| HRA | £m |
|---|---|
| Re-roofing | 0.454 |
| Central Heating | 1.852 |
| Structural Works Drumry | 0.442 |
| Lift Upgrades | 0.485 |
| Multi Storey Property Cladding | 0.957 |
| External Render Projects | 0.426 |

### 4) Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

# Notes to the Financial Statements

## Note 17 – Property, Plant and Equipment

### 5) PPP Assets Included in Property, Plant and Equipment

| 2009/10<br>£000 | | 2010/11<br>£000 |
|---|---|---|
| | Cost or Valuation | |
| 0 | At 1 April 2010 | 86,467 |
| 86,467 | Additions | 10,526 |
| 86,467 | At 31 March 2011 | 96,993 |
| | | |
| | Accumulated Depreciation and Impairment | |
| 0 | At 1 April 2010 | 0 |
| 0 | Depreciation Charge | (2,748) |
| 0 | Impairment losses/(reversals) recognised | (2,428) |
| 0 | At 31 March 2011 | (5,176) |
| | | |
| 0 | Opening Net Book value | 86,467 |
| 86,467 | Closing Net Book value | 91,817 |

## Note 18 – Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased licences.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.054m charged to revenue in 2010/11 was charged to both Educational services and Information services. The charge to Information Services is then absorbed as an overhead across all service headings in the Net Cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement on Intangible Asset balances during the year is as follows:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | Balance at 1 April 2010: | |
| 266 | Gross carrying amount | 266 |
| (113) | Accumulated amortisation | (166) |
| 153 | Net carrying amount at 1 April 2010 | 100 |
| | Additions: | |
| 0 | Purchases | 48 |
| (53) | Amortisation for period | (54) |
| 100 | Net carrying amount at 31 March 2011 | 94 |
| | Comprising: | |
| 266 | Net Book Value at 31 March 2010 | 314 |
| (166) | Net Book Value at 31 March 2011 | (220) |
| 100 | | 94 |

## Note 19 – Assets Held for Sale

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 1,983 | Balance at 1 April 2010 | 1,770 |
| 1,300 | Assets newly classified as held for sale* | 1,421 |
| (163) | Revaluation Losses | (485) |
| 0 | Revaluation Gains | 187 |
| (1,113) | Assets declassified as held for sale* | 0 |
| (237) | Assets sold | (800) |
| 1,770 | As at 31 March 2011 | 2,093 |

*All assets values listed are in respect of Property, Plant and Equipment

Notes to the Financial Statements

## Note 20 – Capital Expenditure and Capital Financing

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

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 207,679 | Opening Capital Financing Requirement | 303,248 |
| | Capital Investment | |
| 123,160 | Property, Plant and Equipment | 47,049 |
| 0 | Equal Pay Consent | 4,413 |
| 0 | Intangible Assets | 48 |
| 123,160 | | 51,510 |
| | Less Sources of Finance | |
| 8,507 | Unapplied receipts b/fwd | 7,197 |
| 1,873 | Receipts from sale of assets | 2,521 |
| 9,504 | Government Grants and other Contributions | 8,723 |
| (1,000) | Transfer to Capital Fund | 0 |
| 69 | Revenue Contributions | 0 |
| (7,197) | Unapplied receipts c/fwd | (1,661) |
| 15,835 | Loan Fund Principal Repayments | 17,203 |
| 27,591 | | 33,983 |
| 303,248 | Closing Capital Financing Requirement | 320,775 |

## Note 20 – Capital Expenditure and Capital Financing

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 5,070 | Increase in Underlying Need to Borrow (Supported) | 5,070 |
| 4,032 | Increase in Underlying Need to Borrow (Unsupported) | (2,481) |
| 0 | Equal pay consent | 4,413 |
| 86,467 | Assets Acquired under PPP Contracts | 10,526 |
| 95,569 | Movement in Capital Financing Requirement | 17,528 |

Memorandum Notes

Property, Plant and Equipment

| 31 March 2010 £000 | | Budget 31 March 2011 £000 | Actual 31 March 2011 £000 |
|---|---|---|---|
| 17 | Chief Executive | 0 | 0 |
| 876 | Corporate Services | 1,429 | 1,271 |
| 97,283 | Educational Services | 18,730 | 19,150 |
| 1,047 | CHCP | 957 | 718 |
| 6,712 | Housing, Environmental & Economic Development | 8,666 | 9,232 |
| 1,126 | Other Services | 1,518 | 931 |
| 107,061 | Total General Services | 31,300 | 31,302 |
| 16,099 | HRA | 16,767 | 15,795 |
| 123,160 | Gross Capital Expenditure | 48,067 | 47,097 |

Service Summary

| | Capital debt at 31/03/10 £000 | Net capital Expenditure 2010/11 £000 | Repaid during 2010/1 £000 | Capital debt at 31/03/11 £000 |
|---|---|---|---|---|
| Chief Executive | 357 | 0 | (9) | 348 |
| Corporate Services | 3,426 | 274 | (1,033) | 2,667 |
| Educational Services | 35,172 | 1,921 | (2,772) | 34,321 |
| CHCP | 7,736 | 424 | (1,130) | 7,030 |
| Housing, Environmental & Economic Development | 70,226 | 3,601 | (3,366) | 70,461 |
| Other Services | 1,721 | 0 | (235) | 1,486 |
| Total General Services | 118,638 | 6,220 | (8,545) | 116,313 |
| HRA | 95,406 | 13,572 | (7,292) | 101,686 |
| Net Capital Debt | 214,044 | 19,792 | (15,837) | 217,999 |

## Note 21 – Impairment Losses

During 2010/11, the Council has recognised impairment losses of £4.477m relating to non value adding enhancement of various assets and £5.657m relating mainly to the revaluation of schools. These impairment losses have been charged as appropriate within the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

## Note 22 – Private Finance Initiatives and Similar Contracts

2010/11 was the second year of a 30 year of a public private partnership for the provision of Education buildings, their maintenance and related facilities. The agreement provides the Council with replacement buildings for three secondary schools and one primary. The provider is required to ensure the availability of these buildings to a pre-agreed standard. When the agreement ends, after 30 years, the buildings will be handed back to the Council.

The school buildings are recognised on the Council's balance sheet within property, plant and equipment balance. The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. The value of the assets and related liability are noted below:

### PPP Contractual Liability

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 0 | Opening Balance | 85,470 |
| 86,467 | Additions | 10,526 |
| (997) | Repayments | (1,408) |
| 85,470 | Closing Balance | 94,588 |

### Maturity Structure of Payment due to be made under PPP Contracts

Under the agreement, the Council is committed to paying the following sums:

| | Repayment of Liability £000 | Interest Charges £000 | Operating Costs £000 | Lifecycle Replacement £000 | Total Unitary Payment £000 |
|---|---|---|---|---|---|
| Less than 1 year | 1,101 | 6,818 | 2,107 | 67 | 10,093 |
| 2-5 years | 5,345 | 26,400 | 8,690 | 1,216 | 41,651 |
| 6-10 years | 9,366 | 30,450 | 12,158 | 3,085 | 55,059 |
| 11-15 years | 13,359 | 26,456 | 13,756 | 5,016 | 58,587 |
| 16-20 years | 17,710 | 20,707 | 15,563 | 8,363 | 62,343 |
| 21-25 years | 26,000 | 13,435 | 17,608 | 9,295 | 66,338 |
| 26-30 years | 21,707 | 3,101 | 12,894 | 7,677 | 45,379 |
| PPP Contractual Liability as at 31.03.11 | 94,588 | 127,367 | 82,776 | 34,719 | 339,450 |

## Note 23 – Inventories

| Consumable Stores 2009/10 £000 | WIP 2009/10 £000 | 2009/10 £000 | | Consumable Stores 2010/11 £000 | WIP 2010/11 £000 | 2010/11 £000 |
|---|---|---|---|---|---|---|
| 804 | 47 | 851 | Balance outstanding at start of year | 757 | 93 | 850 |
| 233 | 46 | 279 | Purchases | 755 | 99 | 854 |
| (235) | 0 | (235) | Recognised as an expense in the year | (750) | 0 | (750) |
| (45) | 0 | (45) | Written off balances | 0 | 0 | 0 |
| 757 | 93 | 850 | Balance outstanding at year-end | 762 | 192 | 954 |

## Note 24 – Debtors

| 2009/10 £000 | 2009/10 £000 | | 2010/11 £000 | 2010/11 £000 |
|---|---|---|---|---|
| | | Central government bodies | | |
| 3,818 | | Non Domestic Rates | 1,962 | |
| 3,672 | | Grant Income | 1,402 | |
| 1,677 | | Vat Recoverable | 1,733 | |
| 622 | 9,789 | Other Debtors | 2,293 | 7,390 |
| | 299 | Other local authorities | | 158 |
| | 1,050 | NHS Bodies | | 524 |
| | 401 | Public Corporations and trading funds | | 778 |
| | | Other Entities and individuals | | |
| 10,528 | | Arrears of local taxation | 11,238 | |
| 8,898 | 19,426 | Other Debtors | 7,136 | 18,374 |
| | 30,965 | | | 27,224 |

## Note 25 – Cash and Cash Equivalents

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

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 48 | Cash held by the Council | 45 |
| (284) | Bank current accounts | 1,752 |
| 5,000 | Short term deposits with UK banks | 11,133 |
| 4,764 | | 12,930 |

## Note 26 – Financial Instruments

### 1) Types of Financial Instrument

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

| | Long-term | | Current | |
|---|---|---|---|---|
| | 31 March 2011 £000 | 31 March 2010 £000 | 31 March 2011 £000 | 31 March 2010 £000 |
| Debtors | | | | |
| Loans and receivables | 270 | 331 | 25,293 | 21,356 |
| Borrowing | | | | |
| Financial liabilities at amortised cost | 221,023 | 196,562 | 45,416 | 58,999 |
| Other long term liabilities | | | | |
| PPP and finance leases | 93,487 | 84,327 | 1,101 | 1,143 |
| Creditors | | | | |
| Financial liabilities at contract amount | 0 | 0 | 42,515 | 35,925 |

The Council does not have any of the following types of investments or borrowings:

- Available for sale financial assets
- Unquoted equity investments at cost
- Financial assets at fair value through profit and loss
- Financial liabilities at fair value through profit and loss

The Council has considered the Code requirements for accounting for financial instruments and the following events have not taken place in 2010/11:

- Reclassification of financial assets carrying value between fair value and amortised cost
- Transfer of financial assets where part or all of the financial assets does not qualify for de-recognition
- Pledging of financial assets as collateral or liabilities or contingent liabilities, as a result no carrying or fair value exists
- Recording of impairment losses in a separate account which would require a reconciliation of changes during the year
- Default on any loans payable during 2010/11
- Breaches of long term loan agreements resulting in the liability being classed as current
- Offsetting of financial assets and liabilities where a legally enforceable right exists and intent to settle is on net basis

The Council has considered the Code requirements for accounting for financial instruments and the following disclosures are consistent with the Code:

- Current liabilities are recognised as such even if refinanced post balance sheet or original term greater than 12 months
- If the Council has the discretion (contractually) and expects to roll forward current liabilities for over 12 months, then the obligation can be treated as long term.

# Notes to the Financial Statements

## Note 26 – Financial Instruments

1) Fair Value of Assets and Liabilities carried at Amortised Cost

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

- The 2011 fair value of PWLB loans are calculated by reference to the ‘premature repayment’ set of rates in force on 31 March 2011, the 2010 figure by reference to the set of interest rates in force on 31 March 2010. The fair value market loans and other loans and receivables are calculated using estimated interest rates of 3.75%, which is the average discount rate applied to market loans for calculation of premature repayment.
- No early repayment or impairment is 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.
- No guarantees are included in the fair value calculation.

| | 31 March 2011 | | 31 March 2010 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Debtors | | | | |
| Loans and receivables | 25,563 | 25,563 | 21,687 | 21,687 |

The fair value is equal to the carrying amount because all loans and receivables are either short term or at a fixed interest rate or a variable rate linked to base rate and without significant transaction costs. The Council does not hold any equity investments in an unquoted market and, therefore, this type of investment is excluded from the above table.

# Notes to the Financial Statements

## Note 26 – Financial Instruments

1) Fair Value of Assets and Liabilities carried at Amortised Cost

| | 31 March 2011 | | 31 March 2010 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Borrowing | | | | |
| Financial liabilities | 223,925 | 267,685 | 219,245 | 247,197 |
| Other Long Term Liabilities | | | | |
| PPP and Finance Lease Liabilities | 94,588 | 101,832 | 85,470 | 100,104 |
| Creditors | | | | |
| Financial liabilities at contract amount | 42,515 | 42,515 | 35,925 | 35,925 |

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the 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.

2) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

| | 31 March 2011 | | | 31 March 2010 | | |
|---|---|---|---|---|---|---|
| | Financial Assets: Loans & receivables £000 | Financial Liabilities at amortised cost £000 | Total £000 | Financial Assets: Loans & receivables £000 | Financial Liabilities at amortised cost £000 | Total £000 |
| Interest and Investment | 233 | 0 | 233 | 310 | 0 | 310 |
| Interest payable and similar charges | | | | | | |
| Interest/expense* | 0 | (12,323) | (12,323) | 0 | (11,659) | (11,659) |
| Losses on de-recognition | 0 | (40) | (40) | 0 | (63) | (63) |
| Net (Gain)/loss for the year | 0 | (12,363) | (12,363) | 0 | (11,722) | (11,722) |

* Interest/Expense has been calculated on an EIR basis where appropriate for market instruments

## Note 26 – Financial Instruments

### 3) Gains and Losses on Financial Instruments

There has been no gain/loss on either of the following class of financial instruments, as the Council does not own them:

- Available for sale financial assets
- Financial assets or liabilities at a fair value through profit and loss

### 4) Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. During 2010/11 these required the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and the Local Government Investments (Scotland) Regulations 2010. Overall these procedures require the Council to manage risk in the following ways:

(i) by formally adopting the requirements of the Code of Practice
(ii) by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders
(iii) By approving annually in advance prudential and treasury indicators for the following three years in limiting:
- The Council's overall borrowing
- Its maximum and minimum exposures to fixed and variable rates
- Its maximum and minimum exposures regarding the maturity structure of its debt
- Its maximum annual exposure to investments maturing beyond a year

(iv) by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment

These are required to be reported and approved prior to the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is reported to Members to assess the effectiveness of controls established.

Note 26 – Financial Instruments

## 4) Nature and Extent of Risks arising from Financial Instruments

The 2010/11 annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24 March 2010 and is available on the Council website. The key issues within the strategy were:

- The authorised limit for 2010/11 was set at £389.317m. This is the maximum limit of external borrowing.
- The operational boundary was expected to be £356.874m. This is the expected level of debt during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% based on the Council's net debt.
- The maximum exposures to the maturity structure of debt is detailed with refinancing and maturity risk.

The Council has fully adopted all required CIPFA Codes and statutory regulation currently in force, and maintains written principles for overall risk management, as well as written policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing/maturity 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 Council's maximum exposure to credit risk in relation to investments in banks and building societies of £14.639m cannot be assessed generally as the risk of any institution failing to make interest payments or repay principle sums will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2011 that this was likely to happen.

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.

## Note 26 – Financial Instruments

### 4) Nature and Extent of Risks arising from Financial Instruments

### Credit Risk

| | Amount at 31.03.11 £000 | Historical experience of non-payment adjusted for market conditions at 31.03.11 % | Estimated maximum exposure to default and uncollectibility £000 |
|---|---|---|---|
| Customers and other income | 14,431 | 12.25 | 1,798 |

The Council does not hold any of the following in relation to financial assets:

- Collateral as security in case of default of investment
- Financial assets that would otherwise be past due or impaired but have been renegotiated

.

The Council does not generally allow credit for customers, such that £7.270m is past its due date for payment. The past due amount can be analysed by age as follows:

| | £000 |
|---|---|
| Less than three months | 2,343 |
| Three to six months | 551 |
| Six months to one year | 722 |
| More than one year | 3,654 |
| | 7,270 |

## Notes to the Financial Statements

### Note 26 – Financial Instruments

5) Nature and Extent of Risks arising from Financial Instruments

#### Credit Risk

Provisions are made in accordance with Code Guidance, whereby a judgement is made regarding the probability of collection for each category of debt. This judgement is based upon the past experience of collecting each category of debt to calculate the appropriate percentage of each debt that may not be eventually recovered.

No financial assets have been individually determined to be impaired and no collateral is held on past due or impaired financial assets, therefore the Council has not obtained financial or non financial assets during the financial year by taking possession of any collateral or calling on other credit enhancements.

#### Liquidity risk

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

The Council has ready access to borrowing from the Money Markets to cover any day to day cash flow need if required. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

#### Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this risk and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile as appropriate through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council’s day to day cash flow needs.

# Notes to the Financial Statements

## Note 26 – Financial Instruments

6) Nature and Extent of Risks arising from Financial Instruments

### Refinancing and Maturity Risk

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. No more that 15% of borrowings are due to mature within any financial year and 60% within any rolling five-year period.

The maturity analysis of financial liabilities is as follows:

| | Creditors | PPP | Borrowing | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Less than one year | 42,515 | 1,101 | 2,902 | 46,518 |
| Between one and two years | 0 | 1,206 | 26,037 | 27,243 |
| Between two and five years | 0 | 4,139 | 33,439 | 37,578 |
| More than five years | 0 | 88,142 | 161,547 | 249,689 |
| | 42,515 | 94,588 | 223,925 | 361,028 |

### 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 charges on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional “fair value” of lending and borrowing. For example, a rise 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.

# Notes to the Financial Statements

## Note 26 – Financial Instruments

### 7) Nature and Extent of Risks arising from Financial Instruments

#### Market risk

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

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.
- During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.
- The Council takes advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructurings of existing borrowings.
- Any potential for a financial impact on the Council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the Council receives for "loan charges".

The interest rate profile of the Council's borrowing is as follows:

| | £000 | % |
|---|---|---|
| Fixed Interest Debt | 223,463 | 99.8% |
| Variable Interest Debt | 462 | 0.2% |
| | 223,925 | |

# Notes to the Financial Statements

## Note 26 – Financial Instruments

### 7) Nature and Extent of Risks arising from Financial Instruments

#### Market risk

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2011, with all other variables held constant:

| | £000 |
|---|---|
| Impact on tax payers and rent payers | |
| Increase on interest payable on variable rate debt | 6 |
| Increase in interest receivable on variable rate investments | (175) |
| Increase in government grant receivable for 'loan charges' | (51) |
| Impact on Income and Expenditure Account | (220) |
| | |
| Share of overall impact due credited to the HRA | (101) |
| | |
| Other accounting presentational changes | |
| Decrease in fair value of fixed rate investments | 0 |
| Decrease in fair value of fixed rate debt | (41,450) |

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

#### 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.

## Notes to the Financial Statements

### Note 27 – Creditors

| 2009/10 | | 2010/11 |
|---|---|---|
| £000 | | £000 |
| 10,045 | Central government bodies | 7,940 |
| 1,389 | Other local authorities | 4,388 |
| 328 | NHS Bodies | 573 |
| 65 | Public Corporations and trading funds | 210 |
| 24,098 | Other Entities and individuals | 29,404 |
| 35,925 | | 42,515 |

### Note 29– Provisions

| | Balance 01.04.10 | Contributions | Released | Used | Balance 31.03.11 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Equal pay claims and single status payments | 3,147 | 1,687 | (620) | (636) | 3,578 |
| Early severance | 353 | 1,070 | 0 | (353) | 1,070 |
| | 3,500 | 2,757 | (620) | (989) | 4,648 |

Equal pay claims and single status payments – The Council has implemented a Single Status pay structure. This provision is held for possible future equal pay claims through outstanding tribunal cases and revised gradings from the new pay structure.

Early Severance – This provision is held for those staff accepting a severance or early retiral package with a view to leaving in 2011/12.

## Note 30 – Reserves and Earmarked Balances

The Council holds reserves on the Balance Sheet in respect of General Fund and HRA brought forward surpluses:

(1) The General Fund balance stands at £14.967m on 31 March 2011, none of which was applied to the 2011/12 budget and £10.256m is earmarked for ringfenced purposes, leaving an unearmarked balance of £4.711m.

The main earmarked income held for future specific purposes:-

| | £000 |
|---|---|
| Modernisation Fund | 3,807 |
| Regeneration Projects | 1,000 |
| Public Private Partnership (grant funding) | 1,445 |
| Supporting People | 965 |
| Community Planning Partnership | 218 |
| Milton community facility | 90 |
| Energy efficiency | 160 |
| SPT | 211 |
| Appeals | 1,625 |
| Other committed spend | 735 |
| | 10,256 |

(2) The HRA balance is currently £2.668m as at 31 March 2011, of which none was applied to the 2011/12 budget and £2.015m is earmarked for ring fenced purposes, leaving an unearmarked balance of £0.653m.

The earmarked income held for future specific purposes:-

| | £000 |
|---|---|
| Rent Capping 2011/12 and 2012/13 | 49 |
| Stock transfer | 1,966 |
| | 2,015 |

Note 31 – Unusable Reserves

| 31 March 2010 £000 | | 31 March 2011 £000 |
|---|---|---|
| 236,071 | Capital Adjustment Account | 232,484 |
| 177,710 | Revaluation Reserve | 187,258 |
| (182,165) | Pension Reserve | (80,842) |
| (6,897) | Statutory Mitigation Account | (7,645) |
| (20,944) | Financial Instruments Adjustment Account | (20,178) |
| 203,775 | Total Unusable Reserves | 311,077 |

## Capital Adjustment Account

The capital adjustment account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation , impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings to the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.The movement in reserve statement provides detail of the source of all the transactions posted to the account.

## Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

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

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

# Notes to the Financial Statements

## Note 31 – Unusable Reserves

### Pension Reserve

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

### Statutory Mitigation Account

The Statutory Mitigation Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from this account.

### Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. The balance on the account as at 31 March 2011 will be charged to the general fund over the next 46 years.

## Note 32 – Contingent Assets or Liabilities

The Council has a potential contingent liability relating to the risk that groups of workers not currently included in the equal pay provision may be successful in claiming compensation under the terms of the equal pay legislation.

# Movement on the Housing Revenue Account Statement

This statement shows the movement in the year on the housing revenue account reserve. The surplus or (deficit) on the housing revenue account income and expenditure statement is reconciled to the surplus or deficit for the year on the housing revenue account balance, calculated in accordance with the Housing (Scotland) Act 1987.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 1,839 | Balance on the Housing Revenue Account at the End of the Previous Year | 2,642 |
| (6,471) | Surplus or (Deficit) on provision of services | (7,164) |
| 0 | Other Comprehensive Income and Expenditure | 0 |
| (6,471) | Total Comprehensive Income and Expenditure | (7,164) |
| | Adjustments between accounting basis & funding basis under regulations | |
| 0 | Reversal of Impairment | (44) |
| 14,864 | Depreciation and Impairment of non-current assets | 14,634 |
| 0 | Capital grants and contributions credited to Income and Expenditure | (196) |
| (38) | Net gain or loss on sale of non-current assets | 85 |
| 29 | EIR adjustments | 19 |
| (192) | Pension scheme adjustments | (59) |
| 0 | Net transfer to/from earmarked reserves, required by legislation | (18) |
| (7,389) | Statutory Repayment of Debt (Loans Fund Advances) | (7,231) |
| 7,274 | Total Statutory Adjustments 2010/11 | 7,190 |
| 0 | Transfers to/from Other Statutory Reserves | 0 |
| 803 | Increase/(Decrease) in Year | 26 |
| 2,642 | Balance on the Housing Revenue Account at the end of the Current Year | 2,668 |

# Housing Revenue Account Income and Expenditure Statement

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. The Council charges 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.

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| | Income | |
| (29,437) | Dwelling Rents | (30,160) |
| (315) | Other Rents | (289) |
| (1,823) | Other Income | (1,786) |
| (31,575) | | (32,235) |
| | Expenditure | |
| 9,172 | Repairs and Maintenance | 9,244 |
| 6,498 | Supervision and Management | 7,537 |
| 1,211 | Void Properties | 983 |
| 14,864 | Depreciation and Impairment | 14,587 |
| 461 | Bad/Doubtful Debts | 559 |
| 594 | Other Expenditure | 900 |
| 32,800 | | 33,810 |
| 1,225 | Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement | 1,575 |
| 50 | HRA Share of Corporate and Democratic Core | 25 |
| 1,275 | Net Cost of HRA Services | 1,600 |
| | HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement | |
| 0 | Recognised Capital Income (Grants, Contributions and Donations) | (197) |
| (38) | Gain or Loss on the Sale of HRA Non Current Assets | 85 |
| 4,954 | Interest Payable and Similar Charges | 5,355 |
| 343 | Amorisation of Premiums and Discounts | 379 |
| (63) | HRA Interest and Investment Income | (58) |
| 5,196 | | 5,564 |
| 6,471 | (Surplus)/Deficit for the year on HRA Services | 7,164 |

Housing Revenue Account Income and Expenditure Statement

## Housing Revenue Account Disclosures

The total of rents lost due to void properties is shown net of the value of those properties that have been earmarked for demolition.

| 2009/10 | Rental Information | 2010/11 |
|---|---|---|
| £49.82 | Average Weekly Rent (52 Weeks) | £52.13 |
| £000 | Rent Arrears (Houses Only):- | £000 |
| 1,131 | Current | 1,056 |
| 1,294 | Former | 1,181 |
| 2,425 | | 2,237 |
| (1,625) | Less Bad Debt Provision | (1,494) |
| 800 | | 743 |

## Housing Stock as at 31 March 2011

| | Dumbarton /Alexandria | Clydebank | 2010/11 Total | 2009/10 Total |
|---|---|---|---|---|
| Houses | 1,869 | 1,670 | 3,539 | 3,561 |
| High Rise | 437 | 1,331 | 1,768 | 1,769 |
| 4-in-a-Block | 789 | 635 | 1,424 | 1,433 |
| Maisonette/Other Flat | 1,638 | 1,291 | 2,929 | 2,941 |
| Tenement | 823 | 848 | 1,671 | 1,674 |
| | 5,556 | 5,775 | 11,331 | 11,378 |

# Council Tax Account

Council Taxpayers: £38.463m (2009/10 £38.234m)

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

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 45,318 | Gross council tax | 45,393 |
| | Less: | |
| 73 | Council tax benefit (net of government grant) | 137 |
| (5,868) | Other discounts and reductions | (5,662) |
| (1,183) | Provision for bad and doubtful debts | (1,194) |
| (106) | Adjustments for prior years | (211) |
| 38,234 | Transfer to General Fund | 38,463 |

The calculation of the council tax base

| | No of Dwellings | No of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalent |
|---|---|---|---|---|---|---|---|---|
| Band A(Disabled) | 0 | 0 | 27 | 15 | 0 | 23 | 5/9 | 13 |
| Band A | 8,132 | 449 | 59 | 4,538 | 202 | 6,507 | 6/9 | 4,338 |
| Band B | 17,148 | 564 | (32) | 7,533 | 194 | 14,572 | 7/9 | 11,334 |
| Band C | 7,348 | 136 | (13) | 2,597 | 79 | 6,510 | 8/9 | 5,787 |
| Band D | 5,522 | 76 | 17 | 1,587 | 39 | 5,047 | 1 | 5,047 |
| Band E | 4,122 | 27 | (39) | 741 | 23 | 3,859 | 11/9 | 4,717 |
| Band F | 1,531 | 14 | (8) | 203 | 14 | 1,451 | 13/9 | 2,096 |
| Band G | 571 | 7 | (11) | 65 | 8 | 533 | 15/9 | 888 |
| Band H | 41 | 0 | 0 | 2 | 6 | 38 | 18/9 | 76 |
| | | | | | | | Total | 34,296 |
| | | | | | | | Provision for bad debt | (1,194) |
| | | | | | | | Council Tax Base | 33,102 |

# Council Tax Account

## The nature and actual amount of each charge fixed

Gross Charges

Dwellings fall within a valuation band between 'A' to 'H' which is determined by the Assessor. The council tax charge is calculated using the council tax base i.e. band D equivalents. This charge is then decreased/ increased dependent on the band. The band D charge for 2010/11 was £1,163.

| | 2009/10<br>£ per year | 2010/11<br>£ per year |
|---|---|---|
| Band A | 775 | 775 |
| Band B | 905 | 905 |
| Band C | 1,034 | 1,034 |
| Band D | 1,163 | 1,163 |
| Band E | 1,421 | 1,421 |
| Band F | 1,680 | 1,680 |
| Band G | 1,938 | 1,938 |
| Band H | 2,326 | 2,326 |

Discounts, Reliefs and Exemptions

A council tax bill is reduced by 25% where a property has only one occupant or 50% where the property is empty. For council tax purposes certain students are not regarded as occupants. Certain properties may also qualify for relief if the property has been adapted for a disabled person. Properties undergoing major renovation or held pending demolition may be awarded exemption from council tax.

# Non Domestic Rates Account

Non-Domestic Rates Income £36.390m (2009/10 £38.338m)

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

Non-domestic rates are redistributed to authorities on a basis which reflects population. West Dunbartonshire Council received £36.390m (2009/10 £38.338m) from the national pool. The amount deemed to be collected locally was £65.840m (2009/10 £62.330m). The sum actually collected locally and contributed to the pool was £64.815m (2009/10 £59.614m), made up as follows:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 66,020 | Gross rates levied | 71,515 |
| | Less: | |
| (4,458) | Reliefs and other deductions | (4,897) |
| (660) | Provision for bad and doubtful debts | (715) |
| 60,902 | Net non-domestic rate income | 65,903 |
| (1,288) | Adjustments for prior years | (1,088) |
| 59,614 | Contribution to National Non-Domestic Rate Pool | 64,815 |

The non-domestic rates pool operates on a cash accounting basis and as such the non-domestic rate income account within West Dunbartonshire Council is calculated on a similar basis.

| Analysis of rateable Values: | £ | An explanation of the nature and amount of each rate fixed |
|---|---|---|
| Rateable value at 1/4/10 | 171,176,685 | The amount paid for non-domestic rates is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ announced each year by the government. |
| Running roll (full year RV) | 1,543,285 | The national non-domestic rate poundage set by the First Minister for Scotland for 2010/11 was £0.407. |
| Rateable value at 31/3/11 | 172,719,970 | |
| Less: partially exempt | (796,400) | |
| Less: wholly exempt | (4,828,250) | |
| Net rateable value at 31/3/11 | 167,095,320 | |

# Remuneration Report

## Remuneration - Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as the Leader of the Council, the 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. The regulations stipulate that in addition to the Leader of the Council and the Provost, West Dunbartonshire can appoint a maximum of 10 Senior Councillors. The level of remuneration paid to the Leader of the Council, Provost and Senior Councillors is detailed in Table 1 below.

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 Dunbartonshire Council is £32,470. The Regulations set out that the maximum yearly amount that may be paid to the Provost is 75% of the total yearly amount payable to the Leader of the Council (£24,353).

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% of the total yearly amount payable to the Leader of the Council (£24,353). The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £202,940. 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. The Council policy is to pay Senior Councillors a salary of £20,294.

As well as Council Leader and Civic Head, West Dunbartonshire Council had 8 senior councillors and the remuneration paid to these councillors totalled £163,954. 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 Members Allowances which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 16 May 2007. The report to Council and the Register of Members' Expenses is available at www.west-dunbarton.gov.uk.

The regulations also set out the amounts a Councillor may be paid for being a convener or vice-convener of a Joint Board. This is a nil disclosure for West Dunbartonshire Council.

# Remuneration Report

a) Table 1: Remuneration of Senior Councillors

| Name | Position | Salary, fees & allowances (Year ended 31 March 2011) | Taxable expenses (Year ended 31 March 2011) | Non-cash expenses & benefits-in-kind (Year ended 31 March 2011) | Total Remuneration (Year ended 31 March 2011) | Total remuneration (2009/10) |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| Ronnie McColl | Leader of Council (from 26/05/10) | 29,267 | 0 | 0 | 29,267 | 0 |
| | | (full year equivalent £32,470) | | | | |
| Denis Agnew | Civic Provost | 24,353 | 0 | 0 | 24,353 | 24,327 |
| Jonathan McColl | Depute Leader | 20,294 | 0 | 0 | 20,294 | 20,272 |
| George Black | Convener of Appeals | 20,294 | 0 | 0 | 20,294 | 20,272 |
| James Brown | Convener of Community Participation | 20,294 | 0 | 0 | 20,294 | 20,272 |
| James Finn | Convener of Planning | 20,294 | 0 | 0 | 20,294 | 20,313 |
| William Hendrie | Convener of Housing | 20,294 | 0 | 0 | 20,294 | 20,272 |
| Ronnie McColl | Chair of Licensing | 801 | 0 | 0 | 801 | 20,272 |
| James McElhill | Convener of Housing and Economic Dev. | 20,294 | 0 | 0 | 20,294 | 19,972 |
| Craig McLaughlin | Convener of Corporate & Efficient Governance | 20,294 | 0 | 0 | 20,294 | 20,272 |
| Iain Robertson | Leader of Council (to 25/05/10) | 3,203 | 0 | 0 | 3,203 | 32,435 |
| | | (full year equivalent £32,470) | | | | |
| Martin Rooney | Leader of Opposition | 20,294 | 0 | 0 | 20,294 | 20,294 |
| May Smillie | Convener of Education & Lifelong Learning (until 25/05/10) | 801 | 0 | 0 | 801 | 20,272 |
| | | (full year equivalent £20,294) | | | | |

Notes .

1. The term senior councillor means a Leader of the Council, the Civic Head or a Senior Councillor, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3)

b) Remuneration paid to Councillors

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

| | 2010/11 | 2009/10 |
|---|---|---|
| | £ | £ |
| Salaries | 412,871 | 421,386 |
| Allowances | 0 | 3,207 |
| Expenses | 31,246 | 21,588 |
| Total | 444,117 | 446,181 |

Note:

1. The annual return of Councillors' salaries and expenses for 2010/2011 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at www.west-dunbarton.gov.uk.

# Remuneration Report

## c) Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of West Dunbartonshire Council for the period 2008 to 2011. In June 2007, West Dunbartonshire Council determined that the salaries of the Executive Directors and Heads of Service were to be based on a fixed percentage of the Chief Executive's salary in two bandings. Executive Directors receive 84% of the amount of the Chief Executive's salary and Heads of Service receive 76% of the amount of the Executive Director's salary. These arrangements were agreed through approval of the Chief Officers' Salary Structure report to Council on 27 June 2007.

The post of Executive Director of Community Care & Health Partnership is a joint post between West Dunbartonshire Council and NHS Greater Glasgow and Clyde. Mr Redpath was appointed to this joint post on 1 August 2010.

The only benefits received by employees are salary and employer contributions to the pension fund. There were no bonuses, compensation for loss of office or other benefits paid to senior employees during the year. The salary details for senior employees are noted in table below.

Table 2: Remuneration of Senior Employees

| Name | Position at 31/03/11 | Salary, Fees and Allowances 2010/11 £ | Total remuneration 2009/10 £ |
|---|---|---|---|
| David McMillan | Chief Executive | 119,925 | 121,338 |
| Terence Lanagan | Executive Director of Educational Services | 101,109 | 98,642 |
| Joyce White | Executive Director of Corporate Services | 101,109 | 98,642 |
| Elaine Melrose | Executive Director Housing, Environmental and Economic Development Services | 101,109 | 98,642 |
| *Keith Redpath | Executive Director of Community Care and Health Partnership | 37,720 (full year equivalent £56,580) | 0 |
| Anne Ritchie | Head of Children's Healthcare & Criminal Justice | 85,297 | 79,863 |
| Andrew Fraser | Head of Legal, Administrative & Regulatory Services | 77,172 | 73,551 |

* Details of Mr. Redpath's remuneration are included within the accounts of the National Health Service Greater Glasgow & Clyde. Mr. Redpath currently spends 50% of his time in each of the two posts and the figure shown for Mr. Redpath under Salary, Fees and Allowances, represents the contribution made by West Dunbartonshire Council to NHS Greater Glasgow and Clyde towards Mr. Redpath's salary.

### Notes

1. The term senior employee means any local authority employee
   - Who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
   - Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
   - Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.
2. The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2011 includes the amount received as the Returning Officer for West Dunbartonshire in the 2010 General Election.
3. The Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. There were no discretionary payments made to senior employees during the year.

# Remuneration Report

## d) Remuneration of Employees receiving more than £50,000

The Council's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

Table 3: Remuneration of Employees

| Remuneration Bands | Number of Employees | |
|---|---|---|
| | 2010/11 | 2009/10 |
| £50,000 - £54,999 | 39 | 63 |
| £55,000 - £59,999 | 43 | 17 |
| £60,000 - £64,999 | 4 | 3 |
| £65,000 - £69,999 | 1 | 4 |
| £70,000 - £74,999 | 2 | 1 |
| £75,000 - £79,999 | 10 | 12 |
| £80,000 - £84,999 | 4 | 3 |
| £95,000 - £99,999 | 0 | 3 |
| £100,000 - £104,999 | 3 | 0 |
| £105,000 - £109,999 | 1 | 0 |
| £115,000 - £119,999 | 1 | 1 |
| Totals | 108 | 107 |

## Pension Benefits

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

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The pension entitlements for the year to 31 March 2011 are shown in Table 5 below, together with the contributions made by West Dunbartonshire Council to each Senior Councillor's pension during the year. The table details the pension entitlement and contributions made by West Dunbartonshire Council in respect of all senior Councillors who have opted to join the LGPS.

For local government employees, LGPS 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 pension entitlements for the year to 31 March 2011 are shown in Table 6 below, together with the contributions made by West Dunbartonshire Council to each senior employee's pension during the year.

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

# Remuneration Report

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

## Table 4: Contribution Rates

| 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 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80$^{th}$ 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 consequence of their total local government service, and not just their current appointment.

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

## e) Table 5: Pension Benefits of Senior Councillors

| | | In-year pension contributions | | Accrued pension benefits | |
|---|---|---|---|---|---|
| Name | Position at 31/03/11 | For year to 31 March 2011 | For year to 31 March 2010 | As at 31 March 2011 | As at 31 March 2010 |
| | | £ | £ | £ | £ |
| Denis Agnew | Provost | 4,432 | 4,199 | 3,225 | 2,690 |
| Jonathan McColl | Depute Leader | 3,693 | 3,499 | 2,220 | 1,798 |
| James Finn | Convener of Planning & Licensing | 3,693 | 0 | 354 | 15 |
| Craig McLaughlin | Convener of Corporate & Efficient Governance | 3,693 | 3,499 | 2,626 | 2,286 |
| Iain Robertson | Council Leader (until 25/05/10) | 3,538 | 5,598 | 3,731 | 3,550 |
| Martin Rooney | Leader of Opposition | 3,693 | 3,499 | 2,693 | 2,248 |

# Remuneration Report

f) Table 6: Pension Benefits of Senior Employees

| | | In-year pension contributions | | Accrued pension benefits | |
|---|---|---|---|---|---|
| Name | Position at 31/03/11 | For year to 31 March 2011 £ | For year to 31 March 2010 £ | For year to 31 March 2011 £ | For year to 31 March 2010 £ |
| David McMillan | Chief Executive | 21,826 | 20,922 | 172,247 | 170,406 |
| Terence Lanagan | Executive Director of Educational Services | 15,065 | 14,585 | 169,932 | 160,855 |
| Joyce White | Executive Director of Corporate Services | 18,402 | 17,025 | 9,308 | 7,435 |
| Elaine Melrose | Executive Director of Housing, Environmental and Economic Development | 18,402 | 17,025 | 128,023 | 123,255 |
| Keith Redpath | Executive Director of Community Care and Health Partnership | 0 | 0 | 0 | 0 |
| Anne Ritchie | Head of Children's Healthcare & Criminal Justice | 15,402 | 13,718 | 125,647 | 121,329 |
| Andrew Fraser | Head of Legal, Administrative & Regulatory Services | 14,016 | 12,681 | 100,721 | 94,869 |

All employees in the table above, with the exception of Mr. Lanagan and Mr. Redpath are members of the Local Government Pension Scheme. Mr. Lanagan is a member of the Scottish Teachers' Superannuation Scheme and Mr. Redpath is a member of the NHS Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as a consequence of their total public sector service, and not just their current appointment.

All information disclosed in the tables on pages 94, 95, 96, 97 and 98 in this Remuneration Report has been audited by KPMG LLP. The other sections of the report were reviewed by KPMG LLP to identify if there were any material inconsistencies within the financial statements.

# Common Good Fund

The Council administers the Dumbarton Common Good Fund Account. The figures below summarise the income and expenditure for the year as well as the assets and liabilities as at 31 March 2011. The fund does not represent assets of the Council and has not been included within the Balance Sheet on pages 18.

## Income and Expenditure Account

| 2009/10 | | 2010/11 |
|---|---|---|
| £000 | Expenditure | £000 |
| 136 | Payments to Other Bodies | 114 |
| 57 | Denny Tank | 56 |
| 46 | Libraries – Book Fund | 46 |
| 28 | General Expenditure | 23 |
| 267 | | 239 |
| | Income | |
| 268 | Rent – Sites and Offices | 265 |
| 1 | Interest on Revenue Balances | 1 |
| 1 | Other Income | 0 |
| 270 | | 266 |
| 3 | Net surplus/(deficit) for year | 27 |
| 129 | Balance brought forward | 132 |
| 132 | Balance carried forward | 159 |

# Common Good Fund

## Balance Sheet as at 31 March 2011

| 2009/10 £000 | | Note | 2010/11 £000 |
|---|---|---|---|
| | Fixed Assets | | |
| 2,586 | Investment properties | 1 | 2,586 |
| | | | |
| | Current Assets | | |
| 132 | Investments – West Dunbartonshire Council | | 139 |
| | | | |
| | Current Liabilities | | |
| 0 | Creditors falling due within one year | 2 | 20 |
| 2,718 | Total assets | | 2,745 |
| | | | |
| | Funds | | |
| 762 | Revaluation Reserve | | 762 |
| 1,824 | Capital Adjustment Account | | 1,824 |
| 132 | General Fund | | 159 |
| 2,718 | | | 2,745 |

## Note 1 Tangible fixed assets and depreciation

All assets valued over £6,000 are capitalised and valued at market value. Depreciation is charged on assets other than Investment assets on a straight line basis over their estimated life. The Fund only holds investment assets.

## Note 2 Analysis of Sundry Creditors

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| 0 | Prepayment of rent | 7 |
| 0 | Grants awarded and not paid | 13 |
| 0 | | 20 |

# Sundry Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds, which may be used for various purposes depending on the terms of the Trust. In all cases, the funds do not represent assets of the Council and they have not been included within the balance sheet on pages 18 and 19. Under the provisions of the "2005 Act" and the "Accounts Regulations" above, all registered charities in Scotland are required to prepare financial statements which must be externally scrutinised. The trust funds below are registered, under one registration, with the Office of the Scottish Charity Regulator. Management has reviewed the current arrangements for the trust funds to ensure the current arrangements reflect the needs of the Council and ensure that all obligations are met. Responsibility for the compliance with the new regulations has been delegated to the Executive Director of Corporate Services.

## Income and Expenditure Account

| 2009/10 | | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| Receipts £000 | Payments £000 | Surplus/ (Deficit) for the year £000 | | Receipts £000 | Payments £000 | Surplus/ (Deficit) for the year £000 |
| 1 | 0 | 1 | Dunbartonshire Educational Trust Scheme 1962<br>Endowments amalgamated to form trust | 1 | 0 | 1 |
| 0 | 0 | 0 | McAuley Prize for Mathematics<br>Provide prizes for those studying maths & computing | 0 | 0 | 0 |
| 1 | 2 | (1) | Alexander Cameron Request<br>To encourage and support one-off community activities in Clydebank | 1 | 0 | 1 |
| 0 | 0 | 0 | Dr A K Glen Fund<br>Provide outings for Pensioners resident in Dumbarton | 0 | 0 | 0 |
| 0 | 0 | 0 | War Memorial Dumbarton<br>For upkeep of war memorials | 0 | 0 | 0 |
| 0 | 0 | 0 | Halkett Memorial Trust<br>For young writers competition an painting competition | 0 | 0 | 0 |
| 0 | 4 | (4) | Vale of Leven Fund<br>For the people of the Vale of Leven | 0 | 0 | 0 |
| 0 | 0 | 0 | UIE Award<br>For students studying apprenticeships or training in industry | 0 | 0 | 0 |
| 2 | 6 | (4) | Total | 2 | 0 | 2 |

# Sundry Trust Funds

## Statement of Balances as at 31 March 2011

| | Balance as at 1/4/10 £000 | Surplus/ (deficit) for year £000 | Balance as at 31/3/11 £000 |
|---|---|---|---|
| Bank and Cash | | | |
| Dunbartonshire Educational Trust Scheme 1962 | 78 | 1 | 79 |
| McAuley Prize for Mathematics | 21 | 0 | 21 |
| Alexander Cameron Bequest | 152 | 1 | 153 |
| Dr A K Glen Fund | 25 | 0 | 25 |
| War Memorial Dumbarton | 15 | 0 | 15 |
| Halkett Memorial Trust | 2 | 0 | 2 |
| Vale of Leven Fund | 9 | 0 | 9 |
| UIE Award | 23 | 0 | 23 |
| Total | 325 | 2 | 327 |
| | | | |
| Investments | | | |
| Dunbartonshire Educational Trust Scheme 1962 | 6 | 0 | 6 |
| Total | 6 | 0 | 6 |
| | | | |
| Total | 331 | 2 | 333 |

# Group Accounts

## Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code) requires local authorities to consider their interests in all types of entities. This includes other local authorities or similar bodies defined in section 106 of the Local government (Scotland) Act 1973, including statutory bodies such as Police, Fire and Valuation Joint Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities.

## Combining Entities

The Group Accounts consolidate the results of the Council with five other entities:

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

In addition to these entities, the Dumbarton Common Good and Sundry Trust Funds have also been consolidated.

The accounting period for all entities is 31 March 2011.

The Council would class an entity as an associate if they have significant influence over the financial and operating policies of the entity. The council would class an entity as a subsidiary if they have control of the entity.

The Council has considered IFRS standards on the group boundary and concluded that there are no changes from those previously identified.

Under accounting standards, this Council includes the results of each of these organisations as 'associates' because it has a significant influence over their financial and operating policies. The Council has no shares in, nor ownership of any of these organisations which are entirely independent of the Council.

Group Accounts

The Joint Boards are independent public bodies formed by an Act of Parliament. All local government functions that relate to these bodies have been delegated from the constituent councils that comprise the area of each Board. The members of each Board are elected councillors and are appointed by the councils in proportions specified by legislation.

## Basis of Combination and Going Concern

The combination has been accounted for on an acquisition basis using the equity method – that is, the Council's share of the net assets and liabilities of each entity is incorporated and adjusted each year by the Council's share of the entities' results (recognised in the Group Income and Expenditure Account), and its share of other gains and losses.

For three of the five entities, the Council has a share in a net liability. The negative balances on Valuation, Police and Fire Boards arise from the inclusion of liabilities related to defined benefit pension schemes as required by IAS19.

The effects of inclusion of these associate bodies and the Common Good and Trust Funds on the Group Balance Sheet is to reduce reserves and Net Assets by £269.519m – representing the Council's share of net liabilities in these entities.

All associates consider it appropriate that their Financial Statements should follow the 'going concern' basis of accounting. Statutory arrangements with the Scottish Government for the funding of the Police Joint Board deficit and with the constituent local authorities for the deficit of Fire and Valuation Joint Boards means that the financial position of these Boards remain assured.

The Council's group accounts have been prepared on a going concern basis, as while the balance sheet shows negative total assets, this relates primarily to defined benefit scheme pension liabilities in associate entities. The financial statement of all individual group entities have been prepared on a going concern basis and, as such, the group accounts have also been prepared on this basis.

## First Time adoption for IFRS

All combining entries have transitioned to IFRS during 2010/11. Details of the underlying movements on the transition to IFRS have been included within the single entity accounts of all relevant bodies.

## Group Accounting Policies

### Disclosure of differences with main Statement of Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the accounting policies set out in note 1 on pages 17 to 37 with additions and exceptions noted below:

- Group Income and Expenditure Account

- Proceeds from Disposal of Fixed Assets – Profits and losses from the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account within the net cost of services. The proceeds are then appropriated out after net operating expenditure. For those proceeds associated with the disposal of the Council's assets, appropriation is to the Group Reserves. For those proceeds associated with the disposal of associates' assets, appropriation is to the Group Income and Expenditure Reserve.

- Group Balance Sheet

- Inventories – Valuation methods vary slightly across the Group. The Council uses weighted average cost. The difference in valuation methods does not have a material impact on the results of the group given the levels of stock held within the organisations.

## Group Movement in Reserves Statement 2009/10

| | General Fund balance £000 | HRA Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 | Capital Reserves £000 | Other Reserves £000 | Group Reserves £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Usable Reserves | | | | | | | | | |
| Opening Balance at 1 April 2009 | 5,036 | 1,839 | 8,507 | 205 | 6,016 | 356 | (189,760) | (167,801) | 305,205 | 137,404 |
| Movement in reserve 2009/10 | | | | | | | | | | |
| Surplus or (deficit) on provision of services | 5,234 | (6,471) | 0 | 0 | 0 | (100) | (10,200) | (11,537) | 0 | (11,537) |
| Other Comprehensive Expenditure and Income | 121 | 0 | (1,310) | 0 | (628) | 0 | (101,350) | (103,167) | (90,495) | (193,662) |
| Total Comprehensive Expenditure and Income | 5,355 | (6,471) | (1,310) | 0 | (628) | (100) | (111,550) | (114,704) | (90,495) | (205,199) |
| Adjustments between accounting basis and funding basis under regulations | (3,743) | 7,274 | 0 | (155) | 0 | 0 | 0 | 3,376 | (10,935) | (7,559) |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | 1,612 | 803 | (1,310) | (155) | (628) | (100) | (111,550) | (111,328) | (101,430) | (212,758) |
| Closing Balance at 31 March 2010 | 6,648 | 2,642 | 7,197 | 50 | 5,388 | 256 | (301,310) | (279,129) | 203,775 | (75,354) |

| | General Fund balance £000 | HRA Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied Account £000 | Capital Reserves £000 | Other Reserves £000 | Group Reserves £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Opening Balance at 1 April 2010 | 6,648 | 2,642 | 7,197 | 50 | 5,388 | 256 | (301,310) | (279,129) | 203,775 | (75,354) |
| Movement in reserve 2010/11 | | | | | | | | | | |
| Surplus or (deficit) on provision of services | 46,360 | (7,164) | 0 | 0 | 0 | 0 | 21,636 | 60,832 | 0 | 60,832 |
| Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | 0 | 0 | 20,504 | 20,504 | 69,579 | 90,083 |
| Total Comprehensive Expenditure and Income | 46,360 | (7,164) | 0 | 0 | 0 | 0 | 42,140 | 81,336 | 69,579 | 150,915 |
| Adjustments between accounting basis and funding basis under regulations | (38,880) | 7,190 | (5,536) | (50) | (447) | 0 | 0 | (37,723) | 37,723 | 0 |
| Net Increase/Decrease before Transfers to Other Statutory Reserves | 7,480 | 26 | (5,536) | (50) | (447) | 0 | 42,140 | 43,613 | 107,302 | 150,915 |
| Transfers to/from Capital Reserve | 839 | 0 | 0 | 0 | (785) | (54) | 0 | 0 | 0 | 0 |
| Closing Balance at 31 March 2011 | 14,967 | 2,668 | 1,661 | 0 | 4,156 | 202 | (259,170) | (235,516) | 311,077 | 75,561 |

# Group Accounts

## Group Comprehensive Income and Expenditure Statement

| 2009/10 Gross Expenditure £000 | 2009/10 Gross Income £000 | 2009/10 Net Expenditure £000 | Service | 2010/11 Gross Expenditure £000 | 2010/11 Gross Income £000 | 2010/11 Net Expenditure £000 |
|---|---|---|---|---|---|---|
| 5,558 | 2,120 | 3,438 | Central Services | 16,316 | 1,551 | 14,765 |
| 16,084 | 2,677 | 13,407 | Cultural and Related Services | 18,093 | 2,859 | 15,234 |
| 102,964 | 7,426 | 95,538 | Educational Services | 114,609 | 7,995 | 106,614 |
| 16,891 | 6,089 | 10,802 | Environmental Services | 16,054 | 5,181 | 10,873 |
| 80,661 | 76,305 | 4,356 | Housing Services | 84,621 | 79,586 | 5,035 |
| 5,261 | 5,750 | (489) | Planning and Development Services | 6,071 | 5,933 | 138 |
| 17,112 | 9,215 | 7,897 | Roads and Transport Services | 17,952 | 9,644 | 8,308 |
| 28,382 | 14,443 | 13,939 | Police Services | 23,432 | 12,101 | 11,331 |
| 10,326 | 0 | 10,326 | Fire Services | 8,233 | 0 | 8,233 |
| 75,684 | 13,515 | 62,169 | Social Work Services | 78,401 | 14,783 | 63,618 |
| 3,561 | 66 | 3,495 | Corporate and Democratic Core | 3,535 | 57 | 3,478 |
| 5,135 | 0 | 5,135 | Non distributed costs | (50,315) | 0 | (50,315) |
| 53,395 | 43,195 | 10,200 | Associates Accounted for on an Equity Basis | 69,188 | 90,824 | (21,636) |
| 421,014 | 180,801 | 240,213 | Net Cost of Service | 406,190 | 230,514 | 175,676 |
| | | (12) | (Gain) / loss on Disposal of Fixed Assets | | | 351 |
| | | | Other Operating | | 176, | |
| | | | Council Tax | | (38,4 | |
| | | | Non-Domestic Ra | | (36,3 | |
| | | | Revenue Support ( | | (170,7 | |
| | | | Recognised Capitations & Donations) | | (7,8 | |
| | | | Taxation and No | | (253,3 | |

# Group Accounts

## Group Comprehensive Income and Expenditure Statement

| 2009/10 Gross Expenditure £000 | 2009/10 Gross Income £000 | 2009/10 Net Expenditure £000 | | 2010/11 Gross Expenditure £000 | 2010/11 Gross Income £000 | 2010/11 Net Expenditure £000 |
|---|---|---|---|---|---|---|
| | | (164) | Interest Earned | | | (116) |
| | | 15,282 | External Interest Payable and similar charges | | | 17,923 |
| | | 746 | (Gain) / loss early settlement of borrowing | | | 806 |
| | | (2,262) | Surpluses on Trading Undertakings not included in net cost of services | | | (2,977) |
| | | 4,498 | Pension Interest Cost and Expected return on Pension Assets | | | 873 |
| | | 18,100 | Finance and Investment Income and Expenditure | | | 16,509 |
| | | 11,537 | (Surplus)/Deficit on the Provision of Services | | | (60,832) |
| | | (38,022) | (Surplus) / Deficit arising on the revaluation of property, plant & equipment | | | (15,395) |
| | | (899) | (surplus)/ deficit on revaluation of available for sale assets | | | (806) |
| | | 131,233 | Actuarial (gains) / losses on pension fund assets and liabilities | | | (53,378) |
| | | 101,350 | Share of other Comprehensive Expenditure and Income of Associates | | | (20,504) |
| | | 193,662 | Other Comprehensive Income and Expenditure | | | (90,083) |
| | | 205,199 | Total Comprehensive (Income) and Expenditure | | | (150,915) |

Group Balance Sheet

| 2008/09 | 2009/10 | | 2010/11 |
|---|---|---|---|
| £000 | £000 | | £000 |
| 588,881 | 714,945 | Property, Plant and Equipment | 738,288 |
| 153 | 100 | Intangible Assets | 94 |
| 9,800 | 10,302 | Investments in Associates | 10,349 |
| 412 | 331 | Long Term Debtors | 270 |
| 599,246 | 725,678 | Total Long Term Assets | 749,001 |
| 852 | 850 | Inventories | 954 |
| 1,970 | 1,770 | Asset Held for Sale | 2,093 |
| 26,801 | 30,965 | Short Term Debtors | 27,224 |
| 26,221 | 4,764 | Cash and Cash Equivalents | 12,930 |
| 55,844 | 38,349 | Current Assets | 43,201 |
| (3,551) | (3,500) | Provisions | (4,648) |
| (45,695) | (35,925) | Short Term Creditors | (42,515) |
| (25,485) | (23,826) | Short Term Borrowing | (4,003) |
| (74,731) | (63,251) | Current Liabilities | (51,166) |
| 580,359 | 700,776 | Total Assets less Current Liabilities | 741,036 |
| (193,757) | (311,612) | Liabilities in Associates | (269,519) |
| (193,810) | (280,889) | Long Term Borrowing | (314,510) |
| (49,322) | (182,165) | Net Pensions Liability | (80,842) |
| (263) | (1,464) | Capital Grants Receipts in Advance (conditions) | (604) |
| (437,152) | (776,130) | Long Term Liabilities | (665,475) |
| 143,207 | (75,354) | Total Assets Less Liabilities | 75,561 |
| | | Represented by: | |
| (161,998) | (279,129) | Usable Reserves | (235,516) |
| 305,205 | 203,775 | Unusable Reserves | 311,077 |
| 143,207 | (75,354) | Total Reserves | 75,561 |

Joyce White FCMA Chartered FCIPD
Executive Director of Corporate Services
West Dunbartonshire Council
30 September 2011

# Group Accounts

Group Cashflow Statement

There is no impact of the incorporation of the associates within the group cash flow statement, therefore, no cash flow statement is noted within the Group Accounts. The cash flow of the group is equal to the cash flow of the Council, as shown on page 16.

# Group Accounts

## Notes to the Group Accounts

### Note 1 - Details of combining entities

The notes required for the Financial Statements of West Dunbartonshire Council are disclosed separately in the preceding pages.

For all combining entries, except Dunbartonshire and Argyll and Bute Valuation Joint Board the Council has concluded that, although the Council holds less that 20% voting rights, it has a significant influence on the bodies. The Boards have voting allocations over 11 other local councils, with no one Council holding majority shares, which ensures that all 12 councils can influence decisions.The following notes provide material additional amounts and details in relation to the other combining entities.

Strathclyde Police Joint Board is the statutory body established under the Strathclyde Combined Police Area Amalgamation Scheme Order 1995 and provides a vast range of policing services on behalf of the 12 local authorities in the West of Scotland. In 2010/11, the Council contributed (net of specific grant) £11.645m (2009/10 £13.739m) or 5.14% (2009/10 5.14%) of the Board's estimated running costs and its share of the year end net liability of £209.943m (2009/10 £232.787m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU.

Strathclyde Fire and Rescue Joint Board is the statutory body responsible for overseeing the activities of Strathclyde Fire and Rescue, which provides fire and emergency cover on behalf of the 12 local authorities in the West of Scotland. In 2010/11, the Council contributed £8.244m (2009/10 £10.326m) or 6.53% (2009/10 6.53%) of the Board's estimated running costs and its share of the year end net liability of £59.492m (2009/10 £69.179m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to Strathclyde Fire and Rescue Joint Board, Bothwell Road, Hamilton, ML03 0EA.

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy on behalf of the 12 local authorities in the West of Scotland. In 2010/11, the Council contributed £1.689m (2009/10 £1.689m) or 4.41% (2008/09 4.41%) of the Board's estimated running costs and its share of the year end net asset of £7.170m (2009/10 £7.079m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, Consort House, West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board oversees the operation of the concessionary fares scheme for public transport on behalf of the 12 local authorities in the West of Scotland. The costs of the scheme are funded through requisitions from the 12 councils and by the Scottish Executive via a 'section 70' grant. In 2010/11, the Council contributed £0.106m (2009/10 £0.106m) 4.19% (2009/10 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.101m (2009/10 £0.172m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, Consort House, West George Street, Glasgow G2 1HN.

## Notes to the Group Accounts

### Note 1 - Details of combining entities

Dunbartonshire and Argyll and Bute Valuation Joint Board was formed in 1996 at local government re-organisation by an Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of West Dunbartonshire, East Dunbartonshire and Argyll and Bute. The Boards running costs are met by the three authorities, with surpluses and deficits on the Boards operations also shared between the councils. In 2010/11, the Council contributed £0.762m (2009/10 £0.762m) or 27.04%(2009/10 27.04%) of the Board's estimated running costs and its share of the year end net liability of £0.084m (2009/10 £0.895m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, Garshake Road, Dumbarton G82 3PU.

The Council's share of its associates are as follows:

| | Strathclyde Joint Police Board £000 | Strathclyde Fire and Rescue Joint Board £000 | Strathclyde Partnership for Transport £000 | Strathclyde Concessionary Travel Scheme Joint Board £000 | Dunbartonshires and Argyll and Bute Valuation Joint Board £000 | Total Associates £000 |
|---|---|---|---|---|---|---|
| 2010/11 | | | | | | |
| Surplus/ (Deficit) on Operating Activities | (15,187) | (5,632) | (554) | 75 | (308) | (21,606) |
| Non Current Assets | 7,928 | 13,308 | 6,985 | 0 | 218 | 28,439 |
| Current Assets | 5,373 | 2,755 | 1,976 | 190 | 191 | 10,485 |
| Non Current Liabilities | (219,961) | (74,044) | (399) | 0 | (330) | (294,734) |
| Current Liabilities | (3,282) | (1,508) | (1,395) | (89) | (165) | (6,439) |
| 2009/10 | | | | | | |
| Surplus/ (Deficit) on Operating Activities | 8,842 | 2,805 | (1,600) | 100 | 50 | 10,197 |
| Non Current Assets | 7,984 | 12,722 | 8,429 | 0 | 211 | 29,346 |
| Current Assets | 5,466 | 2,442 | 2,522 | 265 | 128 | 10,823 |
| Non Current Liabilities | (248,899) | (86,759) | (1,898) | 0 | (1,107) | (338,663) |
| Current Liabilities | (2,627) | (1,047) | (1,974) | (88) | (128) | (5,864) |

## Note 1 - Details of combining entities

Dumbarton Common Good and Trust Funds are held in Trust by West Dunbartonshire Council. Although the Council does not contribute to these funds financially, they have been included within the Council's Group through materiality by nature. Net income in 2010/11 was £0.027m (2009/10 £0.003m) for the Common Good and net increase in funds of £0.002m (2009/10 £0.004m surplus) for the Trust Funds. Copies of the accounts may be obtained from West Dunbartonshire Council, Garshake Road, Dumbarton G82 3PU.

## Note 2 – Non-Material Interest in Other Entities

The Council has an interest in a number of other organisations. The Council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the Council. Accordingly, the Group Accounts do not include these organisations. Under Accounting Regulations, the Council is required to disclose the business nature of each organisation.

Scotland Excel is a joint committee established through Section 57 of the Local Government (Scotland) Act 1973. The main purpose of the committee includes co-ordination of collaborative buying initiatives, representation of interests in public sector contracts, and the development and operation of a centre of procurement expertise for Local Government in Scotland.

Clydebank Municipal Bank is a company limited by shares set up based upon the Companies Act 1908 and 1913. It acts as banker for a number of private individuals/organisations. The Council provides services to the bank and funds any annual losses incurred. The bank's year end is 5 April.

## Note 3 – Financial Impact of Consolidation

The effect of inclusion of the entities on the Group Balance Sheet is to decrease reserves and net assets by £259.170m (2009/10 £301.310m) respectively representing the Council's share of the realisable surpluses/deficits in these organisations. This leaves the group account with an overall net asset of £75.561m (2009/10 net liability of £75.745m).

Note 4 – Analysis of Material Amounts in Income and Expenditure Account

The following table provides an analysis of the Council's share of the material amounts as a result of the inclusion of the associates.

Contribution to Group Income and Expenditure Reserve:

| 2009/10 £000 | | 2010/11 £000 |
|---|---|---|
| (232,787) | Police Joint Board | (209,943) |
| (69,179) | Fire Joint Board | (59,492) |
| 7,079 | Passenger Transport Authority | 7,170 |
| 172 | Concessionary Travel Board | 101 |
| (895) | Valuation Joint Board | (84) |
| 3,051 | Common Good and Trust Funds | 3,078 |
| (292,559) | Total | (259,170) |

# Glossary of Terms

While much of the terminology used in this report is self explanatory, the following additional definitions and interpretation of the terms used are provided for assistance. The Glossary of Terms does not comprise part of the audited financial statements.

1. Employee Costs

   This includes salaries, wages, overtime, bonus, enhancements, pensions, employer's national insurance, travelling and subsistence expenses and other staff allowances.

2. Property Costs

   This includes rent and rates, property insurance, repair and maintenance of property, upkeep of grounds, heating and lighting, furnishings and fittings.

3. Supplies and Services

   This includes food, materials, books, uniforms and protective clothing, the purchase and maintenance of equipment and tools and various services carried out by external contractors.

4. Transport and Plant Costs

   This includes the costs of operating vehicles and plant such as fuel, repairs and maintenance, tyres, licences, insurance and procurement of transport for school children.

5. Administration Costs

   This includes printing and stationery, advertising, postages, telephone costs and central support services allocations for administration.

6. Payments to Other Bodies

   This includes grants to individuals and organisations, bursaries and payments to other local authorities, health boards, organisations and agencies providing services complementing or supplementing the Council's work.

7. Other Expenditure

   This heading covers items of expenditure which cannot be accommodated in any of the above categories.

8. Loan Charges

This represents the annual costs of financing the sums borrowed by the Council to finance its capital repayment of loans, finance leasing charges, interest charges and debt management expenses.

9. Specific Government Grants

This includes grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred e.g. National Priority Action Fund, Benefits Administration.

10. General Income

This includes the charges to persons and bodies for the direct use of the Council's services.

11. Capital Expenditure

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, finance leases, or utilising the income from the sale of existing assets.

12. Capital Financed from Current Revenue

This is expenditure incurred in creating, acquiring or improving assets where that expenditure is charged directly to the revenue account.

13. Deferred Asset

The deferred asset represents the net value of the premium paid/discounts received by the Council on the early repayment of external long term loans.

14. Useable Capital Receipts Reserve

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

15. Pension Interest Cost

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

16. Expected Return of Pension Assets

The average rate of return expected over the remaining life of the related obligation on the actual assets held.

17. CIPFA

Chartered Institute of Public Finance and Accountancy

18. LASAAC

Local Authority (Scotland) Accounts Advisory Committee

19. Budget

The original revenue budget as set by Members at an appropriate Council meeting.

20. Precepts

Annual payments made to other government bodies for public services given in the local area (e.g. Police, Fire, Transport).

21. Intangible Assets

Expenditure on assets such as software licences that do not have physical substance but are identifiable and controlled by the Council.

22. Corporate and Demographic Core

This includes costs relating to policy making and other councillor based activities. Also includes costs relating to the general running of the Council.

23. Non Distributing Costs

These costs represent costs which cannot be easily allocated to services and under Best Value Accounting Code of Practice are excluded from total cost relating to service activity.

24. Revaluation Reserve

This fund is a store of gains on the revaluations of fixed assets. It is a reserve held for technical accounting purposes and is not available for distribution.



25. Capital Adjustment Account

This fund is a store of capital resources set aside to meet past expenditure. It is an account held for technical accounting purposes and is not available for distribution.

26. Financial Instrument Adjustment Account

This account is used to balance for differences in statutory requirements and proper accounting practices for borrowing and lending. It is an account held for technical accounting purposes and is not available for distribution.

29. Associate Body

An entity other than a subsidiary or a joint venture in which the Council has an interest and over whose operating and financial policies the Council is able to exercise significant influence.

30. Entity

A body that is delivering a service or carrying on a business. It should have a separate legal personality and is legally obliged to prepare its own financial statements.

31. Statutory Additions

Additional charges levied for late payment of Council Tax and Non Domestic rates.

32. Capital Items Replacement Fund

Reserve earmarked for specific purposes within Education.

33. Available for Sale Reserve

Assets that have a quoted market price and/or do not have fixed or determinable payments.

34. Current Service Costs (Pension)

This relates to the real cost of benefit entitlement earned by employees.

## Glossary of Terms

35. Past Service Costs/Gains (Pension)

This relates to posts/gains from years prior to the current year and arise from decisions made in year. In 2010/11 this relates to the capitalised cost of early retirals on efficiency grounds.

36. Curtailments (Pension)

Used to reduce the number of expected years of future service for employees. In 2010/11 this relates to the capitalised cost of early retirals on efficiency grounds.

37. Interest Cost (Pensions)

The amount needed to unwind the discount applied in calculating current service cost.

38. Expected Return on Assets (Pensions)

A measure of the return on the investment assets held by the scheme for the year.

39. Public Private Partnership (PPP)

A contract between the Council and a private organisation for the provision of new Educational buildings maintenance and related facilities.

40. Available for Sale Assets

These assets are in relation to Financial Instruments and include:
- Equity investments
- Other investments traded in an active market

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

We certify that we have audited the financial statements of West Dunbartonshire 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 group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves 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 Account, the Non-domestic Rate Account, the Common Good and Sundry Trust Funds, 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 members of West Dunbartonshire Council and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than West Dunbartonshire Council and the Accounts Commission for Scotland, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Executive Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities set out on page 7, the Executive Director of Corporate Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

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

## Opinion on other prescribed matters

In our opinion:

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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- The Statement on the System on the System of Internal Financial Control does not comply with the 2010/11 Code.

Grant Macrae (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow G2 2LJ