

**NORTH AYRSHIRE COUNCIL**

**ANNUAL ACCOUNTS 2008/2009**



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**Councillor David O'Neill**

**Leader – North Ayrshire Council**

Once again it gives me satisfaction in providing the foreword to the Council's Accounts, this time for the year to 31 March 2009. The financial year just finished proved to be a particularly challenging one with the economic downturn biting and ultimately leading to a period of recession. During the year, not only did the Council have to address the implications arising from a substantial fall in income, it required to develop a state of readiness to target resources towards new pressures faced by our community affected by the economic downturn. In addition, capital receipts, essential in the financing of our capital projects, dried up almost completely and early action was taken to re-phase our capital programme until the situation improves. The economic downturn is not peculiar to the U.K. and the community worldwide were affected by the situation. In particular the banking system in Iceland went into meltdown and the Council's deposits of £15m in Icelandic Banks remain to be repaid. Every effort is being made by the vast number of U.K. local authorities with deposits in Icelandic Banks to recover their money. There is confidence that the recovery process will yield positive results.

We enter 2009/10 with a sound financial base with reasonable balances on both our general services and housing revenue accounts. A platform of stability is essential in the current economic environment given the range of issues facing the Council. The Council maintains effective financial stewardship in its management of its financial affairs and engaged positively and productively with our various scrutineers in the process.

Despite the economic downturn the Council achieved most of their strategic objectives in 2008/09 and the following are worth highlighting:-

- Our key front line services ably supported by the back office functions continued to be managed efficiently and effectively within the resources provided,
- Although spending on the general services capital programme was reduced materially in 2008/09, significant resources were still spent on key priority projects bringing benefits to our community,

- No reduction was made to the Housing capital programme thereby enabling major resources to be spent on improving our housing stock,
- Our trading activities continued to make positive contributions both financially and operationally,
- Our governance framework was strengthened by the work of the various Council committees,
- The efficiency agenda continued to play a major role in generating economies, necessary for investment in front line activities,
- A range of staffing issues were reviewed and implemented during the year.

Looking forward, I sense a spirit of co-operation between the various political parties that commenced during 2008/09 and this augurs well for the future. Key initiatives for the benefit of the people of North Ayrshire require the input from all political persuasions and the progress in the development of leisure facilities is cited as an example of constructive joint working.

Finally, we leave 2008/09 on a sound footing but there are many challenges on the horizon. Progress in dealing with these can only be achieved with the commitment and dedication of staff and the direction and support from members. This was apparent in 2008/09 and I look forward to a similar situation in the future. To those individuals committed to the continued improvement of our services I would formally record my thanks.

A handwritten signature in black ink that reads "David O'Neill".

David O'Neill  
Leader – North Ayrshire Council  
28 September 2009.

## SECTION 2: EXPLANATORY FOREWORD BY ASSISTANT CHIEF EXECUTIVE (FINANCE)



The purpose of these Accounts is to assist in demonstrating the Council's stewardship of the public funds with which it is entrusted. This foreword provides a brief summary of the financial position of the Council at 31 March 2009 with a more detailed analysis on the pages that follow.

The Accounts have been prepared in accordance with the Codes of Practice on Local Authority Accounting and Best Value Accounting, which have been approved by the Chartered Institute of Public Finance and Accountancy and endorsed by LASAAC (Local Authority (Scotland) Accounts Advisory Committee).

The Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

The Council has an interest in various organisations that do not form part of the main Accounts. On pages 43 to 52 we have produced group financial accounts to incorporate the most significant of these organisations.

The Council's finances are split into two main areas – the General Fund (which incorporates the main areas of service provision - Education, Social Services, Property Services etc.) and the Housing Revenue Account (which deals with the management of the Council's housing stock). General Fund services are financed by Government grant and local taxation i.e. Non Domestic Rates and Council Tax (although Non Domestic Rates are distributed to Local Authorities by Central Government from a Scottish wide "pool") whilst the Housing Revenue Account is financed mainly by rents from houses.

The Income and Expenditure Account on page 11 and Statement of Movement on the General Fund Balance on page 12 summarise the revenue expenditure and income for all Council services for the year, whilst the balance sheet on page 13 presents the assets and liabilities of the Council at 31 March 2009.

The Statement of Recommended Practice now requires disclosures in respect of financial instruments and movements on reserves. These can be found at notes 16 and 24.

### General Fund

The year to 31 March 2009 was particularly challenging as a result of the economic downturn that began during the year. In particular, the Council faced a potentially serious financial predicament as Icelandic Banks were unable to meet commitments in respect of funds deposited (the Council had £15m deposited), and with reductions in capital receipts as developers withdrew interest from sites available for house building. At this time, it is anticipated that a substantial element of the deposits in Icelandic Banks will be returned and this is covered more fully in note number 16 on page 24. The accounts to 31 March 2009 reflect an allowance for loss of interest only in respect of these deposits. Regulations provide that any possible loss of capital should be reflected in future years. In the case of capital receipts, the Council took early action to prioritise projects and to defer much of its capital programme into future years, with the proviso that should the market for development sites improve, projects can quickly be brought forward within the overall programme.

In the year to 31 March 2009, the Council returned a surplus of £4.220m against a budgeted deficit of £0.319m resulting in an underspend of £4.539m. This underspend was achieved despite increased service pressures and the main reasons were savings arising from budgets set aside for job evaluation appeals that have not yet been heard (£0.619m), a surplus within the building services trading operation (£2.257m), savings from the restructure of loans with the PWLB (£0.690m) and improved collection of local taxes (£0.208m). In addition, efficiency savings identified as part of the 2008/09 budget were achieved.

This surplus of £4.220m when added to the favourable balance brought forward from the previous years gives a cumulative surplus of £14.374m. From this balance the Council has agreed to transfer £3m to the Capital Fund (to assist in the funding for the replacement and refurbishment of leisure facilities) and £1.9m to the Housing Revenue Account as a result of a surplus on the Building Services Trading Operation. This leaves a surplus of £9.474m to be carried forward into 2009/10. The Council has a strategy for reserves and balances that indicates an acceptable level of balance being 3% of net annual budget. The balance of £9.474m equates to 2.75% and the Council has agreed to review the adequacy of this balance as part of its budget strategy for 2010/11.

## SECTION 2: EXPLANATORY FOREWORD BY ASSISTANT CHIEF EXECUTIVE (FINANCE)

In addition to this balance the Council has further sums earmarked for specific purposes and these are detailed on the following page in the section "Overall Council Reserves".

The single status agreement included a review of the pay and grading structure for employees. New pay and grades have been applied from 28 July 2007. Revised conditions of service for employees took effect from 2 April 2008. Claims are still outstanding from certain employees, however, in respect of equal pay and further provision has been made to meet potential liabilities that may arise. At 31 March 2009, provision has now been made for £5.015m in this respect.

The General Fund position can be summarised as follows –

<u>GENERAL FUND SUMMARY</u>	<u>£m</u>	<u>Surplus / (Deficit) £m</u>
<b><u>Funds not earmarked -</u></b>		
Variances from budget 2008/09 -		
Services		0.572
Trading Operations		2.257
Borrowing costs		1.526
Improved local tax collection		0.184
		<b>4.539</b>
Less: Expenditure funded from balance		0.319
<b>Surplus for year 2008/09</b>		<b>4.220</b>
Surplus brought forward from 2007/08		10.154
		<b>14.374</b>
Less:		
Transfer to Capital Fund	3.000	
Transfer to Housing Revenue Account	1.900	4.900
<b>Surplus carried forward to 2009/10</b>		<b>9.474</b>
<b><u>Earmarked funds -</u></b>		
Education – Devolved School budgets	0.482	
Education – Capital items replacement fund	1.140	
Affordable Housing Strategy	2.985	
Grants carried forward	2.028	6.635
		<b>16.109</b>
<b>Balance on General Fund at 31 March 2009</b>		<b>16.109</b>

### Housing Revenue Account (H.R.A.)

In 2008/09, the balance on the Housing Revenue Account decreased by £0.192m including the refund of £1.9m from the Building Services Trading Operation. Incorporating the balance brought forward from 2007/08 produced a final balance of £1.731m at 31 March 2009. This balance has been incorporated into the current business plan to meet the Scottish Housing Quality Standard. The Council has already agreed to carry out a full stock condition survey on all of the houses within the H.R.A. and this will commence in 2009/10. The business plan for the H.R.A. will be fully reviewed on completion of this exercise.

### Capital Account

Capital expenditure in 2008/09 was restricted, following the economic downturn mentioned earlier, and amounted to £44.464m and details can be found on page 19.

The capital expenditure was funded by assets sales of £5.187m, grants of £7.665m, contributions from revenue of £6.422m and borrowing of £25.161m. A contribution of £0.028m was made from the capital fund.

### Statutory Trading Operations

At 31 March 2009, Building Services remains the only statutory trading operation for the Council. In 2008/09 a surplus of £2.591m was achieved (i.e. £2.257m in excess of its budgeted surplus).

As stated above, £1.9m was refunded from the Building Services surplus to the Housing Revenue Account. The Code of Practice provides that, where a Trading Operation produces substantial surpluses, these may be partially refunded to client departments. The Housing Revenue Account is the major client of Building Services.

### Retirement Benefits

The Council is required to account in full for any pension asset or liability in its balance sheet. The position at 31 March 2009 indicates a liability of £46.955m but it is important that this liability is put in context. It is based on a

## SECTION 2: EXPLANATORY FOREWORD BY ASSISTANT CHIEF EXECUTIVE (FINANCE)

snapshot valuation at 31 March 2009, and is a result of prevailing market conditions at that date which fell dramatically as a result of the economic downturn. Triennial valuations of the Fund are carried out with the last valuation taking place at 31 March 2008. Terms and conditions attached to the Local Government Superannuation scheme have also been reviewed with changes coming into effect from 1 April 2009. Details can be found on the website for the Strathclyde Pension Fund at [www.spfo.org.uk](http://www.spfo.org.uk).

### Overall Council Reserves

<u>Reserve</u>	<u>Opening</u>	<u>Movement</u>	<u>Closing</u>
	<u>balance</u>	<u>in year</u>	<u>balance</u>
	(Surplus) / Deficit		
	£m	£m	£m
General Fund –			
Not earmarked	(10.154)	0.680	(9.474)
Earmarked – Educational Services	(1.772)	0.150	(1.622)
– Affordable Housing	(2.310)	(0.675)	(2.985)
– Grants carried fwd	(2.641)	0.613	(2.028)
	<b>(16.877)</b>	<b>0.768</b>	<b>(16.109)</b>
Housing Revenue Account	(1.923)	0.192	(1.731)
Repairs and Renewals Fund	(3.208)	0.011	(3.197)
Insurance Fund	(3.252)	0.069	(3.183)
Capital Fund	(6.491)	(2.830)	(9.321)
<b>Total</b>	<b>(31.751)</b>	<b>(1.790)</b>	<b>(33.541)</b>

### Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. Details of the associated entities that have been incorporated into the Group financial statements can be found on pages 43 to 52.

### Common Good Funds

Common Goods funds held by local authorities for the general benefit of its communities. Some were established by Royal Charter, others were created by the local authorities themselves. The funds are used to provide general benefit to a community as a whole. In North Ayrshire, six funds exist for the

former burgh areas of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston. In December 2007, new guidance was published by LASAAC on the accounting treatment for these funds. The guidance will be phased in over the next 3 years. The Council has complied with the current requirements of this guidance. Details of income and expenditure accounts and balance sheets can be found on page 36 of these accounts. These funds are subject to similar accounting policies and procedures that are applied to the Council's main accounts. In 2008/09, the opportunity has been taken to review certain balances with, for example, "moveable" assets being removed from balance sheets where these no longer appear to exist. The Council will consider Common Good ownership of any moveable asset when requested.

### Conclusions

The year 2008/09 has been difficult as a result of the economic recession mentioned earlier. The loss of capital receipts coupled with the difficulties relating to deposits in Icelandic Banks have created an uncertainty that has real issues for future budgets. In addition, expenditure pressures continue to be identified and these will have to be addressed if the Council is to maintain its financial stability particularly at a time when the Scottish Government has indicated no increase in support, in real terms, for the foreseeable future.

### Acknowledgements

Finally, I would like to record my thanks to all staff within Finance who have contributed in a positive and professional manner to the well-being of the Council, and express my gratitude to the Chief Executive and other fellow officers for their support and co-operation during the year.



Alasdair J. Herbert, FCCA,  
Assistant Chief Executive (Finance),  
28 September 2009.

## SECTION 3: STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### Responsibilities of the Authority

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Chief Executive (Finance);
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### Responsibilities of the Assistant Chief Executive (Finance)

The Assistant Chief Executive (Finance) is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year.

In preparing this statement of accounts, the Assistant Chief Executive (Finance) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Assistant Chief Executive (Finance) has also:

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

## SECTION 4: STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for North Ayrshire Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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:

- Financial regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports that indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines; and
- As appropriate, formal project management disciplines.

The Assistant Chief Executive (Finance) has overall responsibility for Internal Audit in North Ayrshire Council. The Chief Internal Auditor is responsible for the day-to-day management of the section, and reports directly to the Assistant Chief Executive (Finance), with the right of access to the Chief Executive and Chair of the Scrutiny Committee on any matter. In accordance with the principles of the code of corporate governance adopted by the Council on 19 March 2002, regular reports are made to the Council's Scrutiny Committee.

As detailed in the Terms of Reference for Internal Audit that have been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of

internal control. The service operates in accordance with relevant professional audit standards and the CIPFA Code of Practice for Internal Audit in Local Government. The Chief Internal Auditor prepares an Annual Report containing a view on the adequacy and effectiveness of the system of internal control.

My review of the system of internal financial control is informed by:

- The work of managers within the Council;
- The work of the Internal Audit function as described above; and
- The external auditors in their annual audit letter and other reports.

I am satisfied that North Ayrshire Council has in place a sound system of internal financial control with no identified material weaknesses. I am also satisfied that an appropriate mechanism is in place to identify any areas of weakness and to take corrective action.

As regards the entities incorporated into the Group Accounts, I am not aware of any weaknesses within their internal control systems and have placed reliance on the individual Statements of Internal Financial Control where appropriate.



Alasdair J. Herbert, FCCA,  
Assistant Chief Executive (Finance),  
28 September 2009

## SECTION 5: STATEMENT OF ACCOUNTING POLICIES

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice' and the 'Best Value Accounting Code of Practice' developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). Section 12 of the Local Government in Scotland Act 2003 sets out the statutory duty for Scottish local authorities to follow proper accounting practices.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **1. Changes in Accounting Practice**

The Council has adopted the amendment to FRS17: Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. This change has no effect on council surpluses. The 2007/08 comparatives have been restated accordingly in the Balance Sheet and the Statement of Recognised Gains and Losses.

### **2. Debtors and Creditors**

#### (a) Revenue Debtors

All known specific and material sums payable to the Council have been brought into account. The Council has made provision, based on past experience, for a loss of income from bad and doubtful debts in respect of non-domestic rates, council tax, housing rents, and other debtors.

#### (b) Revenue Creditors

(i) All salaries and wages earned up to 31 March 2009 are included in the Accounts for 2008/09 irrespective of when actual payments were made.

(ii) Sundry Creditors have been accrued in respect of goods and services received before 31 March 2009, based on invoices received and processed during the first two weeks of April 2009, together with specific accruals in respect of further material items.

#### (c) Capital

Capital transactions have been recorded on an accruals basis. All significant Capital Debtors and Creditors have been brought into account.

#### (d) Revenue Grants

All revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of a local authority or to compensate for loss of income are credited to the revenue account of the financial year to which they relate. Specific government grants are accounted for on an accruals basis when the conditions for receipt have been met.

#### (e) Operational Leases

Rentals payable under operating leases are charged to the revenue account over the term of the lease.

#### (f) Pension Costs

In accordance with FRS17 (Retirement Benefits), the Council has complied fully with the requirement to include the relevant accounting entries within its financial statements. This includes the recognition of the net asset / liability and a pensions reserve on the balance sheet and entries on the Income & Expenditure Account for movements in the asset / liability relating to the Strathclyde Pensions Scheme (with reconciling entries back to contributions payable in the Statement of Movement in the General Fund Balance).

Full disclosure in respect of pensions is contained within notes 10 and 23 to the Accounts on pages 18 and 29 to 31, respectively.

### **3. Allocation of Central Services**

The costs of all central services are fully allocated over users of the service. The method of allocation is determined by the individual support service, and in many instances is time-based. In the case of shared administrative buildings, costs have been allocated on the basis of floor space.

## SECTION 5: STATEMENT OF ACCOUNTING POLICIES

The allocation excludes the costs of the Corporate and Democratic Core (CDC) and Non-Distributed Costs (NDC). CDC includes two categories of expenditure – Democratic Representation and Management and Corporate Management – while NDC includes certain costs in respect of pensions and the costs associated with any unused share of certain assets.

### **4. Loans Fund and Provision for the Redemption of Debt**

The Council maintains a Loans Fund as required by Schedule 3 of the Local Government (Scotland) Act 1975. All loans raised are paid into the fund. Advances are made to Services to finance capital expenditure during the year and the advances are repaid by annuity instalments over the maximum permitted period.

### **5. Valuation of Assets and Investments**

#### (a) Stores and Materials

In general, consumable stock brought into account has been valued at current cost.

#### (b) Investments

Investments are valued at the lower of cost or market value.

#### (c) Work-in-Progress

Work-in-progress has been valued based on the estimated cost of work carried out at 31 March 2009.

### **6. Capital Accounting**

The current system of capital accounting is defined by the 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' (SORP) and has been in place since financial year 1994/95. Fixed assets have now been revalued on the bases and at the dates shown in note 15 to the accounts (see page 21). From 1 April 2005, the Council has introduced a rolling revaluation programme for all assets.

Common Good and Trust Fund assets have been revalued by the Council's Estates Section. From 1 April 2006, and in line with the revised requirements of the SORP, depreciation charges are made to Service Departments and Common Good Funds to reflect ownership of assets.

#### (a) Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Depreciation has been charged on a straight-line basis over the useful life of assets. The periods of depreciation have been included within note 15 to the accounts.

#### (b) Intangible Assets

Expenditure on assets that do not have physical substance, but are identifiable and controlled by the Council, is capitalised when benefits will accrue to the Council for more than one year.

#### (c) Government Grants

Government grants are accounted for on an accruals basis and income has been credited to a government grants deferred account. Amounts are released from the government grants deferred account to offset any provision for depreciation in respect of the assets to which the grant relates. The accounting treatment has been revised by the SORP and the credits have now been posted to the relevant service revenue account and therefore are included in the Net Cost of Services.

#### (d) Capital Receipts

The receipts arising from the disposal of fixed assets have been dealt with on an accruals basis and appear within the Capital Account. In the Housing capital programme, all receipts were used in the financing of new capital expenditure.

## SECTION 5: STATEMENT OF ACCOUNTING POLICIES

### **7. Interest Charges**

The calculation and allocation of Loans Fund Interest and Expenses complies with LASAAC Guidance Note Number 2. Interest and expenses are shown as a separate line below the Net Cost of Services on the Income & Expenditure Account.

### **8. Covenant Charges**

Accounting for Covenant schemes complies with LASAAC Guidance Note Number 1.

### **9. Deferred Charges**

Deferred charges are defined as expenditure that does not result in a tangible asset. They are written off to services in the year in which they are incurred.

### **10. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund; these appropriations are detailed in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. This adjustment is then appropriated back in the Statement of Movement on the General Fund Balance under transfers to/from Reserves.

The Council has now agreed a policy to determine the level of reserves that should be maintained and this will be reviewed at the time of the consideration of the budget for the period 2010/11 to 2012/13.

### **11. VAT**

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

### **12. Charges to Revenue for Fixed Assets**

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

- Depreciation Charges on tangible fixed assets allocated over the useful life of the assets
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required, however, to raise council tax to cover depreciation, impairment losses or amortisations. Depreciation, impairment losses and amortisations are therefore reversed out in the Statement of Movement on the General Fund Balance, by reducing the Capital Adjustment Account for the value of these items. Loan Charges are then reinstated.

### **13. Disposal of Fixed Assets**

Where a gain or loss occurs this has been credited or charged to the Income & Expenditure account below the Net Cost of Services and then reversed out as a reconciling item within the Statement of Movement on the General Fund Balance.

### **14. Premiums and Discounts Associated with Re-financing of Loans**

The Council actively takes advantage of prevailing interest rates in order to re-structure its debt and reduce interest charges to the revenue account. As a result of this strategy, premiums or discounts may be incurred and these are charged or credited to the General Fund in accordance with statutory guidance on Proper Accounting Practices.

## SECTION 6: INCOME AND EXPENDITURE ACCOUNT

2007/08 Net Expenditure £m		2008/09 Gross Expenditure £m	2008/09 Gross Income £m	2008/09 Net Expenditure £m	Note
148.048	Education Services	147.624	8.365	139.259	
3.098	Housing Services	58.261	44.896	13.365	
17.958	Cultural and Related Services	32.535	4.051	28.484	
15.632	Environmental Services	21.141	4.461	16.680	
9.062	Fire Services	9.727	0.042	9.685	
12.591	Roads and Transportation	15.205	2.124	13.081	
0.087	Trading Services	0.117	0.022	0.095	
12.956	Police Services	14.014	0.863	13.151	
3.869	Planning and Development	10.075	6.065	4.010	
65.837	Social Work	87.569	13.563	74.006	
2.906	Central Services to the Public	5.000	1.810	3.190	
4.542	Corporate and Democratic Core	3.992	0.227	3.765	
0.961	Non Distributed Costs	2.082	-	2.082	
0.018	Former Authorities	0.004	0.018	(0.014)	2
<b>297.565</b>	<b>NET COST OF GENERAL FUND SERVICES</b>	<b>407.346</b>	<b>86.507</b>	<b>320.839</b>	
0.022	Housing Revenue Account	38.810	37.845	0.965	
<b>297.587</b>	<b>NET COST OF SERVICES</b>	<b>446.156</b>	<b>124.352</b>	<b>321.804</b>	
0.080	(Gain)/Loss on Disposal of Fixed Assets	0.001	-	0.001	
(0.596)	(Surplus)/Deficit on Trading Operations	-	0.691	(0.691)	8
13.759	Interest Payable and similar charges	12.156	-	12.156	
(1.094)	Interest and Investment Income	-	0.859	(0.859)	
25.290	Interest Cost on pensions	28.466	-	28.466	10
(30.464)	Return on Pension Assets	-	29.804	(29.804)	10
<b>304.562</b>	<b>NET OPERATING EXPENDITURE</b>	<b>486.779</b>	<b>155.706</b>	<b>331.073</b>	
(169.941)	Revenue Support Grant			(206.813)	
(49.362)	Non Domestic Rates			(51.861)	
(55.778)	Council Tax			(56.221)	
(0.182)	Community Charge			(0.117)	
<b>(275.263)</b>	<b>TOTAL INCOME FROM GOVERNMENT GRANTS AND TAXATION</b>			<b>(315.012)</b>	
<b>29.299</b>	<b>INCOME &amp; EXPENDITURE DEFICIT FOR YEAR</b>			<b>16.061</b>	

## SECTION 7: STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

### Statement of Movement on the General Fund Balance

2007/08 £m		2008/09 £m
29.299	(Surplus)/Deficit for the year on the Income & Expenditure Account	16.061
(34.081)	Net additional amount required by statute and non-statutory proper practices to be debited and credited to the General Fund balance for the year	(15.293)
<b>(4.782)</b>	<b>Net General Fund (Surplus)/Deficit for year</b>	<b>0.768</b>
(12.095)	Balance on General Fund brought forward	(16.877)
<b>(16.877)</b>	<b>Balance on General Fund at 31 March carried forward</b>	<b>(16.109)</b>

### Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2007/08 £m		2008/09 £m
	<b>Amounts included in the Income &amp; Expenditure account but required by statute to be excluded when determining the movement on the General Fund balance for the year</b>	
(51.591)	Depreciation and impairment of fixed assets	(43.977)
4.677	Government Grants deferred amortisation	1.963
(0.080)	Net (loss)/gain on sale of fixed assets	(0.001)
(0.359)	Differences between amounts debited/credited to the I&E Account and amounts payable/receivable to be recognised under statutory provisions relating to financial instruments	(0.627)
2.763	Net charges made for retirement benefits in accordance with FRS 17	4.054
	<b>Amounts not included in the Income &amp; Expenditure account but required by statute when determining the movement on the General Fund balance for the year</b>	
10.858	Loans Fund Principal Repayments	11.104
7.989	Capital Expenditure charged to General Fund balance	6.422
2.229	Capital Element of PPP Unitary Charge	4.444
	<b>Transfers ( to)/from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year</b>	
	Transfers to/(from):	
(2.045)	Housing Revenue Account Balance	(0.192)
(0.537)	Repairs & Renewals	(0.011)
(0.697)	Insurance Fund	(0.070)
(7.288)	Capital Fund	1.598
<b>(34.081)</b>	<b>Net Additional Amount required by statute and non-statutory practices to be debited and credited to the General Fund balance for the year</b>	<b>(15.293)</b>

## SECTION 8: BALANCE SHEET

At 31 Mar 2009 (as restated) £m		At 31 Mar 2009 £m	£m	Note
-	<b>INTANGIBLE ASSETS</b>		<b>0.058</b>	<b>14&amp;15</b>
	<b>TANGIBLE FIXED ASSETS</b>			
	Operational Assets:			
384.523	Council Dwellings	408.271		
252.539	Other Land and Buildings	243.422		
8.437	Vehicles, Plant and Equipment	8.015		
37.718	Infrastructure Assets	41.195		
0.147	Community Assets	0.138		
	Non-Operational Assets:			
26.675	Investment Properties	26.414		
21.922	Assets under Construction	28.212		
15.588	Surplus Assets held for disposal	31.770		
<b>747.549</b>	<b>TOTAL TANGIBLE FIXED ASSETS</b>		<b>787.437</b>	<b>14&amp;15</b>
<b>3.600</b>	<b>Long Term Debtors</b>		<b>8.007</b>	<b>17</b>
<b>751.149</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>795.502</b>	
	<b>CURRENT ASSETS</b>			
0.545	Stocks	0.569		
18.957	Debtors	17.054		<b>18</b>
39.331	Short Term Investments	48.754		
6.916	Cash	0.617		
<b>65.749</b>		<b>66.994</b>		
	<b>CURRENT LIABILITIES</b>			
(6.003)	Borrowing repayable on demand or within 12 months	(42.866)		<b>19</b>
(36.066)	Creditors	(33.107)		<b>20</b>
(4.522)	Bank Overdraft	(7.249)		
(46.591)		(83.222)		
<b>19.158</b>	<b>NET CURRENT ASSETS</b>		<b>(16.228)</b>	
<b>770.307</b>	<b>TOTAL ASSETS LESS NET CURRENT LIABILITIES</b>		<b>779.274</b>	
	<b>LONG TERM LIABILITIES</b>			
(208.931)	Borrowing repayable within a period in excess of 12 months	(184.653)		<b>21</b>
(33.648)	Government Grants Deferred Account	(39.765)		
(4.555)	Provision for Liabilities	(5.141)		<b>22</b>
7.257	Asset/(Liability) relating to defined benefit pension scheme	(46.955)		<b>23</b>
<b>530.430</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>502.760</b>	
11.548	Revaluation Reserve	38.680		<b>24</b>
496.447	Capital Adjustment Account	493.530		<b>24</b>
(16.573)	Financial Instruments Adjustment Account	(16.036)		<b>24</b>
7.257	Pensions Reserve	(46.955)		<b>24</b>
12.951	Fund Balances and Reserves	15.701		<b>24</b>
16.877	General Fund	16.109		<b>25</b>
1.923	Housing Revenue Account	1.731		<b>24</b>
<b>530.430</b>	<b>TOTAL NET WORTH</b>		<b>502.760</b>	



Alasdair J. Herbert, FCCA  
Assistant Chief Executive (Finance)

The unaudited accounts were issued on 29 June 2009 and the audited accounts were authorised for issue on 28 September 2009.

## SECTION 9: STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08 £m (as restated)		2008/09 £m	Note
29.299	<b>(Surplus)/Deficit for the year on the Income and Expenditure account</b>	16.061	
(37.017)	Surplus arising from revaluation of fixed assets	(46.029)	
(45.451)	Actuarial (gains)/losses on pension fund assets and liabilities	58.266	23
	Any other (gains) or losses: -		
(0.006)	Other	(0.628)	
<b>(53.175)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>27.670</b>	
	Effect of Prior Year Adjustments:		
1.815	Restatement of value of pension assets	-	
16.767	Write-Off of Premium	-	
(0.776)	Application of 2007-08 premium	-	
0.223	Restatement of Stepped LOBOS	-	
<b>(35.146)</b>	<b>Movement in net worth</b>	<b>27.670</b>	

## SECTION 10: CASH FLOW STATEMENT

2007/08 £m		2008/09 £m	Note	2007/08 £m		2008/09 £m	Note
	<b>REVENUE ACTIVITIES</b>				<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>				<b>Cash Outflows</b>		
187.607	Cash paid to and on behalf of employees	193.968		6.331	Purchase of fixed assets	4.506	
153.664	Other Operating Cash payments	164.355		28.336	Other capital cash payments	26.669	
14.936	Housing benefit paid out	17.041		<b>34.667</b>	<b>TOTAL PAYMENTS</b>	<b>31.175</b>	
	Non Domestic Rates paid to national pool	32.075			<b>Cash Inflows</b>		
31.116				(18.697)	Sale of fixed assets	(6.033)	
25.330	Precepts paid	26.754		(11.181)	Capital grants received	(9.556)	
<b>412.653</b>	<b>TOTAL PAYMENTS</b>	<b>434.193</b>		(1.442)	Other capital cash receipts	-	
	<b>Cash Inflows</b>			<b>(31.320)</b>	<b>TOTAL RECEIPTS</b>	<b>(15.589)</b>	
(13.365)	House Rents (after rebates)	(13.789)			<b>NET CASH (INFLOW) / OUTFLOW FROM CAPITAL ACTIVITIES</b>	<b>15.586</b>	
(56.668)	Council Tax receipts	(56.266)		<b>3.347</b>			
(0.183)	Community Charge	(0.117)			<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>	<b>12.600</b>	
	Non Domestic Rates received from national pool	(50.263)		<b>(0.040)</b>			
(51.315)		(32.249)			<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(30.701)	Non Domestic Rates receipts	(205.995)			<b>Net Increase / (Decrease) in Short Term Deposits</b>	<b>9.011</b>	
(169.940)	Revenue Support Grant	(40.953)		<b>9.616</b>			
(37.307)	DWP Grants for benefits	(20.430)	29		<b>FINANCING</b>		
(39.552)	Other government grants	(18.297)			<b>Cash Outflows</b>		
(16.990)	Cash received for goods and services	(8.979)		10.912	Repayments of amounts borrowed	45.630	
(11.425)	Other operating cash receipts	(447.338)		<b>10.912</b>	<b>TOTAL PAYMENTS</b>	<b>45.630</b>	
<b>(427.446)</b>	<b>TOTAL RECEIPTS</b>				<b>Cash Inflows</b>		
	<b>NET CASH (INFLOW) / OUTFLOW FROM REVENUE ACTIVITIES</b>	<b>(13.145)</b>	30	(18.063)	New Loans raised	(58.215)	
<b>(14.793)</b>				<b>(18.063)</b>	<b>TOTAL RECEIPTS</b>	<b>(58.215)</b>	
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				<b>NET CASH (INFLOW) / OUTFLOW FROM FINANCING</b>	<b>(12.585)</b>	
	<b>Cash Outflows</b>			<b>(7.151)</b>			
15.279	Interest Paid	11.710			<b>(INCREASE) / DECREASE IN CASH</b>	<b>9.026</b>	31
<b>15.279</b>	<b>TOTAL PAYMENTS</b>	<b>11.710</b>		<b>2.425</b>			
	<b>Cash Inflows</b>						
(3.873)	Interest Received	(1.551)					
<b>(3.873)</b>	<b>TOTAL RECEIPTS</b>	<b>(1.551)</b>					
	<b>NET CASH (INFLOW) / OUTFLOW FROM SERVICING OF FINANCE</b>	<b>10.159</b>					
<b>11.406</b>							

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 1: External Audit Fees

Audit Scotland has been appointed to carry out the audit of the Council's accounts for a period of 5 years from April 2006. The fees for audit services undertaken in accordance with the 'Code of Audit Practice' are as follows:

2007/08 £m		2008/09 £m
0.217	External Audit Fee	0.220
0.114	Audit Scotland recharge	0.121
-	Other audit work	0.004
<b>0.331</b>	<b>TOTAL</b>	<b>0.345</b>

### Note 2: Former Authorities

Former Authorities expenditure relates to payments made in respect of liabilities accruing to the former Strathclyde Regional Council.

### Note 3: Local Government (Goods and Services) Act 1970

During 2008/09 there was no income or expenditure with other public bodies under this legislation (2007/08: Nil).

### Note 4: Agency Charges

Agency income from Scottish Water amounted to £0.381m during the year (2007/08 £0.357m).

### Note 5: Members' Allowances

The total allowances paid to members during 2008/09 amounted to £0.575m (2007/08 £0.557m).

### Note 6: Publicity Account

Section 5 of the Local Government Act 1986 requires certain expenditure on publicity to be recorded separately. The actual expenditure on publicity was:

2007/08 £m		2008/09 £m
0.228	General Advertising	0.241
0.323	Recruitment Advertising	0.139
0.223	Marketing and Communications	0.243
<b>0.774</b>	<b>TOTAL</b>	<b>0.623</b>

### Note 7: Officers' Remuneration

Remunerations to officers in excess of £50,000 per annum were made as follows.

2007/08 No. of Officers	Banding	2008/09 No. of Officers
40	£50,000 - £59,999	56
11	£60,000 - £69,999	4
14	£70,000 - £79,999	17
2	£80,000 - £89,999	1
2	£90,000 - £99,999	3
0	£100,000 - £109,999	0
0	£110,000 - £119,999	0
1	£120,000 - £129,999	1

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 8: Significant Trading Operations

The Local Government in Scotland Act 2003 ended the prescriptive competition regime that has been in place since 1980, and which led to the creation of DLOs and DSOs. These organisations had a statutory annual target to break even. Section 10 of the Act introduces a specific performance requirement for trading operations to break even over a three-year rolling period.

The Council has reviewed its criteria for assessing whether or not Trading Accounts are required for its services. One of the tests is based on the level of turnover. The Council has now agreed a policy that the balance on General Reserve should be approximately 3% of its net annual budget. It has now been agreed that this should be the level above which a Statutory Trading Account is required. i.e. a turnover of 3% of net annual budget. On this basis, only Building Services exceed this figure.

The Best Value Code of Practice (BVACOP) indicates that material surpluses or deficits may be returned to the internal client, where a failure to do so would distort the results of that client service. The Council agreed to return £1.9 m of the surplus generated by Building Services to its major client, the Housing Revenue Account.

#### **Building Services**

Year	(Surplus)/ Deficit	Refund of Material Surpluses to clients	Final Total
	£m	£m	£m
2006/07	(2.118)	1.400	<b>(0.718)</b>
2007/08	(1.372)	0.776	<b>(0.596)</b>
2008/09	(2.591)	1.900	<b>(0.691)</b>
3 Year Rolling (Surplus)/Deficit	<b>(6.081)</b>		

Building Services carry out works of repairs and maintenance to buildings owned by the Housing Revenue Account and General Services. These charges cover revenue works for both and capital works for the Housing Revenue Account. Income for the year amounted to £18.025m from the Housing Revenue Account and £2.134m from General services with £0.006m from other sources.

### Note 9: Leasing

Rentals paid under operating leases are charged directly to services.

2007/08 Operating Leases £m	2008/09 Operating Leases £m
1.170	0.976
Annual Rental	

The Council has a commitment to make payments in the forthcoming financial year in respect of outstanding operating leases. These commitments are analysed below by the eventual year in which the lease will expire. All operating leases are in respect of vehicles.

	2008/09 £m
Expiring in 2009/10	0.168
Expiring between 2010/11 and 2013/14	0.013
Expiring in 2014/15 and beyond	-

There are no undischarged commitments in respect of finance leases.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 10: Pension Contributions

As part of the terms and conditions of employment of its officers, the authority offers retirement benefits. Although these are not actually payable until the employee retires, the authority has a commitment that needs to be disclosed at the time that employees earn their future entitlement.

North Ayrshire Council participates in the Local Government (Scotland) Superannuation Scheme, administered by Glasgow City Council through the Strathclyde Pensions Fund. This is for administrative and manual staff and is a funded defined benefits scheme, with both employer and employee making contributions, intended to balance the pension liabilities with investment assets.

Under the 2008 SORP the Council has adopted the amendment to FRS17: Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £418.817m to £417.002m, a decrease of £1.815m, resulting in a decrease to the opening pension asset balance. Current and prior year surplus have been unaffected by this change.

The Council must recognise the cost of retirement benefits in the Net Cost of Services when employees earn them, not when they are eventually paid as pensions. However, the charge made against the council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed back out in the Statement of Movement on the General Fund balance. The following transactions have been made during the year:

2007/08 £m	Local Government (Scotland) Superannuation Scheme	2008/09 £m
	<b>Net Cost of Services</b>	
15.400	Current Service Cost	11.142
0.406	Past Service Cost	0.586
-	Impact of settlements and curtailments	0.625
	<b>Net Operating Expenditure</b>	
25.290	Interest Cost	28.466
(30.464)	Expected return on scheme assets	(29.804)
	<b>Net charge to the Income and Expenditure Account</b>	
2.763	Reversal of net charges made for retirement benefits in accordance with FRS17	4.054
	<b>Actual Amount charged against Council Tax for the year</b>	
(13.395)	Employers contributions paid to the scheme	(15.069)

Note 23 to the Accounts on pages 29 to 31 contains details of the assumptions made in estimating the figures included in this note.

In addition to the recognised gains and losses included in the Income and Expenditure Account, a net actuarial loss of £58.266m (a net gain of £45.475m in 2007/08, as restated) is included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and losses is £16.887m.

The Council also participates in the Teachers' Pension Scheme, administered by the Scottish Government. This is exempt from the requirements of FRS17, as it does not allow the identification of liabilities consistently and reliably between authorities. Contributions by the Council during 2008/09 amounted to £6.965m (2007/08 £6.930m), representing 12.94% (2007/08 12.89%) of pensionable pay. In addition, contributions totalling £0.094m (or 0.17% of total pensionable pay) were made in respect of added years.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 11: Related Party Transactions

During 2008/09 transactions arose with related parties as follows:

2007/08 £m		2008/09 £m
<b>Central Government Revenue Grants</b>		
169.941	Revenue Support Grant	206.813
37.307	Housing Benefit Subsidy	40.945
10.860	Council Tax Benefit Subsidy	10.972
5.376	Fairer North Ayrshire	4.892
10.267	Specific Grants	3.404
1.806	Benefit Admin Subsidy	1.656
0.221	Housing Support Grant	0.358
 <b>Payments to Related Bodies</b>		
13.418	Strathclyde Pension Fund	15.145
12.792	Strathclyde Police Joint Board (Net)	13.135
9.062	Strathclyde Fire & Rescue	9.685
6.930	Scottish Office Pensions Agency	6.965
2.665	Strathclyde Partnership for Transport	5.179
0.798	Ayrshire Valuation Joint Board	0.803
 <b>Central Government Capital Grants</b>		
-	General Capital Grant	7.740
1.743	Private Sector Housing Grant	1.541
0.261	Rent to Mortgage	0.444
-	Historic Scotland	0.288
0.241	Cycling, Walking and Safer Streets	0.241
-	Strathclyde Passenger Transport	0.209
0.228	Sports Scotland	0.200
0.033	Dalry PS – All Weather Pitch	0.093
-	Sustrans	0.067
-	E-Planning	0.034
0.010	Local Air Quality Management	0.033
0.897	Saltcoats FPS	(0.036)

### Note 12: Capital Expenditure and Commitments

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and council taxpayers. It is financed from asset sales and borrowing and therefore the cost of the asset is effectively borne over a period of years. The Council's overall capital investment programme is sub-divided per recommended best practice into two programmes – General Fund and Housing Revenue Account.

At 31 March 2009, commitments under contracts for capital expenditure amounted to £20.053m (2007/08 £11.898m) of which £15.5m (2007/08 £2.003m) related to the Housing Revenue Account and £4.553m (2007/08 £9.895m) related to the General Fund.

Department	General Fund £m	Housing £m
Corporate Services	2.728	
Educational Services	7.162	
Property Services	10.211	
Social Services	2.635	
Housing Revenue Account		21.728
<b>Total Capital Expenditure</b>	<b>22.736</b>	<b>21.728</b>
Financed by:		
Sale of Council Houses	-	4.430
Sale of Assets	0.414	0.343
Grants and Contributions	7.222	0.443
Other Capital Income	-	0.001
CFCR	1.192	5.230
Contribution from Funds	0.028	-
Borrowing	13.880	11.281
<b>Total Capital Income</b>	<b>22.736</b>	<b>21.728</b>

### Note 13: Covenants

The annual repayments made to the finance institutions in respect of Covenant / Parallel Loan schemes amounted to £0.250m (£0.393m in 2007/08). All outstanding debt in respect of covenants has now been extinguished.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 14: Fixed Assets

	Intangible Assets £m	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equipment £m	Infra - Structure Assets £m	Comm Assets £m	Investment Properties £m	Assets under Construction £m	Surplus Assets £m	Total £m
<b><u>Gross Book Value</u></b>										
<b>Balance at 1/4/08</b>	-	396.298	288.411	19.789	47.894	0.169	26.683	21.922	16.147	817.313
Reclassify Assets	0.121	-	(28.437)	(0.121)	-	-	-	-	28.437	-
Additions	0.051	21.620	-	3.809	6.157	-	-	12.827	-	44.464
Disposals	-	(5.719)	(0.711)	-	-	-	(0.261)	-	-	(6.691)
Revaluations and Restatements	-	7.428	22.709	-	-	-	-	(6.537)	(12.034)	11.566
<b>Balance at 31/3/09</b>	<b>0.172</b>	<b>419.627</b>	<b>281.972</b>	<b>23.477</b>	<b>54.051</b>	<b>0.169</b>	<b>26.422</b>	<b>28.212</b>	<b>32.550</b>	<b>866.652</b>
<b><u>Cumulative Depreciation</u></b>										
<b>Balance at 1/4/08</b>	<b>0.084</b>	<b>11.775</b>	<b>35.872</b>	<b>11.268</b>	<b>10.176</b>	<b>0.022</b>	<b>0.008</b>	-	<b>0.559</b>	<b>69.764</b>
Depreciation for Year	0.030	11.356	9.922	4.194	2.680	0.009	-	-	0.219	28.410
Cumulative Depreciation on Disposals/Revaluations	-	(11.775)	(7.244)	-	-	-	-	-	0.002	(19.017)
<b>Balance at 31/3/09</b>	<b>0.010</b>	<b>11.356</b>	<b>38.550</b>	<b>15.566</b>	<b>12.856</b>	<b>0.031</b>	<b>0.008</b>	-	<b>0.780</b>	<b>79.157</b>
<b>Net Book Value 31/3/09</b>	<b>0.058</b>	<b>408.271</b>	<b>243.422</b>	<b>8.015</b>	<b>41.195</b>	<b>0.138</b>	<b>26.414</b>	<b>28.212</b>	<b>31.770</b>	<b>787.495</b>
<b>Number of assets held 2008/09</b>	4	13,426	455	526	192	3	200	-	71	14,877
<b>Number of assets held 2007/08</b>	-	13,589	424	423	174	3	206	-	58	14,877

## SECTION 11: NOTES TO THE ACCOUNTS

### **Note 15: Fixed Asset Valuations**

#### **Intangible Assets**

These assets have been included in the balance sheet at historic cost less depreciation.

#### **Council Dwellings**

Houses and flats have been valued at 31 March 2009 using the EUV-SH (Existing Use Value – Social Housing) method.

#### **Other Land and Buildings**

From 1 April 2005, the Council has introduced a rolling revaluation programme for all assets over a five-year period. The properties have been revalued by officers within the Council's Estates Section who are Fellows of the Royal Institute of Chartered Surveyors.

The following bases have been used:

- (a) Existing use value for non-specialised operational properties;
- (b) Depreciated replacement cost for specialised operational properties;
- (c) Open market value for investment and surplus properties.

#### **Vehicles, Plant and Equipment**

Assets have been included in the balance sheet at current value following revaluation at 1 April 2004.

#### **Infrastructure Assets**

These assets have been included in the balance sheet at historic cost less depreciation.

#### **Assets under Construction**

These assets have been included in the balance sheet at cost.

### **Community Assets**

These assets have been included in the balance sheet at historic cost less depreciation.

#### **Investment Properties and Surplus Assets**

The following bases have been used:

- (a) Open market value;
- (b) In specialised subjects where the rent passing was considered to be significantly below full rental value, properties were valued on a depreciated replacement cost basis.

#### **Depreciation**

Where applicable, assets have been depreciated over the period of their useful lives on a straight-line basis. Depreciation is charged in the year of acquisition. The policy of charging depreciation in the year of disposal has been discontinued unless it is considered material.

#### **The periods of depreciation are as follows:**

Intangible Assets	3 – 6 years	Land and Buildings	1 – 100 years
Plant and Equipment	1 – 18 years	Vehicles	2 – 7 years
Infrastructure Assets	3 – 52 years	Community Assets	20 – 50 years
Investment Properties	Not Depr.	Surplus Assets	15 – 60 years

#### **Information on assets held by the Council**

##### Directorate Ownership

Directorate	2007/08 Number	2008/09 Number
Corporate Services	358	314
Educational Services	254	312
Property Services	14,158	14,119
Social Services	107	132
<b>Total</b>	<b>14,877</b>	<b>14,877</b>

## SECTION 11: NOTES TO THE ACCOUNTS

### **Note 16: Financial Instruments**

#### **a) 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.

	<b>Long Term</b>		<b>Current</b>	
	31/03/09 £m	31/03/08 £m	31/03/09 £m	31/03/08 £m
<b><u>Investments &amp; Lending</u></b>				
Loans and Receivables	-	-	49.371	46.247
Available-for-sale financial assets	-	-	-	-
	-	-	49.371	46.247
<b><u>Borrowing</u></b>				
Financial Liabilities at amortised cost	184.653	208.931	50.115	10.525
Financial Liabilities at fair value through Profit and Loss	-	-	-	-
	184.653	208.931	50.115	10.525

#### **b) Fair Value of Assets & Liabilities carried at Amortised Cost**

The fair value of each class of financial assets and liabilities, which are carried in the balance sheet at amortised cost, is disclosed below.

Methods and Assumptions in valuation technique:

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31 March 2009, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for premature repayments as per rate sheet number 072/09. The fair value of PWLB debt using the rate for new borrowing as per the same sheet is £171.957m.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values for all instruments in the portfolio have been calculated, but only those which are materially different from the carrying value have been disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

## SECTION 11: NOTES TO THE ACCOUNTS

The fair values are calculated as follows:

	31 March 2009		31 March 2008	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
<b><u>Lending</u></b>				
Loans and Receivables	49.371	49.653	46.247	46.231

The fair value is lower than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date.

### **Borrowing**

Financial Liabilities	234.768	286.682	219.457	293.305
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The fair value is more than the carrying amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

### **c) Gains & Losses on Financial Instruments**

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

	Financial Assets		Financial Liabilities	Total
	Loans & Receivables £m	Available-for-sale assets £m	Liabilities Measured at amortised Cost £m	
Interest Income	3.928	-	-	3.928
Gains on de-recognition	-	-	0.389	0.389
Interest and Investment Income	3.928	-	0.389	4.317
Interest Expense	-	-	(12.271)	(12.271)
Losses on de-recognition	-	-	(0.779)	(0.779)
Impairment losses	(1.952)	-	-	(1.952)
Interest payable and similar charges	(1.952)	-	(13.050)	(15.002)
(Gains)/losses on revaluation	-	-	-	-
Amounts recycled to the I&E Account after impairment	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-
Net Gain/(loss) for the year	<b>1.976</b>	-	<b>(12.661)</b>	<b>(10.685)</b>

## SECTION 11: NOTES TO THE ACCOUNTS

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

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

#### Credit Risk

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

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

	Amount at 31.03.09	Historical experience of nonpayment adjusted for market conditions at 31.03.09	Estimated maximum exposure to default and uncollectibility
	£m	%	£m
Deposits with banks, buildings societies and local authorities	34.732	-	-
Customers	2.204	36.6	0.806
			<u>0.806</u>

The Council does not generally allow credit for customers, such that the £2.204 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£m
Less than three months	1.207
Three to six months	0.194
Six months to one year	0.154
More than one year	0.649
	<u>2.204</u>

#### Icelandic Bank Defaults

Early in October 2008, the Icelandic banking system collapsed. The Council had funds deposited in two Icelandic banks as noted below. All monies deposited are currently subject to receivership and administration processes, with the amounts and timings of payments to depositors to be determined by the administrators. The Council has assessed the limited information available, and considers it appropriate to undertake an impairment adjustment for both these deposits.

Bank	Date Invested	Maturity Date	Amount Deposited £m	Interest Rate	Carrying Amount £m	Impairment Charge £m
Landsbanki	24/01/08	14/11/08	5.000	6.10%	4.141	1.518
Glitnir	29/01/08	21/01/09	10.000	5.27%	10.498	0.434
<b>TOTAL</b>			<b>15.000</b>		<b>14.639</b>	<b>1.952</b>

#### Landsbanki

It is estimated that recovery of around 83% could be achieved from this bank. The timescales for recovery are still unknown and we have estimated them as follows:

- 21% in March 2010
- 21% in December 2010
- 21% in December 2011
- 20% in December 2012

## SECTION 11: NOTES TO THE ACCOUNTS

### Glitnir

It is estimated that recovery of 100% could be realised from this bank. The impairment is therefore based purely on the loss of interest from the claim date (22 April 2009) until recovery. It is estimated that payment could be received by 31 March 2010.

### Accounting for the Impairment Charge

In calculating the impairment charge in 2008/09 for these deposits (£1.952m), the assumed future cash flows have been discounted at the effective interest rate of the original deposits. This recognises the anticipated loss of interest to the authority until monies are eventually recovered.

Regulations issued in March 2009 allowed the Council not to charge amounts relating to the impaired deposits to the General Fund in 2008/09. Instead these charges were transferred to the Financial Instrument Adjustments Account. The balance on the FIAA in relation to the impairment must however, be transferred to the General Fund by 31 March 2011 at the latest.

The element of the impairment relating to accrued interest to 31 March 2009 (£1.592m) for these deposits has not been transferred to the FIAA, instead being borne in full by the General Fund in 2008/09. The balance remaining in the FIAA (£0.360m) and any future loss of interest (this continues accruing until the investment is derecognised) will be charged to the General Fund in future years.

It should be noted that the level of impairment will be considerably higher should Council deposits not be granted 'priority' creditor status.

### Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council's policy on the maturity structure of new fixed rate borrowing in 2008/09 was to set gross limits to reduce the Council's exposure to large fixed rate sums falling due for re-financing at times of uncertainty over interest rates. The upper and lower limits set are as follows:

	Upper Limit	Lower Limit
Under 12 Months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	25%

The maturity analysis of financial liabilities is as follows:

<b>On 31 March 2008 £m</b>	<b>Loans Outstanding</b>	<b>On 31 March 2009 £m</b>
147.254	Public Works Loan Board	132.754
60.100	Market Debt	60.100
5.676	Temporary borrowing	32.591
0.099	Local bonds	0.099
0.250	Deferred purchase	-
0.086	Other	0.029
<b>213.465</b>	<b>Total</b>	<b>225.573</b>
5.998	Less than 1 year	42.651
0.080	Between 1 and 2 years	0.065
0.033	Between 2 and 5 years	10.003
7.000	Between 5 and 10 years	7.000
200.354	More than 10 years	165.854
<b>213.465</b>	<b>Total</b>	<b>225.573</b>

The figures above are principal only and exclude interest accrued to 31 March 2009.

In the more than 10 years category there are £24.1m of LOBOs which have a call date in the next 12 months.

## SECTION 11: NOTES TO THE ACCOUNTS

### Market Risk

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

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

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

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 40% 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 daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and 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".

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 2009, with all other variables held constant.

	£m
<b>Impact on tax-payer &amp; rent-payers</b>	
Increase on interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate lending	0.162
Increase in government grant receivable for "loan charges"	-
<b>Net effect on Income &amp; Expenditure Account</b>	<b>0.162</b>
Housing Revenue Account's share	0.041
The impact of a 1% fall in interest rates would be as above but with the movement being reversed	
<b>Other accounting presentational changes (based on new borrowing rates)</b>	
A decrease in the "fair value" of fixed rate lending (No impact on I&E account or STRGL)	0.104
A decrease in the "fair value" of fixed rate borrowing (No impact on I&E account or STRGL)	35.686

### Price Risk

This will only apply where an investment is held as available for sale. The Council currently holds no available for sale investments.

### 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. There is a possibility that any payments in respect of Icelandic Banks may be made in Icelandic Kroner.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 17: Long Term Debtors

Long Term debtors consist of:

2007/08 £m		2008/09 £m
1.005	Western Isles Council (Fair Value £1.393m. Fair Value with 1% increase in Interest rates £1.349m)	1.005
0.169	Advances for House Purchase	0.173
0.197	Car Loans	0.156
2.229	PPP Schools (Capital Element of PPP Unitary Charge.)	6.673
<b>3.600</b>		<b>8.007</b>

It is estimated that at the end of the Schools PPP contract the net depreciated replacement cost of schools returning to the Council will be £133.7m. PPP accounting arrangements require this sum to be recognised in the Council's Balance Sheet over the life of the contract, initially as a Long Term Debtor, with the full value transferring to Fixed Assets at the end of the contract. The value of the Long Term Debtor in this respect is £6.673m at 31 March 2009.

### Note 18: Debtors

2007/08 £m		2008/09 £m
	Local Taxation:	
15.328	Council Tax	15.699
(13.528)	Less – Provision for Bad and Doubtful Debts	(13.944)
<b>1.800</b>		<b>1.755</b>
2.700	Non Domestic Rates	2.102
(1.250)	Less – Provision for Bad and Doubtful Debts	(0.938)
<b>1.450</b>		<b>1.164</b>
<b>3.250</b>	<b>Local Taxation Debtors</b>	<b>2.919</b>
1.275	House Rents	1.199
(0.843)	Less – Provision for Bad and Doubtful Debts	(0.777)
<b>0.432</b>	<b>House Rent Debtors</b>	<b>0.422</b>
<b>5.953</b>	<b>Grant Debtors</b>	<b>1.376</b>
4.757	HMRC - VAT	4.161
0.207	Non Domestic Rates – Pool	1.917
0.515	Capital Debtors	-
0.751	Prepayments	1.590
4.882	Other Debtors	6.256
(1.790)	Less – Provision for Bad and Doubtful Debts	(1.587)
<b>9.322</b>	<b>Other Debtors</b>	<b>12.337</b>
<b>18.957</b>	<b>TOTAL DEBTORS</b>	<b>17.054</b>

The Council has written off all community charge balances together with the associated bad debt provision. However, recovery action will continue in respect of these debts.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 19: Borrowing repayable within 12 months

2007/08 £m		2008/09 £m
	<b>Lender Category</b>	
(4.410)	North Ayrshire Municipal Bank Ltd	(4.589)
-	PWLB	(10.147)
(1.593)	Others	(28.130)
<b>(6.003)</b>		<b>(42.866)</b>

North Ayrshire Municipal Bank is a company limited by guarantee operated by the Council. Any Surplus cash is invested in the Council to maximise income.

### Note 20: Creditors

2007/08 £m		2008/09 £m
(2.416)	Payroll accruals	(3.081)
(16.360)	Trade Creditors	(13.593)
(6.463)	Social Security and Pensions	(6.152)
(2.545)	Payments Received in Advance	(2.082)
(1.271)	Common Good Funds	(1.281)
(0.341)	Trust Funds	(0.341)
(6.670)	Others	(6.577)
<b>(36.066)</b>		<b>(33.107)</b>

### Note 21: Long Term Borrowing

An analysis of long term borrowing by lender category and maturity at 31 March was as follows:

2007/08 £m		2008/09 £m
	<b>Lender Category</b>	
(147.634)	P.W.L.B	(123.084)
(61.185)	Money Market	(61.569)
(0.112)	Others	-
<b>(208.931)</b>		<b>(184.653)</b>
	<b>Maturity of Loans</b>	
(0.079)	Maturity in 1 to 2 years	(0.065)
(0.033)	Maturity within 2 to 5 years	(10.019)
(7.055)	Maturity within 5 to 10 years	(7.054)
(201.764)	Maturity in more than 10 years	(167.515)
<b>(208.931)</b>		<b>(184.653)</b>

The above amounts include accrued interest.

### Note 22: Provision For Liabilities

Represents a provision made for claims that have arisen in respect of equal pay and Single Status.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 23: Pension Assets & Liabilities

In accordance with Financial Reporting Standard 17 (Accounting for Retirement Benefits), the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. The Council participates in two formal schemes, the Local Government Superannuation (Scotland) Scheme, which is administered by Glasgow City Council, and the Teachers' Scheme.

The Council is not required to record information related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on the triennial valuation as at 31 March 2008 and rolled forward to 31 March 2009, by Hymans Robertson, the independent actuaries of the Pension Fund. The main assumptions used in the calculations are shown opposite.

Assumptions	31 March 2009	31 March 2008
<b>Long term expected rate of return on assets in the scheme:</b>		
Equity investments	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	20.3	-
Women	23.2	-
Longevity at 65 for future pensioners:		
Men	21.7	-
Women	24.6	-
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50.0%	25.0%

The Pension Fund's assets consist of the following categories, by proportion of the total assets held:

	31 March 2009	31 March 2008
Equity investments	73%	73%
Bonds	16%	14%
Property	8%	10%
Cash	3%	3%

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 23: Pension Assets & Liabilities (Cont'd)

Assets and Liabilities in relation to retirement benefits.

Reconciliation of present value of the scheme liabilities:

	<b>Funded Liabilities</b>	
	<b>Year to</b>	<b>Year to</b>
	<b>31 March 2009</b>	<b>31 March 2008</b>
	<b>£m</b>	<b>£m</b>
Balance as at 1 April	(409.745)	(463.480)
Current service cost	(11.142)	(15.400)
Interest cost	(28.466)	(25.290)
Contributions by scheme participants	(4.743)	(4.519)
Actuarial gains and losses	60.924	88.852
Benefits paid	17.249	10.498
Past Service Cost	(1.211)	(0.406)
Balance as at 31 March	<b>(377.134)</b>	<b>(409.745)</b>

Reconciliation of fair value of the scheme assets:

	<b>Year to</b>	<b>Year to</b>
	<b>31 March 2009</b>	<b>31 March 2008</b>
	<b>£m</b>	<b>£m</b>
Balance as at 1 April	417.002	422.499
Expected rate of return	29.804	30.464
Actuarial gains and losses	(119.190)	(43.377)
Employers contributions	15.069	13.395
Contributions by scheme participants	4.743	4.519
Benefits paid	(17.249)	(10.498)
Balance as at 31 March	<b>330.179</b>	<b>417.002</b>

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

The actual return on scheme assets in the year was £87.312m.

The Council has adopted the amendment to FRS17, Retirement Benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £418.817m to £417.002m, a decrease of £1.815m, resulting in a decrease to the opening pension asset balance. Current and prior year surplus figures have been unaffected by this change.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net pension liability of £46.955m has a significant impact on the net worth of £502.760m of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that 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, as assessed by the scheme actuaries.

The total contributions expected to be made to the scheme by the council in the year to 31 March 2010 is £14.051m.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 23: Pension Assets & Liabilities (Cont'd)

#### Scheme History

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

History of Experience Gains and Losses	Year to 31 March 2009 £m	Year to 31 March 2008 (restated)£m	Year to 31 March 2007 £m	Year to 31 March 2006 £m	Year to 31 March 2005 £m
Difference between the expected and actual returns on assets	(119.190)	(43.377)	0.324	61.659	10.029
Value of assets (A)	330.179	417.002	424.338	390.757	297.221
<b>Percentage of assets</b>	<b>36.1%</b>	<b>10.4%</b>	<b>0.1%</b>	<b>15.8%</b>	<b>3.4%</b>
Experience gains/(losses) on liabilities	32.491	0.383	0.555	8.935	0.011
Total present value of liabilities (B)	377.134	409.745	463.480	468.631	389.574
<b>Percentage of the total present value of liabilities</b>	<b>8.6%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>1.9%</b>	<b>0.0%</b>
Actuarial gains/(losses) recognised in STRGL	(58.266)	45.475	34.961	16.650	(60.412)
Total present value of liabilities	377.134	409.745	463.480	468.631	389.574
<b>Percentage of the total present value of liabilities</b>	<b>15.4%</b>	<b>11.1%</b>	<b>7.5%</b>	<b>3.6%</b>	<b>15.5%</b>
<b>Net Pension (A-B)</b>	<b>(46.955)</b>	<b>7.257</b>	<b>(39.142)</b>	<b>(77.874)</b>	<b>(92.353)</b>

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 24: Movements on Reserves

	Balance as at 1 April 2008 £m	(Gains) or Losses for the Year £m	Transfers between Reserves £m	Balance as at 31 March 2009 £m	Purpose of Reserve
Revaluation Reserve	(11.548)	(27.132)	-	(38.680)	Records the gains on revaluation of fixed assets not yet realised through sales.
Capital Adjustment Account	(496.447)	(17.099)	20.016	(493.530)	Records capital resources set aside to meet past expenditure.
Financial Instruments Adjustment Account	16.573	(1.576)	1.039	16.036	Balancing Account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.
Usable Capital Receipts Reserve	-	-	-	-	Proceeds of fixed asset sales available to meet future capital investment.
Pensions Reserve	(7.257)	58.266	(4.054)	46.955	Balancing account to allow the inclusion of Pension Liability in the Balance Sheet
Statutory Housing Revenue Account	(1.923)	-	0.192	(1.731)	Resources available to meet future running costs of council housing.
General Fund Balance	(16.877)	16.471	(15.703)	(16.109)	Resources available to meet future running costs for general services.
Repairs and Renewals Fund	(3.208)	-	0.011	(3.197)	This fund is credited with such sums as the council may direct and can be used to finance expenditure in repairing, replacing, maintaining and renewing fixed assets.
Insurance Fund	(3.252)	-	0.069	(3.183)	This fund can be used to defray any loss where the Council could have insured against a loss but have not done so, and for paying premiums on an insurance policy.
Capital Fund	(6.491)	(1.260)	(1.570)	(9.321)	This fund is credited with proceeds from the disposal of fixed assets and other sums as the council may direct and can be used for financing fixed assets or financing the repayment of loans fund principal.
	<b>(530.430)</b>	<b>27.670</b>	<b>-</b>	<b>(502.760)</b>	

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 25: Movement on General Fund Balance

	Not Earmarked £m	Earmarked				TOTAL £m
		Education DMR £m	Education Capital Items Replacement £m	Affordable Housing £m	Earmarked Grants £m	
Surplus at 1 April 2008	10.154	0.475	1.297	2.310	2.641	16.877
Surplus/(Deficit) for year	(0.680)	0.007	(0.157)	0.675	(0.613)	(0.768)
Surplus/(Deficit) at 31 March 2009	9.474	0.482	1.140	2.985	2.028	16.109

### Note 26: Post Balance Sheet Events

Events have been considered in the period between the date of the balance sheet and the date the Statement of Accounts has been authorised for issue. The date authorised for issue is the date the Statement of Accounts was signed by the proper officer prior to being submitted to the authority. This date fell on 29 June 2009 and is the date after which events will not have been recognised in the statement of accounts.

### Note 27: Contingent Liabilities

North Ayrshire Council, as participants in the Glasgow Scientific Services (GSS) operated by Glasgow City Council, may be involved in claims for damages involving the asbestos testing service operated by GSS. The extent and timing of any such claims cannot be assessed at present but, in any event, it will be the Council's intention to resist any claim either directly brought against this authority, or by being conjoined into an action by Glasgow City Council.

On 28 July 2007 the Council implemented a revised pay and grading structure for all employees excluding teachers as part of the Single Status agreement. Revisions to conditions of service were implemented from 2 April 2008. These Accounts include provisions for appeals arising from the Single Status Agreement but which are, as yet, unquantifiable. Provision has also been made for claims arising from equal pay from certain groups of employees, however there remains the possibility of claims from other groups.

### Note 28: Contingent Assets

North Ayrshire Council has made a claim to HM Revenue & Customs for backdated VAT. This has arisen because the UK failed to implement Article 13(n) of the Sixth Directive, prescribing that the supply of cultural services by a public body is exempt from VAT. During the period 1 January 1990 to 31 May 1996, the Council charged VAT on its supplies made at theatres and museums, even though this has subsequently been proven to run contrary to European legislation.

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 29: Analysis of Other Government Grants (Cash Flow Statement)

2007/08 £m	2008/09 £m
(5.414) Fairer North Ayrshire	(7.856)
(2.374) Criminal Justice	(3.052)
- PSHG	(2.053)
(2.014) Benefits – Admin Subsidy	(1.654)
- Capital Grant	(1.648)
(0.315) Education Maintenance Allowances	(1.233)
(1.425) Strategic Waste Fund	(0.533)
(0.254) European Economic Development Grants	(0.491)
(1.042) Others	(0.427)
(0.277) Scottish Arts Council	(0.406)
(0.203) Housing Support Grant	(0.376)
(1.938) Education – Additional Resources	(0.225)
(0.135) New Opportunities Fund	(0.137)
(0.587) Teachers In-Service Training	(0.133)
(0.080) Gaelic	(0.085)
- Tackling the School Run	(0.063)
(0.038) Milk Subsidy	(0.036)
(0.019) Supported Employment	(0.017)
(0.022) Roads	(0.005)
(12.837) Supporting People	-
(6.939) National Priorities Action Fund	-
(0.939) Changing Children’s Services Fund	-
(1.437) Homeless Task Force	-
(0.382) Teachers Continuing Professional Development	-
(0.171) Social Work Training Grant	-
(0.200) Mental Illness	-
(0.172) Childcare Strategy	-
(0.110) Primary Foreign Languages	-
(0.228) Urban Aid	-
<b>(39.552) Total other Government Grants</b>	<b>(20.430)</b>

### Note 30: Reconciliation of Income & Expenditure Account to Revenue Activities Cash Flow

2007/08 £m	2008/09 £m
29.299	16.061
<b>Net (Surplus) / Deficit on Income &amp; Expenditure Account</b>	
<b>Non Cash Transactions</b>	
(51.591)	(43.977)
4.676	1.963
2.763	4.054
<b>Items on an Accruals Basis</b>	
0.051	0.024
(1.959)	(0.593)
(0.315)	0.165
4.680	6.793
2.164	4.407
(1.644)	(0.585)
0.108	0.069
(0.080)	(0.001)
<b>Non Revenue Transactions</b>	
9.442	9.467
(12.387)	(10.992)
<b>(14.793) Net Cash Flow from Revenue Activities</b>	<b>(13.145)</b>

## SECTION 11: NOTES TO THE ACCOUNTS

### Note 31: Reconciliation of Movement in Cash with Movement in Net Debt

2007/08	2008/09
£m	£m
<b>2.425 (Increase) / Decrease in cash for year</b>	<b>9.026</b>
(3.681) Movement in liquid resources	(9.011)
1.216 Increase / (Decrease) in borrowing for year	12.585
<b>(0.040) Change in net debt</b>	<b>12.600</b>
173.249 Opening net debt at 1 April	173.209
<b>173.209 Closing net debt at 31 March</b>	<b>185.809</b>

2007/08	Balance at 31/3/08	Balance at 31/3/09	Cash Flow in year
£m	£m	£m	£m
<b>Cash</b>			
2.897 Cash	6.916	0.617	6.299
(0.472) Bank Overdraft	(4.522)	(7.249)	2.727
<b>2.425</b>	<b>2.394</b>	<b>(6.632)</b>	<b>9.026</b>
<b>Liquid Resources</b>			
<b>(3.681)</b> Short Term Deposits	<b>39.331</b>	<b>48.342</b>	<b>(9.011)</b>
<b>Borrowing</b>			
(3.643) P.W.L.B.	(147.634)	(123.084)	(24.550)
11.044 Money Market	(61.297)	(61.569)	0.272
(0.250) Others	-	-	-
(5.935) Short Term Loans	(6.003)	(42.866)	36.863
<b>1.216</b>	<b>(214.934)</b>	<b>(227.519)</b>	<b>12.585</b>
<b>(0.040) Total Net Debt</b>	<b>(173.209)</b>	<b>(185.809)</b>	<b>12.600</b>

Liquid resources include short term lending by the Council. There have been no policy changes in respect of short term borrowing during 2008/09. Any lending is in accordance with Treasury Management policies and agreed by the Council.

## SECTION 12: ADDITIONAL NOTE RELATING TO THE COMMON GOOD FUNDS AND TRUST FUNDS

### Summary of Common Good Accounts

	Ardrossan £	Irvine £	Largs £	Millport £	Saltcoats £	Stevenston £	TOTAL £
<b>Revenue Accounts</b>							
<b>Balance at 1/4/08</b>	<b>(47,482)</b>	<b>(153,290)</b>	<b>(49,714)</b>	<b>(16,527)</b>	<b>(17,381)</b>	<b>(120,693)</b>	<b>(405,087)</b>
Income	(4,082)	(141,876)	(21,407)	(2,167)	(2,228)	(23,347)	(195,107)
Expenditure	4,084	153,767	12,537	1,139	934	13,119	185,580
<b>Balance at 31/3/09</b>	<b>(47,480)</b>	<b>(141,399)</b>	<b>(58,584)</b>	<b>(17,555)</b>	<b>(18,675)</b>	<b>(130,921)</b>	<b>(414,614)</b>
<b>Capital Accounts</b>							
<b>Balance at 1/4/08</b>	<b>(32,210)</b>	<b>(622,383)</b>	<b>(175,747)</b>	<b>(23,396)</b>	-	<b>(15,000)</b>	<b>(868,736)</b>
Income	-	-	-	-	-	-	-
Expenditure	-	-	-	-	-	-	-
<b>Balance at 31/3/09</b>	<b>(32,210)</b>	<b>(622,383)</b>	<b>(175,747)</b>	<b>(23,396)</b>	-	<b>(15,000)</b>	<b>(868,736)</b>
<b>Balance Sheet at 31 March 2009</b>							
Fixed Assets	2,000	2,201,121	712,882	-	-	66,300	2,982,303
Investments	-	-	-	-	401	2,219	2,620
Debtors	-	3,797	-	-	-	-	3,797
Cash invested in NAC on behalf of the funds	79,690	759,985	238,249	40,951	18,274	143,702	1,280,851
	<b>81,690</b>	<b>2,964,903</b>	<b>951,131</b>	<b>40,951</b>	<b>18,675</b>	<b>212,221</b>	<b>4,269,571</b>
Revaluation Reserve	(2,000)	(2,201,121)	(716,800)	-	-	(66,300)	(2,986,221)
Revenue Account Balance	(47,480)	(141,399)	(58,584)	(17,555)	(18,675)	(130,921)	(414,614)
Capital Account Balance	(32,210)	(622,383)	(175,747)	(23,396)	-	(15,000)	(868,736)
	<b>(81,690)</b>	<b>(2,964,903)</b>	<b>(951,131)</b>	<b>(40,951)</b>	<b>(18,675)</b>	<b>(212,221)</b>	<b>(4,269,571)</b>

Note: The Common Good Funds administered by the Council do not represent assets available to the Council. As such, these balances have been included in the Council's balance sheet under creditors.

## SECTION 12: ADDITIONAL NOTE RELATING TO THE COMMON GOOD FUNDS AND TRUST FUNDS

### Summary of Trust Funds

	Education £	Burial Grounds £	Others £	TOTAL £
<b>Revenue Accounts</b>				
<b>Balance at 1/4/08</b>	<b>(36,773)</b>	-	<b>(197,441)</b>	<b>(234,214)</b>
Income	(9,900)	(812)	(21,342)	(32,054)
Expenditure	16,207	812	20,758	37,777
<b>Balance at 31/3/09</b>	<b>(30,466)</b>	-	<b>(198,025)</b>	<b>(228,491)</b>
<b>Capital Accounts</b>				
<b>Balance at 1/4/08</b>	<b>(55,108)</b>	<b>(10,764)</b>	<b>(228,286)</b>	<b>(294,158)</b>
Income	-	-	-	-
Expenditure	-	-	-	-
<b>Balance at 31/3/09</b>	<b>(55,108)</b>	<b>(10,764)</b>	<b>(228,286)</b>	<b>(294,158)</b>
 <b>Balance Sheet at 31 March 2009</b>				
Fixed Assets	26,000	-	-	26,000
Sundry Debtors	-	-	-	-
Investments	21,221	3,121	157,406	181,748
Cash and Investments held by NAC on behalf of the Funds	64,353	7,643	268,905	340,901
	<b>111,574</b>	<b>10,764</b>	<b>426,311</b>	<b>548,649</b>
 Revaluation Reserve	(26,000)	-	-	(26,000)
Revenue Account Balance	(30,466)	-	(198,025)	(228,491)
Capital Account Balance	(55,108)	(10,764)	(228,286)	(294,158)
	<b>(111,574)</b>	<b>(10,764)</b>	<b>(426,311)</b>	<b>(548,649)</b>

The above trust funds are for the following:

- Education – to provide school prizes at designated schools
- Burial Grounds – to maintain specified lairs within cemeteries
- Others – mainly for the benefit of the poor

Note: The Trust Funds administered by the Council do not represent assets available to the Council. As such, these balances have been included in the Council's balance sheet under creditors.

## SECTION 13: HOUSING REVENUE ACCOUNT

### Housing Revenue Income and Expenditure Account

This account reflects the statutory requirement to account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing revenue expenditure and depreciation, and how these are met from rents and other income.

2007/08 £m		2008/09 £m
	<b>INCOME</b>	
(34.908)	House Rents	(37.121)
(1.589)	Amortisation of Deferred Govt Grant	(0.039)
(0.222)	Other rents	(0.197)
(0.221)	Housing Support Grant	(0.358)
(0.255)	Other income	(0.030)
-	Reduction in Bad Debt Provision	(0.100)
<b>(37.195)</b>	<b>TOTAL INCOME</b>	<b>(37.845)</b>
	<b>EXPENDITURE</b>	
17.322	Repairs and maintenance	19.016
7.495	Supervision and management	8.039
12.215	Depreciation and Impairment of Fixed Assets	11.729
0.185	Increase in Bad Debt Provision	-
-	Other Expenditure	0.026
<b>37.217</b>	<b>TOTAL EXPENDITURE</b>	<b>38.810</b>
<b>0.022</b>	<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>	<b>0.965</b>
1.139	(Gain)/Loss on Sale of Fixed Assets	1.027
3.988	Interest payable and similar charges	3.446
(0.021)	Interest and investment income	(0.013)
(0.222)	Pensions interest cost & expected return on pension assets	(0.061)
<b>4.906</b>	<b>(Surplus)/Deficit for the year on HRA Income &amp; Expenditure Account</b>	<b>5.364</b>

## SECTION 13: HOUSING REVENUE ACCOUNT

### Statement of Movement on the Housing Revenue Account Balance

This shows the increase or decrease in the Housing Revenue Account balance for the year.

2007/08 £m		2008/09 £m
<b>4.906</b>	<b>(Surplus)/Deficit for the year on HRA Income &amp; Expenditure Account</b>	<b>5.364</b>
(1.139)	Gain / (Loss) on the Sale of Fixed Assets	(1.027)
0.081	HRA share of contributions to/(from) pension reserve	0.180
6.075	Capital expenditure funded by HRA	5.230
(0.099)	Transfer to / (from) Financial Instruments Adjustment Account	(0.161)
(7.779)	Transfer to / (from) Capital Adjustment Account	(9.394)
<b>2.045</b>	<b>(Increase) / Decrease in HRA Balance for the year</b>	<b>0.192</b>
<b>(3.968)</b>	<b>Housing Revenue Account Balance brought forward</b>	<b>(1.923)</b>
<b>(1.923)</b>	<b>Housing Revenue Account Balance carried forward</b>	<b>(1.731)</b>

### Note 1: Housing Stock at 31 March

2008	2009
3,006 One bedroom	2,998
5,999 Two bedrooms	5,909
4,127 Three bedrooms	4,068
456 Four bedrooms	450
1 Seven Bedrooms	1
<b>13,589 TOTAL</b>	<b>13,426</b>

### Note 2 :Other Information

2007/08	2008/09
£47.28 Average weekly rent (52 weeks)	£50.59
£0.251m Bad debts written off in respect of former tenants	£0.285m
£1.275m Total Rent Arrears	£1.199m
£0.843m Bad Debt provision – housing rents	£0.777m
£0.331m Bad Debt provision – other debtors	£0.296m
£0.149m Void Rent Loss	£0.066m

## SECTION 14: COUNCIL TAX ACCOUNT

Council Tax is a tax levied by local authorities on the occupiers of domestic properties within their area. Dwellings fall within a valuation band between 'A' and 'H', which is determined by the Ayrshire Valuation Joint Board (AVJB). The Council determines the band 'D' Council Tax level each year, and charges for the other bands are proportionate to the band 'D' figure which was £1,152 for 2008/09 (£1,152 in 2007/08).

Properties can be exempt if they are unoccupied or occupied by certain categories of resident. A reduction may be applied if a resident is disabled. A discount of 25% is available for properties occupied by one liable person aged 18 or over. The discount is 10% where the property is not the sole or main residence of any person.

The Council introduced a 10% discount for second homes and for long term empty properties from 1 April 2005 in accordance with the Council Tax (discount for unoccupied dwellings) (Scotland) Regulations 2005. This replaced the previous scheme of awarding a 50% discount. The amount of tax and charges imposed partly increased as a consequence of the change in policy. The Council retains 50% of the income collected from second homes and long-term empty properties and the remaining 40% is retained locally and routed through social landlords for the provision of new-build affordable housing. This will result in a sum of £0.878m being available for affordable housing in North Ayrshire from collections in 2008/09 (2007/08 £0.839m).

### Council Tax Income

2007/08 £m		2008/09 £m
66.123	Tax and Charges imposed	66.764
0.018	Contribution in lieu	0.016
<b>66.141</b>	<b>Total Charges</b>	<b>66.780</b>
(6.322)	Discounts	(6.449)
(1.794)	Exemptions	(1.888)
(0.071)	Disabled Persons Relief	(0.069)
<b>(8.187)</b>	<b>Total Deductions</b>	<b>(8.406)</b>
<b>57.954</b>	<b>NET IMPOSED</b>	<b>58.374</b>
(0.114)	Council Tax Benefit (net of government grant)	(0.023)
(0.166)	Prior Year adjustments	(0.225)
(1.896)	Bad Debt Provision	(1.905)
<b>55.778</b>	<b>TRANSFER TO GENERAL FUND</b>	<b>56.221</b>

### Council Tax levels by Band

2007/08 £	Band	2008/09 £
768	A	768
896	B	896
1,024	C	1,024
1,152	D	1,152
1,408	E	1,408
1,664	F	1,664
1,920	G	1,920
2,304	H	2,304

## SECTION 14: COUNCIL TAX ACCOUNT

### Calculation of Council Tax Base

The figures in the table below indicate the number of properties falling within each band at September 2008.

Row		Band A (Disabled relief)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1	Total Dwellings on List	-	22,177	18,189	6,322	6,238	8,555	3,273	1,109	50	65,913
2	Exempt dwellings	-	(834)	(357)	(126)	(111)	(108)	(34)	(7)	(2)	(1,579)
3	<b>Chargeable Dwellings</b>	-	<b>21,343</b>	<b>17,832</b>	<b>6,196</b>	<b>6,127</b>	<b>8,447</b>	<b>3,239</b>	<b>1,102</b>	<b>48</b>	<b>64,334</b>
4	Subject to disabled reduction	-	(54)	(141)	(28)	(49)	(91)	(25)	(10)	(3)	(401)
5	Dwellings taxable in band by virtue of Disabled Relief	54	141	28	49	91	25	10	3	-	401
6	<b>Adjusted Chargeable Dwellings</b>	<b>54</b>	<b>21,430</b>	<b>17,719</b>	<b>6,217</b>	<b>6,169</b>	<b>8,381</b>	<b>3,224</b>	<b>1,095</b>	<b>45</b>	<b>64,334</b>
7	Dwellings in row 6 entitled to discounts at 25%	27	12,359	7,403	2,209	1,755	1,750	506	152	5	26,166
8a	Dwellings in row 6 entitled to discounts due to being second homes	0	479	208	222	232	268	109	32	1	1,551
8b	Dwellings in row 6 entitled to discounts due to being long term empty properties	0	416	219	133	91	104	40	8	2	1,013
8c	Dwellings in line 6 entitled to discounts due to being occupied by disregarded adults	0	18	9	6	8	8	3	0	1	53
9	Dwellings in row 6 assumed entitled to no discounts	27	8,158	9,880	3,647	4,083	6,251	2,566	903	36	35,551
10	<b>Total equivalent dwellings</b>	<b>47</b>	<b>17,884</b>	<b>15,650</b>	<b>5,484</b>	<b>5,565</b>	<b>7,754</b>	<b>3,022</b>	<b>1,037</b>	<b>42</b>	<b>56,485</b>
11	Relationship to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
12	<b>Band D equivalent</b>	<b>26</b>	<b>11,923</b>	<b>12,172</b>	<b>4,875</b>	<b>5,565</b>	<b>9,477</b>	<b>4,365</b>	<b>1,728</b>	<b>84</b>	<b>50,215</b>
13	Contributions in respect of classes 17 and 24 dwellings: Band D equivalent										18
14	<b>Tax Base for Revenue Support Grant purposes</b>										<b>50,233</b>
	Less Bad Debt Provision at 4.00%										(2,009)
	<b>Band D equivalent total</b>										<b>48,224</b>

## SECTION 15: NON-DOMESTIC RATES ACCOUNT

Non-Domestic Rates are a tax levied by local authorities on the occupiers of commercial property within their area. The amount paid is determined by the rateable value placed on the property by the Ayrshire Valuation Joint Board, multiplied by the rate poundage, which is set by the Scottish Government. For 2008/09, the rate poundage was set at 46.2p per £ for subjects with a rateable value above £29,000 and 45.8p per £ for subjects with a rateable value equal to or less than £29,000.

### Non-Domestic Rates Income

2007/08 £m		2008/09 £m
39.131	Tax and Charges imposed	40.443
(0.202)	Transitional relief	-
<b>38.929</b>	<b>Total Charges</b>	<b>40.443</b>
(3.500)	Empty Property Relief	(3.422)
(1.696)	Mandatory Relief	(1.767)
(0.604)	Discretionary Relief	(0.479)
(0.074)	Sports Club Relief	(0.218)
(0.756)	Disabled Persons Relief	(0.801)
(0.695)	Small Business Relief	(1.961)
(0.032)	Large Property Surcharge Relief	(0.041)
(0.001)	Interest on Overpayments	(0.004)
<b>(7.358)</b>	<b>Total Deductions</b>	<b>(8.693)</b>
<b>31.571</b>	<b>NET IMPOSED</b>	<b>31.750</b>
(0.464)	Bad Debt Provision	(0.496)
(0.413)	Prior Year adjustments (inc. Water charges)	(1.215)
18.668	Contribution due from / (to) Pool	21.822
<b>49.362</b>	<b>TRANSFER TO GENERAL FUND</b>	<b>51.861</b>

### Non-Domestic Rates Tax Base at 1<sup>st</sup> April

	<u>Subjects</u>		<u>Rateable Value</u>	
	2007 Number	2008 Number	2007 £m	2008 £m
Shops	1,327	1,323	22.287	22.773
Public Houses	114	114	2.293	2.242
Offices	566	572	6.336	6.316
Hotels, Boarding Houses, etc.	83	82	2.037	2.038
Industrial and freight transport	1,070	1,033	29.226	29.286
Leisure, Entertainment	520	537	5.179	5.337
Caravans and Holiday sites				
Garages and Petrol Stations	137	138	1.195	1.170
Cultural	49	48	0.624	0.612
Sporting Subjects	16	16	0.029	0.028
Education and Training	90	93	6.175	6.614
Public Service Subjects	301	306	4.097	4.219
Communications	6	6	0.167	0.167
Quarries, Mines etc	21	18	0.296	0.236
Petrochemical	1	1	0.017	0.017
Religious	116	115	1.291	1.282
Health Medical	77	78	1.657	1.673
Other	198	191	0.706	0.894
Care Facilities	77	77	2.151	2.136
Advertising	43	43	0.103	0.105
Undertaking	29	29	2.906	3.068
<b>TOTAL</b>	<b>4,841</b>	<b>4,820</b>	<b>88.772</b>	<b>90.213</b>

## SECTION 16: GROUP ACCOUNTS - ACCOUNTING POLICIES

### Disclosure of Differences within Main Statement of Accounting Policies

The financial statements in the Group Accounts of North Ayrshire Council are prepared in accordance with the accounting policies set out in Section 5 on pages 8 to 10 with the additions and exceptions shown below.

### Basis of Consolidation

The Group Accounts have been prepared on the basis as set out in Note 2 on page 48.

### Group Income and Expenditure Account

#### Retirement Benefits

In common with North Ayrshire Council, all of the associates participate in the Strathclyde Pension Scheme. The associates have accounting policies for pensions accounting that are consistent with those of the Council except in the case of North Ayrshire Leisure Ltd, for which the cost of retirement benefits is not reversed out after "net operating expenditure" so that changes in its net pension liability are included within its share of the overall deficit on the Group Income & Expenditure Account.

### Group Balance Sheet

#### Valuation of Fixed Assets

The basis of valuation across the combining entities is in accordance with UK GAAP and there are no material inconsistencies with the policies adopted by North Ayrshire Council. The Concessionary Fares Joint Board has no fixed assets. The fixed assets of the SPT are fully written off. North Ayrshire Leisure Ltd. uses historic cost convention for its recent leasehold improvements, but this is considered a suitable proxy for market value in existing use on a replacement cost basis. North Ayrshire Leisure Ltd. also uses depreciated historic cost for its PCs, plant, furniture and fittings rather than the Council's depreciated replacement cost basis. This is not material given the small values involved.

### Depreciation

The periods and categories of assets for the Group are:

Buildings	1-100 years
Infrastructure	3-52 years
Plant and Equipment	1-20 years
Vehicles	2-10 years

### Stock

Valuation methods vary slightly across the Group. The Council uses current cost. Strathclyde Police Joint Board uses a combination of average weighted cost for the bulk of its stock (uniforms) and replacement cost for vehicle parts, communications equipment and other materials. Strathclyde Fire and Rescue and North Ayrshire Leisure Limited use the lower of cost or net realisable value. The SPT and Concessionary Fares Joint Boards hold no stock. The difference in valuation methods does not have a material effect on the results of the Group given the levels of stockholdings in these organisations.

### Goodwill

The Council has not paid any consideration for its interests and thus no goodwill is involved in the acquisition.

### Restatement of 2007/08 Balances

Balances at March 2008 have been restated as a result of changes made in subsidiary and associate accounts.

## SECTION 16: GROUP ACCOUNTS – INCOME & EXPENDITURE ACCOUNT

2007/08 Net Expend £m		2008/09 Gross Expend £m	2008/09 Gross Income £m	2008/09 Net Expend £m	2007/08 Net Expend £m		2008/09 Gross Expend £m	2008/09 Gross Income £m	2008/09 Net Expend £m
148.048	Education Services	147.624	8.365	139.259	0.080	(Gain)/Loss on Disposal of Fixed Assets	0.001	-	0.001
3.098	Housing Services	58.261	44.896	13.365					
17.958	Cultural and Related Services	32.535	4.051	28.484	(0.596)	(Surplus) / Deficit on Trading Operations	-	0.691	(0.691)
15.632	Environmental Services	21.141	4.461	16.680	13.759	External Interest Payable	12.156	-	12.156
9.062	Fire Services	9.727	0.042	9.685	0.925	Share of Interest Payable by Associate	0.825	-	0.825
12.591	Roads and Transportation	15.205	2.124	13.081	(0.101)	Interest on Revenue Balances	-	0.190	(0.190)
0.087	Trading Services	0.117	0.022	0.095	(1.094)	Interest and Investment Income	-	0.859	(0.859)
12.956	Police Services	14.014	0.863	13.151	(0.685)	Share of Interest and Investment Income of Associate	-	0.522	(0.522)
3.839	Planning and Development	10.075	6.065	4.010					
65.837	Social Work	87.569	13.563	74.006	25.290	Interest Cost on Pensions	28.466	-	28.466
2.906	Central Services to the Public	5.000	1.810	3.190	(30.464)	Return on Pensions Assets	-	29.804	(29.804)
4.542	Corporate and Democratic Core	3.992	0.227	3.765	0.006	Share of Corporation Tax	0.011	-	0.011
0.961	Non Distributed Costs	2.082	-	2.082	12.347	Share of Associated Pension Interest Costs and expected Return on Assets	16.222	2.254	13.968
0.018	Former Authorities	0.004	0.018	(0.014)					
<b>297.535</b>	<b>NET COST OF GENERAL FUND SERVICES</b>	<b>407.346</b>	<b>86.507</b>	<b>320.839</b>	<b>319.292</b>	<b>NET OPERATING EXPENDITURE</b>	<b>504.785</b>	<b>163.399</b>	<b>341.386</b>
0.022	Housing Revenue Account	38.810	37.845	0.965	(169.941)	Revenue Support Grant			(206.813)
2.229	Share of Operating Results of Associates	0.675	4.514	(3.839)	(49.362)	Non Domestic Rates			(51.861)
(0.172)	Share of Operating Results of Joint Ventures	-	0.176	(0.176)	(55.778)	Council Tax			(56.221)
0.040	Turnover	-	0.176	(0.176)	(0.182)	Community Charges			(0.117)
0.051	Other Op Inc & Expend	0.031	-	0.031					
0.051	Share of Associate Profit/Loss on Disposal of Fixed Assets	0.019	-	0.019	<b>(275.263)</b>	<b>TOTAL INCOME FROM GOVT GRANTS AND TAXATION</b>			<b>(315.012)</b>
0.120	Common Good & Trust Funds	0.223	0.037	0.186	<b>44.029</b>	<b>DEFICIT FOR THE YEAR</b>			<b>26.374</b>
<b>299.825</b>	<b>NET COST OF SERVICES</b>	<b>447.104</b>	<b>129.079</b>	<b>318.025</b>					

## SECTION 16: GROUP ACCOUNTS

### Reconciliation of the Single Entity Surplus/ Deficit for the Year to the Group Surplus/ Deficit.

2007/08 £m		2008/09 £m	Note
29.299	(Surplus)/Deficit on North Ayrshire Council Income and Expenditure Account	16.061	
-	Less: Subsidiary and associate dividend income and other distributions from group entities	-	
<u>29.299</u>		<u>16.061</u>	
	Add: (Surplus)/Deficit arising from other entities included in the group accounts attributable to:		
(0.045)	Subsidiaries	(0.016)	4
14.808	Associates	10.379	4
(0.033)	Joint ventures	(0.050)	4
<u>44.029</u>	<b>Group Accounts (Surplus)/Deficit for the year</b>	<u>26.374</u>	

### Group Statement of Total Recognised Gains and Losses

2007/08 £m		2008/09 £m
44.029	<b>Net (Surplus)/Deficit for the year</b>	26.374
(43.342)	Surplus arising from revaluation of fixed assets	(48.521)
(94.757)	Actuarial (gains)/losses on pension fund assets and liabilities	52.334
0.150	Any other (gains)/losses recognised in the Statement of Recognised Gains and Losses	(0.726)
<u>(93.920)</u>	<b>Total recognised (gains)/losses for the year</b>	<u>29.461</u>
16.214	Effect of Prior Year Adjustments	-
<u>(77.706)</u>	<b>Movement in Net Worth</b>	<u>29.461</u>

## SECTION 16: GROUP ACCOUNTS – BALANCE SHEET

2008 £m		2009 £m	2009 £m	£m		£m	£m
-	<b>INTANGIBLE ASSETS</b>		<b>0.058</b>				
	<b>TANGIBLE FIXED ASSETS</b>						
	Operational Assets:			(208.931)	Borrowing repayable within a period in excess of 12 months	(184.653)	
384.523	Council Dwellings	408.271		(33.648)	Government Grants Deferred Account	(39.765)	
255.549	Other Land and Buildings	246.430		(4.555)	Provisions	(5.141)	
8.443	Vehicles, Plant and Equipment	8.015		(194.676)	Share of Net Liability of Associates	(195.766)	
37.718	Infrastructure Assets	41.195		7.257	Liability relating to defined benefit pension scheme	(46.955)	(472.280)
0.147	Community Assets	0.138		<u>349.199</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<u>319.738</u>	
	Non-Operational Assets:						
26.675	Investment Properties	26.414					
21.922	Assets under Construction	28.212					
15.588	Surplus Assets held for disposal	31.770					
<u>750.565</u>	<b>TOTAL TANGIBLE FIXED ASSETS</b>	<u>790.445</u>					
6.786	Investment in Associates	6.754		11.548	Revaluation Reserve		38.680
	Investment in Joint Venture			499.442	Capital Adjustment Account		496.542
3.278	Gross Assets	2.549		(16.573)	Financial Instrument Adjustment Account		(16.036)
(1.799)	Gross Liabilities	(1.767)		7.257	Pensions Reserve		(46.955)
3.600	Long Term Debtors	8.007		(185.597)	Group Reserves		(186.672)
-	Deferred Premiums and Discounts	-	15.543	1.371	Share of Revaluation Reserve of Joint Venture		0.638
<u>762.430</u>	<b>TOTAL LONG TERM ASSETS</b>	<u>806.046</u>		12.951	Fund Balances and Reserves		15.701
				16.877	General Fund		16.109
				1.923	Housing Revenue Account		1.731
				<u>349.199</u>	<b>TOTAL NET WORTH</b>		<u>319.738</u>
	<b>CURRENT ASSETS</b>						
0.545	Stocks	0.569					
18.968	Debtors	17.061					
39.886	Short Term Investments	49.325					
6.916	Cash	0.617					
<u>66.315</u>		<u>67.572</u>					
	<b>CURRENT LIABILITIES</b>						
(6.003)	Borrowing repayable on demand or within 12 months	(42.866)					
(34.468)	Creditors	(31.485)					
(4.522)	Bank Overdraft	(7.249)					
<u>(44.993)</u>		<u>(81.600)</u>					
<b>21.322</b>	<b>NET CURRENT ASSETS</b>	<b>(14.028)</b>					
<b>783.752</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>792.018</b>					
<b>2008</b>		<b>2009</b>	<b>2009</b>				



Alasdair J. Herbert, FCCA  
Assistant Chief Executive (Finance)

The unaudited accounts were issued on 29 June 2009 and the audited accounts were authorised for issue on 28 September 2009.

## SECTION 16: GROUP ACCOUNTS – CASH FLOW STATEMENT

2008 £m		2009 £m	2009 £m
<b>(14.771)</b>	<b>NET CASH INFLOW FROM REVENUE ACTIVITIES</b>		<b>(13.154)</b>
	<b>Returns on Investment and Servicing of Finance</b>		
15.279	Interest Paid	11.710	
(3.873)	Interest Received	(1.551)	
<b>11.406</b>	<b>NET CASH OUTFLOW FROM SERVICING OF CAPITAL</b>		<b>10.159</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash outflows:</b>		
6.331	Purchase of fixed assets	4.506	
-	Purchase of long term investments	-	
28.336	Other capital cash payments	26.669	
<b>34.667</b>	<b>TOTAL PAYMENTS</b>	<b>31.175</b>	
	<b>Cash inflows:</b>		
(18.701)	Sale of Fixed Assets	(6.033)	
(11.181)	Capital Grants	(9.556)	
(1.442)	Other Capital Cash Receipts	-	
<b>(31.324)</b>	<b>TOTAL RECEIPTS</b>	<b>(15.589)</b>	
<b>3.343</b>	<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>		<b>15.586</b>
<b>(0.022)</b>	<b>NET CASH OUTFLOW/(INFLOW) BEFORE FINANCING</b>		<b>12.591</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>9.616</b>	(Decrease)/increase in investments		<b>9.008</b>
	<b>FINANCING</b>		
10.895	Repayments of amounts borrowed	45.642	
-	New short term loans raised	-	
(18.063)	New long-term loans raised	(58.215)	
<b>(7.168)</b>	<b>NET CASH OUTFLOW/(INFLOW) FROM FINANCING</b>		<b>(12.573)</b>
<b>2.426</b>	<b>(INCREASE)/DECREASE IN CASH</b>		<b>9.026</b>

## SECTION 16: GROUP ACCOUNTS – NOTES TO ACCOUNTS

### **Note 1: Disclosure of Interests in Other Entities**

The Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (the 2005 SORP) required local authorities to consider their interests in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Police, Fire and Valuation Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities.

The disclosure requirements of the 2005 SORP for North Ayrshire Council are mandatory for accounting periods ending on or after 31 March 2006. The notes required for the accounts of North Ayrshire Council itself are disclosed separately in the preceding pages.

### **Note 2: Combining Entities**

In addition to the information included in the consolidated Group Accounts on the preceding pages, the accounting regulations require specific disclosures about the combining entities and the nature of their business. The Group Accounts consolidate the results of the Council with the Common Good and Trust Funds, North Ayrshire Ventures Ltd, North Ayrshire Leisure Limited, North Ayrshire Ventures Trust, Irvine Bay Regeneration Company, Irvine Bay Development Company Ltd. and 5 Joint Boards. These organisations are entirely independent of the Council under law and for taxation. The Accounting period for all entities, excluding North Ayrshire Ventures Ltd (NAVL), is the twelve months to 31 March 2009. The accounting period end for NAVL is 31 December 2008 and these results have been incorporated into the Group Accounts.

In addition to these organisations, the Council also has an interest in the North Ayrshire Municipal Bank Ltd. The principal business of the Bank is to accept deposits from private account holders and to invest resultant funds with North Ayrshire Council. The Directors of the Bank are all elected Members of North Ayrshire Council. The accounting year for the Bank ends on 31 October but at 31 March 2009, there were 2,545 accounts held with the Bank, with a total of £4.590m on deposit. Of this sum, £4.589m was invested with North Ayrshire Council. No financial benefit accrues to the Council as a

result of its interest in the Bank, and it is not exposed to any financial liabilities. Although the Bank has not been incorporated into these group accounts, the amount of the investment is shown as a current liability within the main accounts.

**North Ayrshire Leisure Limited** is a charity formed in 2000 and its registered office is at 1/1 Galt House, Bank St, Irvine, KA12 0AJ. The objectives of the charity are to provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in North Ayrshire. Any surplus generated by the charity is applied solely to its continuation and development.

Under accounting standards, the Council requires to include the results of North Ayrshire Leisure Ltd as an associate because it has a "significant influence" over the financial and operating policies of the charity. In 2008/09, North Ayrshire Council contributed £4.026m or 50% of the charity's turnover and its share of the year-end net liability of £0.207m (2007/08 £0.979m) is included in the Group Balance Sheet. The following additional disclosures are required under accounting regulations for North Ayrshire Leisure Limited because the Council's share of the net assets of the charity exceeds 25%.

<b>Council's Share (2008/09 50%, 2007/08 50.8%) of North Ayrshire Leisure Ltd:</b>	<b>2008/09 £m</b>	<b>2007/08 £m</b>
Turnover	4.026	3.989
(Profit)/Loss before tax	0.168	0.038
Taxation	-	-
(Profit)/Loss after Tax	0.168	0.038
Fixed Assets	0.184	0.228
Current Assets	0.657	0.650
Trading liabilities due within one year	0.735	0.490
Trading liabilities due after one year	-	0.001
Capital and reserves	0.207	0.979
Contingent liabilities	-	-
Capital commitments	-	-

## SECTION 16: GROUP ACCOUNTS – NOTES TO ACCOUNTS

**North Ayrshire Ventures Trust** is a charitable company established in 1999/00 to promote urban or rural regeneration projects in areas of social or economic deprivation within North Ayrshire.

Under accounting standards, the Council requires to include the results of North Ayrshire Ventures Trust as a subsidiary and the results of North Ayrshire Ventures Ltd as a joint venture. In 2008/09 North Ayrshire Council's share of the year-end asset is £0.782m (2007/08 £1.463m). The following disclosures are required under accounting regulations for North Ayrshire Ventures Limited because the Council's share of the net assets of the company exceeds 25%.

<b>Council's Share of North Ayrshire Ventures Ltd (50%):</b>	<b>2008/09 £m</b>	<b>2007/08 £m</b>
Turnover	0.176	0.172
(Profit)/Loss before tax	(0.061)	(0.023)
Taxation	0.011	0.006
(Profit)/Loss after Tax	(0.050)	(0.018)
Fixed Assets	2.341	3.022
Current Assets	0.208	0.256
Trading liabilities due within one year	0.245	0.231
Trading liabilities due after one year	1.477	1.550
Capital and reserves	0.782	1.463
Contingent liabilities	-	-
Capital commitments	-	-

**Irvine Bay Regeneration Company** was formed in October 2006 and is a charitable company which is limited by guarantee, not having a share capital. The charity has two members, North Ayrshire Council and Scottish Enterprise Ayrshire with its principal role being the physical transformation of the Irvine Bay area. Its registered office is at 43 Ardrossan Road, Saltcoats, KA21 5BS.

Under accounting standards, the Council requires to include the results of Irvine Bay Regeneration Company as an associate because it has a "significant influence" over the financial and operating policies of the company. In 2008/09 North Ayrshire Council contributed £0.332m (2007/08 £0.300m) and its share of the year-end asset is £0.170m (2007/08 £0.186m). The following additional information disclosures are required under accounting regulations because the Council's share of the net assets exceeds 25%.

<b>Council's Share of Irvine Bay Regeneration Company (50%):</b>	<b>2008/09 £m</b>	<b>2007/08 £m</b>
Turnover	0.948	0.720
(Profit)/Loss before tax	0.167	(0.187)
Taxation	-	-
(Profit)/Loss after tax	0.167	(0.187)
Fixed Assets	0.208	0.265
Current Assets	0.355	0.643
Trading liabilities due within one year	0.393	0.722
Trading liabilities due after one year	-	-
Capital and reserves	0.170	0.186
Contingent liabilities	-	-
Capital commitments	-	-

**Irvine Bay Development Company Ltd** was formed in November 2007 as a wholly owned subsidiary of Irvine Bay Regeneration Company with its objectives being the creation of new facilities and the improvement of existing facilities within the Irvine Bay area. Its registered office is at 43 Ardrossan Road, Saltcoats, KA21 5BS.

The figures shown for 2008/09 represent a period of 17 months, from the date of incorporation of the company in November 2007 to March 2009. Figures in the Council's accounts for 2007/08 were derived from management accounts produced by the company at that time.

Under accounting standards, the Council requires to include the results of Irvine Bay Development Company as an associate because it has a "significant influence" over the financial and operating policies of the company. In 2008/09 North Ayrshire Council contributed £0.106m (2007/08 £0.105m) and its share of the year-end asset is £1.203m. The following additional information disclosures are required under accounting regulations because the Council's share of the net assets exceeds 25%.

## SECTION 16: GROUP ACCOUNTS – NOTES TO ACCOUNTS

Council's Share of Irvine Bay Development Company (50%):	2008/09 £m	2007/08 £m
Turnover	1.911	-
(Profit)/Loss before tax	(1.203)	-
Taxation	-	-
(Profit)/Loss after tax	(1.203)	-
Fixed Assets	1.233	-
Current Assets	0.519	-
Trading liabilities due within one year	0.547	-
Trading liabilities due after one year	-	-
Capital and reserves	1.203	-
Contingent liabilities	-	-
Capital commitments	-	-

The Joint Boards are **Strathclyde Police Joint Board, Strathclyde Fire and Rescue, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Board and Ayrshire Valuation Joint Board**. All these Boards are independent public corporate bodies formed by Act of Parliament. All local government functions that relate to these bodies (e.g. police, fire, public transport, concessionary fares and valuation) 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 in the legislation.

Under accounting standards, the Council has a "significant influence" over these bodies. The nominated Members of North Ayrshire Council are actively involved and participate in the meetings of the Boards at which the policy and direction of the services are considered. The Boards are included within the Group Accounts under the wider definition of an "associate" even where the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. North Ayrshire Council's share of each Board's net assets or liabilities is calculated on its percentage share of the aggregated contributions made by the constituent Councils.

**Strathclyde Police Joint Board** is the statutory body established under the Strathclyde Combined Police Area Amalgamation Scheme Order 1975 and provides a vast range of policing services on behalf of the 12 local authorities in the West of Scotland. In 2008/09, North Ayrshire Council contributed £13.135m or 5.11% of the Board's estimated running costs and its share of

the year-end net liability of £151.799m (2007/08 £149.319m) 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** is the statutory body responsible for the overseeing of the activities of Strathclyde Fire & Rescue, which provides fire and emergency cover for the 12 unitary authorities in the West of Scotland. In 2008/09, North Ayrshire Council contributed £9.685m or 6.45% of the Board's estimated running costs and its share of the year-end net liability of £43.967m (2007/08 £45.358m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to Strathclyde Fire Joint Board, Bothwell Road, Hamilton ML03 0EA.

**Strathclyde Partnership for Transport** is the regional transport partnership (RTP) for the West of Scotland. It is one of seven RTPs established under the Transport (Scotland) Act 2005 and takes over the roles and functions of the Strathclyde Passenger Transport Authority and Executive. In 2008/09, North Ayrshire Council contributed £2.349m or 6.30% of the Board's estimated running costs and its share of the year-end net assets of £4.338m (2007/08 Net Liabilities £4.288m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

**Strathclyde Concessionary Travel Scheme Joint Board** comprises the 12 Councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by the 12 Councils and by the Scottish Government. The Strathclyde Partnership for Transport administers the scheme on behalf of the Board. In 2008/09, North Ayrshire Council contributed £0.168m or 6.64% of the Board's estimated running costs and its share of the year-end asset of £0.438m (2007/08 £0.615m) is included in the Group Balance sheet. Copies of its accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Passenger Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

## SECTION 16: GROUP ACCOUNTS – NOTES TO ACCOUNTS

**Ayrshire Valuation Joint Board** was formed in 1996 at local government re-organisation by Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three Councils of North Ayrshire, South Ayrshire and East Ayrshire. Surpluses or deficits on the Board's operations are shared between the Councils. In 2008/09, North Ayrshire Council contributed £0.810m or 36.33% of the Board's estimated running costs and its share of the year-end asset of £0.397m (2007/08 £0.717m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer of the Ayrshire Valuation Joint Board, County Buildings, Wellington Square, Ayr KA7 1DR.

The following additional disclosures are required under accounting regulations for the Ayrshire Valuation Joint Board because the Council's share of the net assets of the Board exceeds 25%.

<b>Council's Share of Ayrshire Valuation Joint Board (36.33%)</b>	<b>2008/09 £m</b>	<b>2007/08 £m</b>
Gross Income	0.863	0.839
Net (Surplus)/Deficit	0.016	(0.037)
Fixed Assets	0.187	0.192
Current Assets	0.093	0.107
Trading liabilities due within one year	0.073	0.042
Trading liabilities due after one year	-	-
Capital and reserves	0.397	0.717
Contingent liabilities	-	-
Capital commitments	-	-

### **Note 3: Nature of Combination**

The combination has been accounted for on an acquisition basis using the equity method. The Council has not paid any consideration for its interests and thus no goodwill is involved in the acquisition.

### **Note 4: Analysis of Material Amounts in Income & Expenditure Account**

The following tables provide an analysis of the Council's share of the material amounts as undernoted.

- Pension Interest costs and expected return on pension assets of associates
- (Surplus)/Deficit in the Group Income & Expenditure Account attributable to group entities

<b>Pensions interest costs and expected return on pension assets of associates</b>	<b>2008/09 £m</b>	<b>2007/08 £m</b>
Strathclyde Police Joint Board	10.491	9.497
Strathclyde Fire and Rescue	3.615	3.145
Strathclyde Partnership for Transport	(0.047)	(0.157)
Ayrshire Valuation Joint Board	(0.039)	(0.056)
North Ayrshire Leisure Limited	(0.052)	(0.082)
<b>Total</b>	<b>13.968</b>	<b>12.347</b>

<b>(Surplus)/Deficit in the Group Income &amp; Expenditure Account</b>	<b>2008/09 £m</b>	<b>2007/08 £m</b>
Common Good & Trust Funds	(0.004)	0.019
North Ayrshire Ventures Trust	(0.012)	(0.064)
North Ayrshire Ventures Ltd	(0.050)	(0.033)
Strathclyde Police Joint Board	9.169	11.236
Strathclyde Fire and Rescue	3.754	3.635
Strathclyde Partnership for Transport	(1.869)	0.004
Ayrshire Valuation Joint Board	0.016	(0.023)
North Ayrshire Leisure Limited	0.168	0.039
Concessionary Fares	0.177	0.048
Irvine Bay Development Company Ltd	(1.203)	*0.048
Irvine Bay Regeneration Company	0.167	(0.179)
<b>Total</b>	<b>10.313</b>	<b>14.730</b>

\*Refer to note on page 49

## SECTION 16: GROUP ACCOUNTS – NOTES TO ACCOUNTS

### Note 5: Group Cash Flow Statement – Reconciliation of Income & Expenditure Account to Revenue Activities Cash Flow

2007/08		2008/09
£m		£m
29.330	(Surplus)/Deficit for year	16.057*
	<b>Non cash movements:</b>	
(51.593)	Depreciation	(43.979)
4.676	Government Grants Deferred	1.963
2.763	FRS 17 Adjustments	4.054
	<b>Items on an Accruals Basis:</b>	
0.051	(Decrease)/Increase in Stock and WIP	0.024
(1.954)	(Decrease)/Increase in Revenue Debtors	(0.600)
(0.315)	Decrease/(Increase) in BDP	0.169
4.680	Decrease/(Increase) in Revenue Creditors	6.793
2.164	(Decrease)/Increase in Long Term Debtors	4.407
(1.644)	Decrease/(Increase) in Provisions	(0.585)
0.108	Change in Fund Balances	0.069
(0.080)	Loss on Sale of Fixed Assets	(0.001)
	<b>Non Revenue Transactions:</b>	
9.442	Removal of Internal Recharges to Capital	9.467
(12.387)	Removal of Interest Paid	(10.992)
<b>(14.759)</b>	<b>TOTAL</b>	<b>(13.154)</b>

\* The Group Deficit for the year of £16.057m above is arrived at by combining the Deficit for the year of North Ayrshire Council of £16.061m with the Common Good & Trust Funds Surplus referred to in Note 4. The incorporation of the other Group entities does not impact on the Cash Flow.

### Note 6: Financial Impact of Consolidation

The effect of inclusion of the above associate bodies on the Group Balance Sheet is to reduce both Reserves and Net Assets by £183.022m (2007/08 £181.231m) representing the Council's share of the net liabilities in these

entities. This reflects the combined pension liability of these associates, particularly those recorded for the Police and Fire-fighters schemes.

### Note 7: Reporting Authority Adjustments to align with UK GAAP

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

### Note 8 - Strathclyde Joint Police Board

The Board of Strathclyde Joint Police has elected to accept a qualification on its audit certificate. The financial statements do not reflect the retrospective charges of all FRS17 pension costs for police officers that accrued from April 2006. The effect of these charges is £11.2 million and is considered by its external auditor to be a material amount.

The police service nationally implemented a new pension scheme from April 2006. The Local Government Pension Reserve Fund (Scotland) provides the statutory basis for local authorities and Police Boards to charge to a pension reserve the difference between retirement benefit costs as calculated under FRS 17 and the actual employer's pension contributions paid by the councils and boards. There is currently no legislation that permits this in respect of the New Police Pension Scheme, which commenced from 6 April 2006.

This is a national problem affecting all Police and Fire authorities across the UK and clearly was not intended when the new pension schemes were devised. The UK Government and devolved administrations have undertaken to make the necessary changes to regulations to ensure that this issue is resolved for next year's financial statements.

Accordingly, the information for Strathclyde Joint Police Board (that is included as an associate within the group accounts of North Ayrshire Council) does not include the costs of the FRS17 pension costs under the New Police Pension Scheme. North Ayrshire Council's share (of this associate) is approximately £0.572 million (5.11%).

## SECTION 17: GLOSSARY OF TERMS

### **Accruals**

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

### **Actuarial Gains and Losses (Pensions)**

The changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or
- (b) the actuarial assumptions have changed.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to, and not merely maintains, the value of an existing fixed asset.

### **Capital Financed from Current Revenue (CFCR)**

The use of revenue funding to contribute to the cost of capital expenditure.

### **Capital Financing Cost**

This represents the annual cost of financing the sums borrowed by the Council to fund capital programmes, being the repayment of debt, interest on monies borrowed and expenses incurred in managing the debt portfolio.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Corporate and Democratic Core**

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

### **Current Service (Pensions) Cost**

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

### **Curtailments (Pensions)**

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes.

### **Expected Return on Pension Assets**

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Financial Reporting Standard (FRS)**

Financial Reporting Standards are issued by the Accounting Standards Board and define proper accounting practice for a given transaction or event.

### **Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the authority.

### **Impairment of Assets**

An asset is impaired to ensure that the carrying amount within the Council's Balance Sheet does not exceed the amount expected to be recovered through use or sale of the asset.

### **Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## SECTION 17: GLOSSARY OF TERMS

### **Intangible Assets**

Intangible Assets are non-financial fixed assets that do not have physical substance but which can be identified and are controlled by the Council, eg computer software.

### **Interest Cost (Pensions)**

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

### **National Non Domestic Rates Pool**

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

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

### **Non-Operational Assets**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operating Leases**

A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

### **Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### **Past Service Costs (Pensions)**

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

### **Prior Year Adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Specific Government Grants**

These are grants received from Central Government in respect of a specific purpose or service.

### **Useful Life**

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

## SECTION 18: INDEPENDENT AUDITOR'S REPORT

### **Independent auditor's report to the members of North Ayrshire Council and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of North Ayrshire Council and its group for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, the Housing Revenue Income and Expenditure Account, Statement of Movement on the HRA Balance, the Council Tax Income Account, the Non-Domestic Rate Income Account, Summary of Common Good Funds, Summary of Trust Funds, the Statement of Accounting Policies and related notes together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

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

### **Respective responsibilities of the Assistant Chief Executive (Finance) and auditor**

The Assistant Chief Executive's (Finance) responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

## SECTION 18: INDEPENDENT AUDITOR'S REPORT

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

### Opinion

In my opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of North Ayrshire Council and its group as at 31 March 2009 and its income and expenditure for the year then ended
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.



*Peter Tait CPFA  
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**28 September 2009**