



**2010/2011
AUDITED STATEMENT OF
ACCOUNTS**

The City of Edinburgh Council

Statement of Accounts

Year to 31 March 2011

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FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Introduction

The Audited Statement of Accounts presents the financial position and performance of the Council, together with the financial position of the wider Council Group for the year to 31 March 2011.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards) and the Best Value Accounting Code of Practice.

● International Financial Reporting Standards

The 2010/11 Statement of Accounts is the first Statement of Accounts that has been prepared under the full requirements of International Financial Reporting Standards (IFRS).

The requirement for government bodies to adopt IFRS was first announced by the Chancellor in the 2007 budget, with the intention of bringing benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice. Local Authorities were required to achieve convergence to IFRS compliant accounts in the 2010/11 financial year.

One of the main changes sees property used in providing services under PPP contracts being recognised as an asset on the Council's Balance Sheet. This change was included in the 2009/10 Audited Financial Statements as part of the Council's transition to IFRS compliant accounts.

A further significant change is the inclusion of the costs of holiday entitlement that has been earned but not taken as at 31 March each year. Further details on this can be seen in note 25.6 to the Financial Statements.

There are a number of other changes, which are primarily presentational. These include:

- Reclassification of bank overdrafts and short-term investments into 'Cash and Cash Equivalents'.
- Reclassification of leased-in property from an operating lease to a finance lease.
- Recognition of leased-in equipment (primarily IT and copying equipment) as finance leases.
- Government grants deferred have been transferred to the capital adjustment account.
- Reclassification of non-current assets, primarily assets held for sale / surplus assets.
- 2009/10 comparative figures included in the notes to the financial statements have been re-stated.

● Financial Statements and Their Purpose

The Council has an interest in a number of companies and joint ventures. Where material, the financial results of the Council's subsidiaries, associates and joint ventures are consolidated into Group Accounts. The aim of these accounts is to show the full picture of the Council's sphere of control and influence over service provision, resources and exposure to risk that the Council has taken on through its involvement in various entities.

The following statements show the position for the Group and the Council separately:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement.

The Statement of Accounts comprise the following financial statements and accompanying explanatory notes:

● Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the Authority and the Director of Finance for the accounts.

● Movement in Reserves Statement

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

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Introduction - continued

• Financial Statements and Their Purpose - continued

• Comprehensive Income and Expenditure Statement

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

• Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group and the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group and the Council is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

• Cash Flow Statement

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

• Housing Revenue Account Movement in Reserves Statement and Comprehensive Income and Expenditure Statement

These statements present the position, as previously described, for the Housing Revenue Account.

• Council Tax Income Account

The Council Tax Income Account shows the gross income raised from Council Taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

• Non-Domestic Rate Account

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

• Common Good Fund

This presents the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement and the Balance Sheet for the Common Good Fund.

• Annual Governance Statement

This explains how the Council conducts its business, both internally and in its dealings with others. The statement details the review of effectiveness of the code of governance and outlines any enhancements underway.

• Remuneration Report

This presents information on the remuneration of senior elected members, senior officers within the Council and the most senior employee within each of its subsidiary companies.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Financial Performance

Revenue

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 17. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are shown in the Movement in Reserves Statement (pages 13 to 15).

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below. Further details were provided in the report to the Finance and Resources Committee in August 2011, which will be available on the Council's website.

	Revised Budget 2010/11 £000	Actual 2010/11 £000	Over / (Under) Spend £000
General Fund services	886,422	882,611	(3,811)
Dividend income (net)	(2,000)	(2,000)	0
Significant trading operations	(7,355)	(4,127)	3,228
Loans charges / interest on revenue balances	100,356	97,536	(2,820)
Exceptional expenditure - equal pay claims	18,416	18,416	0
Contribution to earmarked balances	1,799	1,799	0
Budgeted contribution to unallocated general reserve	4,000	4,000	0
Total expenditure to be funded	1,001,638	998,235	(3,403)
Council tax	(226,865)	(226,133)	732
Net cost of council tax benefit	(391)	(351)	40
Total - council tax income account	(227,256)	(226,484)	772
Community charge income	0	(99)	(99)
General revenue funding	(579,737)	(579,737)	0
Distribution from non-domestic rate pool	(188,733)	(188,733)	0
Contribution from capital fund	(5,912)	(5,912)	0
Funding	(1,001,638)	(1,000,965)	673
General Fund surplus for the year	0	(2,730)	(2,730)

Fees and charges levied by the Council have been offset against the cost of providing services and are included within the actual cost of General Fund Services shown above.

Budget performance - General Fund

As can be seen from above, the Council budgeted to make a contribution of £4m to the unallocated general reserve. This contribution resulted in the Council meeting its medium term reserves strategy of an unallocated general reserve of £12.8m by March 2012, one year ahead of schedule. The surplus of £2.730m achieved during the year has been set aside in contingency funds, to provide funding for Council priorities in future years.

The main variances in the Council's outturn position arose in the following areas:

- An underspend on General Fund Services of £3.811m, partly offset by a reduced contribution of £3.228m from the Council's significant trading operations. For the second year in succession, all departments returned underspends against their approved budgets.
- A reduction of £2.820m on loan charges / interest on revenue balances, primarily resulting from lower debt levels as a result of reduced capital expenditure in previous years.
- A net shortfall of £0.772m from Council Tax income, mainly arising from increased entitlement to exemptions and discounts.
- In addition, £5.912m was drawn down from the capital fund, in line with the revised budget, from monies set aside from the sale of fixed assets, to offset the costs of repaying external debt. This enabled monies provided within the budget for debt repayment costs to be used to offset expenditure, on a one-off basis, within general fund services, primarily for equal pay costs.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Financial Performance - continued

Principal Sources of Funding

The principal sources of funding used by the Council during the year were:

	£000
Council tax / community charge income (net of cost of benefits)	226,583
General revenue funding	579,737
Distribution from non-domestic rates pool	188,733
Total	<u>995,053</u>

Reconciliation to Amounts Reported for Resource Allocation Decisions

Note 31 to the Financial Statements shows the amounts reported for resource allocation decisions. The departmental income and expenditure shown in note 31 can be reconciled back to the total shown for General Fund services as follows:

	Expenditure £000	Income £000	Net Expenditure £000
Children and Families	399,917	(16,898)	383,019
City Development	81,010	(63,224)	17,786
Corporate Services	117,172	(57,594)	59,578
Finance	27,671	(13,173)	14,498
Health and Social Care	223,559	(51,060)	172,499
Joint Boards	75,649	(2,126)	73,523
Services for Communities	329,943	(183,228)	146,715
Net cost of benefits	215,198	(214,908)	290
Other non-departmental specific income and expenditure	25,788	(15,563)	10,225
	<u>1,495,907</u>	<u>(617,774)</u>	<u>878,133</u>
General Fund services (as shown on page 4)			882,611
Significant trading operations (as shown on page 4)			(4,127)
Net cost of council tax benefit (as shown on page 4)			(351)
			<u>878,133</u>

Reserves

The Council's General Fund comprises two elements:

- The unallocated General Fund; and
- Balances earmarked for specific purposes.

The unallocated General Fund is held against the risk of unanticipated expenditure or reduced income arising in any particular year. The level on this reserve is reviewed annually by the Council as part of the revenue budget process. This review considers the level of balances held, the risks inherent in the budget process and the arrangements in place to manage these.

The latest review was in February 2011, as part of the 2011-2014 budget setting process. This forecast an unallocated General Fund balance of £12.8m at 31 March 2011. The actual balance, including the in-year contribution was £13.025m. Recognising the financial difficulties faced in setting the 2011/12 budget, Council approved an additional contribution of £2m in 2010/11, bringing the total contribution for the year to £4m.

In addition, the Council has a further £76.609m of balances earmarked for specific purposes. These are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future - examples include monies earmarked for equal pay and the insurance fund. The Council holds £29.961m against these future risks.
- Balances set aside, primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £38.072m of income which has been received in advance of planned expenditure.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Reserves - continued

- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances. The Council holds £3.481m of balances for such projects.
- Balances held under the School Board Delegation Scheme (DSM), which permits balances on individual school budgets to be carried forward to the following financial year. The current balance is £1.900m.
- Balances set aside under the Council's budget flexibility scheme. A proportion of departmental underspends in previous years is set aside in an earmarked balance, with the monies being used for specific purposes, including corporate priorities and maintaining an adequate level of reserves. A total of £3.195m has been set aside under this scheme.

In summary, the level of reserves at 31 March 2011, together with the forward strategy, are considered appropriate in view of the financial liabilities and risks likely to face the Council in the short to medium term.

Impact of Current Economic Climate and Financial Stability

For the second consecutive year, all departments within the Council have underspent on budget, however, given the on-going constraints on public expenditure, it is imperative that robust financial management and control continues. Work being undertaken on Alternative Business Models, procurement strategies and service prioritisation will assist the Council to ensure its long-term financial position remains sustainable.

In view of the need to establish financial stability within the Council, a Long-Term Financial Plan (LTFP) has been developed as a project within the achieving excellence programme. The LTFP seeks to quantify the financial outlook over a ten-year period for the General Fund revenue budget. The LTFP establishes projections for the cost of current services, external income, including government funding and the impact of major external factors, such as demographics.

The approved budget for 2010/11 included over £41m of savings. Savings were approved against a number of themes:

- | | |
|--|--|
| • Changing processes / business models | • Property and better asset management |
| • Better procurement | • Savings in service provision |
| • Income generation | • Other savings |

The LTFP identified a funding gap of £90m for the three year period from 2011/12 to 2013/14, of which approximately half required to be found in 2011/12. The funding gap was addressed through a combination of approved savings and a review of assumptions in the LTFP, taking account of changing circumstances.

The approved budget for 2011/12 includes savings of over £33m. The first tranche of these savings, equating to over £7.5m for 2011/12, were reported to Council in September 2010 for approval. This early approval of savings enabled Directors to take the necessary steps to ensure savings could be implemented from April 2011. The balance of savings for 2011/12 were approved by Council in February 2011, together with further incremental savings of £18.152m for 2012/13 and £11.096m for 2013/14.

Modernising Pay

The Council introduced its modernising pay scheme on 4 October 2010. However, there are still a number of significant financial issues, as a result of modernising pay, that have implications for the Council's financial strategy.

As at 31 March 2011, £90.5m has either been paid or provided for to meet potential equal pay claims. From the date of implementation, employees whose new salaries and wages are lower than their previous earnings, have a three-year pay protection period. This may result in further liabilities for the Council. The cost of the new scheme will have implications for future years and this will be taken into account in the Council's financial strategy.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Housing Revenue Account

The Council has a statutory obligation to maintain a revenue account for its housing provision in accordance with the Housing (Scotland) Act 1987. The Housing Revenue Account records all expenditure and income relating to the Council's own housing stock. Revenue expenditure on housing management, repairs and maintenance is funded from rent paid by tenants.

The Council is also pursuing a major capital investment programme to improve its housing stock to meet the Scottish Housing Quality Standard by 2015. This programme is funded largely through prudential borrowing with the costs of borrowing met from rental income.

The Housing Revenue Account broke even at the end of the financial year, after making a contribution, via the General Fund, of £1.614m to the renewal and repairs fund. In addition, £4m of Housing Revenue Account debt was repaid during the year in accordance with the approved budget and the thirty year business plan.

Good progress was maintained towards meeting the Scottish Housing Quality Standard with 70% of dwellings compliant as at 31 March 2011, compared to 53% as at 31 March 2010.

In March 2009, the Council approved a programme to build up to 1,300 new homes for sale and rent under the 21st Century Homes programme. Construction work is currently underway in Gracemount, with the first Council homes due to be handed over in November 2011. This site will provide 215 new homes of which half will be affordable, including social rent, mid rent and low cost home ownership. Planning permission in principle has been granted for the remaining phases in North Sighthill and Pennywell and a design guide is under development.

Significant Trading Operations

The provisions contained in the Local Government in Scotland Act 2003 require the Council to consider all services provided and determine which are Significant Trading Operations. The Act requires statutory trading accounts to be maintained for Significant Trading Operations and that they should break even over a three-year rolling period. 2010/11 is the ninth year of trading for the areas identified as Significant Trading Operations.

BlindCraft, Direct Cleaning, Edinburgh Catering Services - School and Welfare Catering, Edinburgh Catering Services - Other Catering and Refuse Collection (including Trade Waste) failed to achieve their statutory obligation to break even over the three-year period 2008-09 to 2010-11. Excluding costs relating to equal pay, Direct Cleaning and Edinburgh Catering Services - School and Welfare Catering would have met their statutory targets to break even over a three-year period. BlindCraft and Refuse Collection did not have any equal pay costs. Further details can be seen in note 32 to the Financial Statements.

The surplus of £4.127m in the table on page 4 represents the overall outturn from all the Significant Trading Operations, excluding IAS 19 and other adjustments. In the Comprehensive Income and Expenditure Statement (page 17), the results are included in 'Net Surplus from Trading Undertakings', Exceptional Expenditure or within the relevant service as stated in note 32 to the Financial Statements.

	£000
Surplus	(4,127)
IAS 19 Charges	86
Included in exceptional items	1,232
Other adjustments, including non distributed costs	(1,118)
Total cost included in Comprehensive Income and Expenditure Statement	(3,927)
Included in individual services in Comprehensive Income and Expenditure Statement	(1,165)
Included in net surplus from trading accounts (see notes 12 and 32)	(3,994)
Included in exceptional items	1,232
Total cost included in Comprehensive Income and Expenditure Statement	(3,927)

The 2009/10 and 2008/09 surpluses and deficits included in the statutory requirement to breakeven have not been re-stated to include the impact of the costs for accrued holiday leave entitlement, although the figures included in the Comprehensive Income and Expenditure Statement have been re-stated. The figures for 2010/11 include these costs.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Capital Expenditure

The outturn position for capital expenditure is summarised below:

	Revised Budget 2010/11 £000	Actual 2010/11 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	332,497	265,372	(67,125)
Housing Revenue Account	40,229	37,718	(2,511)
Total capital expenditure	<u>372,726</u>	<u>303,090</u>	<u>(69,636)</u>
Capital receipts and other contributions			
- General Fund services	(32,547)	(4,298)	28,249
- Housing Revenue Account	(3,700)	(4,260)	(560)
Government and other grants			
- General Fund services	(196,511)	(205,982)	(9,471)
- Housing Revenue Account	(300)	(1,170)	(870)
Total capital income	<u>(233,058)</u>	<u>(215,710)</u>	<u>17,348</u>
Balance to be funded through borrowing			
- General Fund services	103,439	55,092	(48,347)
- Housing Revenue Account	36,229	32,288	(3,941)
Total advances from loans fund	<u>139,668</u>	<u>87,380</u>	<u>(52,288)</u>

Expenditure on General Fund services slipped by £67.125m. Of this £7.555m related to the tram project. In addition, slippage of over £30m related to flood prevention, Kings Theatre, Drumbrae library, neighbourhood environmental partnerships and wave three schools projects. Expenditure on the Housing Revenue Account slipped by £2.511m. Phasing of the tram budget was revised during the year, reflecting the evolving position on the tram project and thus slippage against budget is less than it would otherwise have been.

The Council received £35.110m of general capital grant, of which £2.126m was transferred to revenue, for third party payments. This sum was passed to Lothian and Borders Police Board. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £303.090m. Of this amount, £37.718m was spent on Council housing through the Housing Revenue Account programme and £39.600m through the housing development fund. £158.182m was spent on tram works, roads and other infrastructure, £17.649m on recreational venues and £12.681m on educational properties. In addition, £6.493m was spent through general services on construction of additional function space and offices at Edinburgh International Conference Centre (EICC). This project is due to be completed in 2013/14 at a total estimated cost of £72.587m. The funding sources include a contribution from the International Conference Centre Income Trust, with the majority being funded through borrowing and sale of the office once complete. The expenditure incurred this year has been funded entirely from the Income Trust.

Funding of capital expenditure included £207.152m from government and other grants. This includes £156m of Government grants relating to housing development funding and the trams project. A further £8.558m was generated from the sale of assets and other receipts. The remaining £87.380m was funded through borrowing.

The current economic climate continues to have a serious impact on the property market and this in turn has impacted on the Council's ability to raise income to fund capital projects through the sale of assets. The residential market has been particularly affected and this is where the Council's largest capital receipts were anticipated. As this is not expected to improve in the immediate future, the Council has had to re-align its capital programme and defer commencement of some projects until later years to ensure that the capital programme remains affordable.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Capital Expenditure - continued

Major capital projects undertaken during the year included:

- Continuing investment in roads and other infrastructure
- Construction and refurbishment of schools
- Continuation of the tram project
- Refurbishment of the Usher Hall and Royal Commonwealth Pool
- Construction of additional function space and office at the EICC
- Construction and completion of Kings Inch Care Home

Tram Project

There are four key players in the tram project - the Council, Transport Scotland, Transport Edinburgh Limited and tie Limited. Transport Scotland is responsible for the Scottish Government's transport investment programme and is the principal funder of the Edinburgh tram project. The Council is the promoter of the tram project and has been responsible for its inception through the local transport strategy and the promotion of Parliamentary Bills enabling its construction. At 31 March 2011, tie Ltd were managing the project on behalf of the Council.

As of 21 May 2011, £461m had been incurred on the project. Works undertaken include:

- Utility diversions are now substantially complete;
- The tram depot and test track are 80% complete;
- All 27 tram vehicles are complete and factory tested;
- The off-street section between the Airport and Haymarket is 40% complete.

During 2010/11, the contractual disputes that affected construction on the project continued. Contract resolution did not progress the project and as a result mediation was undertaken during March 2011. As a result of mediation, the contractor and the Council / tie reached agreement on a settlement to build the project from the airport to St Andrew Square / York Place. The additional requirement for funding was reported to and approved by Council on 2 September 2011. The total revised project cost is now forecast at £776m with the additional £231m being funded by the Council.

Revised governance arrangements have also been put in place for the remainder of the project. The Council has taken executive control of the project and has appointed Turner and Townsend to provide project management support to the Infracore contract. In addition, Transport Scotland will take a more visible role in the project going forward.

Long-term Borrowing

The Council is required, by regulation, to have regard to the Prudential Code, which was established by CIPFA to support local authorities in taking their capital investment decisions, in undertaking its duties. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital plans of local authorities are affordable, prudent and sustainable. Revenue costs arising from long-term borrowing are provided for within the framework of the Long-Term Financial Plan.

A further key objective is to ensure that treasury management decisions are taken in accordance with professional guidance and best practice. The Prudential Code also has the objectives of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Long-term Borrowing - continued

The Council borrowed money throughout the year to meet anticipated capital expenditure requirements and to refinance maturing loans after allowing for debt repayments. The borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing comes from the Public Works Loan Board with the remainder from the European Investment Bank and market and other loans. Further details are provided at note 30 to the Financial Statements.

Investments

The Council's approach to the investment of its surplus funds has always been to prioritise the security of its investments rather than to seek the greatest return possible on them. Throughout the 'credit crunch' the Council has continued to manage its counterparty exposure accordingly to protect its funds. More details can be found under credit risk on pages 108 and 109.

Public Private Partnership - Provision of School Buildings

In November 2001, the Council entered into a public private partnership with Edinburgh Schools Partnership, for the provision of school buildings, property maintenance and other facility management services. This was supplemented by a further agreement in April 2004. The project provides for a total of eighteen new or refurbished schools and other facilities throughout the city.

In April 2007, the Council entered into a second public private partnership with Axiom Education Limited for the provision of school buildings, property maintenance and other facilities. This project provides for replacement of six secondary schools and two primary schools.

Further details are provided at note 40 to the Financial Statements.

Property used in providing services under PPP contracts is now recognised as an asset on an authority's balance sheet.

International Accounts Standard 19 - Employee Benefits

IAS 19 - Employee Benefits covers all types of employee benefits. It covers benefits payable during employment, termination benefits and post-employment benefits.

The adoption of IAS 19 requires the Council to include the cost of paid annual leave in the Financial Statements. The cost of annual leave that employees have earned the right to that remains unused as at 31 March is included in the net cost of services in the Comprehensive Income and Expenditure Statement (CIES), with a corresponding adjustment made in the Movement in Reserves Statement, thus avoiding any impact on the Council's funding position.

The requirement to account for retirement benefits, is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, rather than when payment actually falls due. The net cost of services in the Comprehensive Income and Expenditure Statement therefore includes an appropriate amount for the retirement benefits the Council has committed to pay, while the effect on the amount to be met from government grant and local tax payers has been balanced through inclusion of pensions interest costs and a transfer from the pensions reserve. This is because the Council bases its budget on the agreed employer's pension contributions payable and payments to pensioners in the year rather than benefit entitlements earned by employees.

The Chancellor of the Exchequer announced in his emergency budget on 22 June 2010 that the consumer price index rather than the retail price index would be the basis for future public sector pension increases.

This has not been viewed as a change in accounting policy, rather a change in assumptions. The impact of this change on the past services costs shown under IAS19 was a credit of £183.226m, of which £3.593m relates to the Housing Revenue Account. Due to the materiality of the impact of this one-off change, this has been included as 'negative expenditure' within exceptional expenditure in the Comprehensive Income and Expenditure Statement.

The total amount paid during the year for termination benefits can be seen in note 41 to the Financial Statements

FOREWORD BY THE ACTING DIRECTOR OF FINANCE

Net Pension Liability

The net pension liability, shown in note 43 to the Financial Statements, in accordance with the requirements of IAS19 Employee Benefits, amounts to £335.902m. This exceeds current General Fund reserves of £89.634m. It should be noted that this is a snapshot of the position at 31 March 2011. The actuarial valuation, which takes a longer term view, will consider the appropriate employer's contribution rates and this, together with employee contributions and revenues generated from fund investments, will be utilised to meet the fund's commitments.

Provisions

The Council has made provision within its Financial Statements against both non-collection of income and obligations arising from past events.

- As can be seen from note 19.4 to the Financial Statements, the Council has made provision for £227.102m against non-collection of outstanding income, mainly comprising council tax and community charge. During the year, a net additional amount of £8.255m was set aside in these provisions for impairment of debtors.
- Note 23 to the Financial Statements shows that the Council has provided for £127.697m for potential costs arising from past events, a net increase of £74.846m from the previous year, mainly relating to trams and equal pay. Within the total amount, £75.435m relates to the tram scheme and £47.934m for equal pay claims.

Group Accounts

The Council's arms-length companies have also been affected by the economic climate. A number of the companies are involved in the property market and have seen the values of their property portfolios decrease as a direct result of the current economic conditions. In 2009/10, the Council spent £72.576m acquiring various properties from companies within its group, resulting in a net reduction in borrowing costs across the group.

The Group Balance Sheet, shown on pages 18 and 19 shows net assets for 2010/11 of £908.874m. Within this total, the Group has a combined pension liability of £1,436.494m. This reflects the inclusion of pension liabilities relating to Council, police and fire officers, other employees, including subsidiary companies and the incorporation of joint boards as associates within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2011. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

KAREN KELLY, CPFA,
Acting Director of Finance
30 September 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance's Responsibilities

The Director of 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 the United Kingdom ('the Code of Practice'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2011).

In preparing this statement of accounts, the Director of 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, except where stated in the Policies and Notes to the Accounts.

The Director of 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.

Statement of Accounts

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

KAREN KELLY, CPFA,
Acting Director of Finance
30 September 2011

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2010/11				
Balance at 31 March 2010	<u>(73,113)</u>	<u>0</u>	<u>(13,779)</u>	<u>0</u>
Movement in reserves during 2010/11				
(Surplus) or deficit on the provision of services	(251,018)	12,832	0	0
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,435)</u>
Total Comprehensive Income and Expenditure	<u>(251,018)</u>	<u>12,832</u>	<u>0</u>	<u>(8,435)</u>
Adjustments between accounting basis and funding basis under regulations (Note 9.)	<u>240,399</u>	<u>(14,446)</u>	<u>0</u>	<u>8,435</u>
Net (increase) / decrease before transfers to statutory reserves	<u>(10,619)</u>	<u>(1,614)</u>	<u>0</u>	<u>0</u>
Transfer (to) / from other statutory reserves (Note 10.3)	(5,902)	1,614	(1,625)	0
Minority interest and other consolidation adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(Increase) / decrease in year	<u>(16,521)</u>	<u>0</u>	<u>(1,625)</u>	<u>0</u>
Balance at 31 March 2011	<u>(89,634)</u>	<u>0</u>	<u>(15,404)</u>	<u>0</u>
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2010/11				
Balance at 31 March 2010	<u>(27,207)</u>	<u>(22,467)</u>	<u>(136,566)</u>	<u>12,942</u>
Movement in reserves during 2010/11				
(Surplus) or deficit on the provision of services	0	0	(238,186)	(87,327)
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>(8,435)</u>	<u>(19,182)</u>
Total Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>(246,621)</u>	<u>(106,509)</u>
Adjustments between accounting basis and funding basis under regulations (Note 9.)	<u>25,666</u>	<u>164</u>	<u>260,218</u>	<u>72,944</u>
Net (increase) / decrease before transfers to statutory reserves	<u>25,666</u>	<u>164</u>	<u>13,597</u>	<u>(33,565)</u>
Transfer (to) / from other statutory reserves (Note 10.3)	0	5,913	0	(512)
Minority interest and other consolidation adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,287</u>
(Increase) / decrease in year	<u>25,666</u>	<u>6,077</u>	<u>13,597</u>	<u>(30,790)</u>
Balance at 31 March 2011	<u>(1,541)</u>	<u>(16,390)</u>	<u>(122,969)</u>	<u>(17,848)</u>

MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2010/11				
Balance at 31 March 2010	<u>(123,624)</u>	<u>(1,219,735)</u>	<u>1,059,868</u>	<u>(283,491)</u>
Movement in reserves during 2010/11				
(Surplus) or deficit on the provision of services	(325,513)	0	0	(325,513)
Other Comprehensive Income and Expenditure	<u>(27,617)</u>	<u>(201,883)</u>	<u>(59,698)</u>	<u>(289,198)</u>
Total Comprehensive Income and Expenditure	(353,130)	(201,883)	(59,698)	(614,711)
Adjustments between accounting basis and funding basis under regulations (Note 9.)	<u>333,162</u>	<u>(260,218)</u>	<u>(72,944)</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	(19,968)	(462,101)	(132,642)	(614,711)
Transfer (to) / from other statutory reserves (Note 10.3)	(512)	0	512	0
Minority interest and other consolidation adjustments	<u>3,287</u>	<u>0</u>	<u>(8,105)</u>	<u>(4,818)</u>
(Increase) / decrease in year	<u>(17,193)</u>	<u>(462,101)</u>	<u>(140,235)</u>	<u>(619,529)</u>
Balance at 31 March 2011	<u>(140,817)</u>	<u>(1,681,836)</u>	<u>919,633</u>	<u>(903,020)</u>

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2009/10 Comparative Data				
Balance at 31 March 2009	<u>(59,575)</u>	<u>0</u>	<u>(10,330)</u>	<u>0</u>
Movement in reserves during 2009/10				
((Surplus) or deficit on the provision of services	(97,662)	32,459	0	0
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,312)</u>
Total Comprehensive Income and Expenditure	(97,662)	32,459	0	(6,312)
Adjustments between accounting basis and funding basis under regulations (Note 9.)	<u>84,440</u>	<u>(35,880)</u>	<u>0</u>	<u>6,312</u>
Net (increase) / decrease before transfers to statutory reserves	(13,222)	(3,421)	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	(316)	3,421	(3,449)	0
Minority interest and other consolidation adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(Increase) / decrease in year	<u>(13,538)</u>	<u>0</u>	<u>(3,449)</u>	<u>0</u>
Balance at 31 March 2010	<u>(73,113)</u>	<u>0</u>	<u>(13,779)</u>	<u>0</u>

MOVEMENT IN RESERVES STATEMENT

	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2009/10 - Comparative Data - continued				
Balance at 31 March 2009	<u>(33,940)</u>	<u>(22,941)</u>	<u>(126,786)</u>	<u>(31,719)</u>
Movement in reserves during 2009/10				
(Surplus) or deficit on the provision of services	0	0	(65,203)	67,270
Other Comprehensive Income and Expenditure	<u>(1,137)</u>	<u>130</u>	<u>(7,319)</u>	<u>35,546</u>
Total Comprehensive Income and Expenditure	<u>(1,137)</u>	<u>130</u>	<u>(72,522)</u>	<u>102,816</u>
Adjustments between accounting basis and funding basis under regulations (Note 9.)	<u>7,870</u>	<u>0</u>	<u>62,742</u>	<u>(54,320)</u>
Net (increase) / decrease before transfers to statutory reserves	6,733	130	(9,780)	48,496
Transfer (to) / from other statutory reserves (Note 10.3)	0	344	0	0
Minority interest and other consolidation adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,835)</u>
(Increase) / decrease in year	<u>6,733</u>	<u>474</u>	<u>(9,780)</u>	<u>44,661</u>
Balance at 31 March 2010	<u>(27,207)</u>	<u>(22,467)</u>	<u>(136,566)</u>	<u>12,942</u>
	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2009/10 - Comparative Data				
Balance at 31 March 2009	<u>(158,505)</u>	<u>(1,482,399)</u>	<u>640,693</u>	<u>(1,000,211)</u>
Movement in reserves during 2009/10				
(Surplus) or deficit on the provision of services	2,067	0	0	2,067
Other Comprehensive Income and Expenditure	<u>28,227</u>	<u>325,406</u>	<u>366,051</u>	<u>719,684</u>
Total Comprehensive Income and Expenditure	<u>30,294</u>	<u>325,406</u>	<u>366,051</u>	<u>721,751</u>
Adjustments between accounting basis and funding basis under regulations (Note 9.)	<u>8,422</u>	<u>(62,742)</u>	<u>54,320</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	38,716	262,664	420,371	721,751
Transfer (to) / from other statutory reserves (Note 10.3)	0	0	0	0
Minority interest and other consolidation adjustments	<u>(3,835)</u>	<u>0</u>	<u>(1,196)</u>	<u>(5,031)</u>
(Increase) / decrease in year	<u>34,881</u>	<u>262,664</u>	<u>419,175</u>	<u>716,720</u>
Balance at 31 March 2010	<u>(123,624)</u>	<u>(1,219,735)</u>	<u>1,059,868</u>	<u>(283,491)</u>

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2011

(re-stated) 2009/10 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
326,107	Education Services		358,134	(14,123)	344,011
266,536	Social Work		324,961	(49,648)	275,313
14,276	Housing Revenue Account		85,356	(87,113)	(1,757)
40,230	Other Housing Services		311,190	(269,118)	42,072
63,904	Cultural and Related Services		64,394	(16,635)	47,759
71,168	Environmental Services		92,700	(21,038)	71,662
41,529	Roads and Transport		247,811	(211,822)	35,989
26,740	Planning and Development		82,184	(48,270)	33,914
55,066	Police Joint Board Requisition		48,972	(2,126)	46,846
28,246	Fire Joint Board Requisition		22,753	0	22,753
13,605	Corporate and Democratic Core		13,333	(31)	13,302
17,648	Non-Distributed Costs		20,162	0	20,162
6,965	Services to the Public		20,311	(14,832)	5,479
2,734	Other Operating Expenditure		36,221	(27,460)	8,761
39,338	Exceptional Items	49.	(162,301)	0	(162,301)
58,311	Associates and Joint Ventures Accounted for on an Equity Basis		135,183	(198,991)	(63,808)
1,072,403	COST OF SERVICES		1,701,364	(961,207)	740,157
(2,189)	Other Operating Expenditure	11.			(2,168)
87,640	Financing and Investment Income	12.			64,147
(1,155,787)	Taxation and Non-Specific Grant Income	13.			(1,127,649)
2,067	SURPLUS ON PROVISION OF SERVICES				(325,513)
(235,843)	Surplus on Revaluation of Non-Current Assets			(50,023)	
404,128	Actuarial (Gains) / Losses on Pension Liabilities			(161,242)	
551,399	Other Unrealised (Gains) / Losses			(77,933)	
719,684	Other Comprehensive Income and Expend.				(289,198)
721,751	TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE				(614,711)

An analysis of minority interest shares in the Group Comprehensive Income and Expenditure Statement can be seen in note 7.1.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2011

(re-stated) 2009/10			Gross Expend.	Income	Net Expend.
£000		Notes	£000	£000	£000
	SERVICES				
326,107	Education Services		358,134	(14,123)	344,011
266,536	Social Work		324,961	(49,648)	275,313
14,276	Housing Revenue Account		85,356	(87,113)	(1,757)
40,230	Other Housing Services		311,190	(269,118)	42,072
66,161	Cultural and Related Services		61,239	(11,358)	49,881
71,168	Environmental Services		92,700	(21,038)	71,662
46,793	Roads and Transport		106,429	(41,841)	64,588
28,826	Planning and Development		71,774	(37,719)	34,055
55,066	Police Joint Board Requisition		48,972	(2,126)	46,846
28,246	Fire Joint Board Requisition		22,753	0	22,753
13,605	Corporate and Democratic Core		13,333	(31)	13,302
17,648	Non-Distributed Costs		20,162	0	20,162
6,965	Services to the Public		20,311	(14,832)	5,479
(5,463)	Other Operating Expenditure / (Income)		30,157	(27,460)	2,697
39,338	Exceptional Items	49.	(162,301)	0	(162,301)
1,015,502	COST OF SERVICES		<u>1,405,170</u>	<u>(576,407)</u>	828,763
(226)	Other Operating Expenditure	11.			(867)
75,655	Financing and Investment Income	12.			64,447
(1,156,134)	Taxation and Non-Specific Grant Income	13.			(1,130,529)
(65,203)	SURPLUS ON PROVISION OF SERVICES				(238,186)
(235,843)	Surplus on Revaluation of Non-Current Assets			(50,023)	
404,128	Actuarial (Gains) / Losses on Pension Liabilities			(161,242)	
149,803	Other Unrealised (Gains) / Losses			947	
318,088	Other Comprehensive Income and Expend.				(210,318)
252,885	TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE				<u>(448,504)</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
252,885	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(448,504)
1,466	Subsidiary and associate transactions included in the Council's CIES	(1,231)
	(Surplus) / deficit arising from other entities included in the Group Accounts	
35,407	Subsidiaries	(40,495)
431,993	Associates	(124,481)
721,751	Group total Comprehensive (Income) and Expenditure for the year	<u>(614,711)</u>

GROUP BALANCE SHEET

The Balance sheets shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net liability of the Group (assets less liabilities) represents the total net loss of the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services. The second category of reserves are those that the Group is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold.

(re-stated) 1 April 2009 £000	(re-stated) 31 March 2010 £000		Notes	31 March 2011 £000	£000
1,402	2,320	Intangible Assets	16.		2,476
1,025,948	1,005,705	Council Dwellings		1,009,675	
1,448,725	1,653,166	Other Land and Buildings		1,635,322	
112,909	111,194	Vehicles, Plant, Furniture and Equipment		99,205	
532,368	629,419	Infrastructure Assets		728,855	
13,687	14,665	Community Assets		15,532	
12,674	19,706	Surplus Assets		40,175	
10,664	40,350	Assets under Construction		62,737	
<u>3,156,975</u>	<u>3,474,205</u>	Property, Plant and Equipment	14.		3,591,501
8,041	8,477	Investment Properties	15.		7,258
842	2,812	Assets Held for Sale	21.		7,975
134	327	Deferred Tax			307
26,558	6,004	Long-Term Investments			7,739
52,693	48,242	Investments in Associates and Joint Ventures			42,376
<u>64,061</u>	<u>55,668</u>	Long-Term Debtors	19.		<u>59,248</u>
<u>3,310,706</u>	<u>3,598,055</u>	Long-Term Assets			<u>3,718,880</u>
41,896	12,193	Short-Term Investments		33,118	
1,837	3,200	Assets Held for Sale	21.	5,357	
34,478	25,081	Inventories	18.	21,954	
173,101	202,005	Short-Term Debtors	19.	191,704	
<u>81,939</u>	<u>135,808</u>	Cash and Cash Equivalents	20.	<u>224,360</u>	
<u>333,251</u>	<u>378,287</u>	Current Assets			476,493
(123,227)	(28,029)	Short-Term Borrowing		(48,909)	
(218,917)	(253,411)	Short-Term Creditors	22.	(220,189)	
<u>(31,582)</u>	<u>(52,851)</u>	Provisions	23.	<u>(129,704)</u>	
<u>(373,726)</u>	<u>(334,291)</u>	Current Liabilities			(398,802)

GROUP BALANCE SHEET

(re-stated) 1 April 2009	(re-stated) 31 March 2010			31 March 2011
£000	£000		Notes	£000 £000
(1,106,862)	(1,216,180)	Long-Term Borrowing		(1,274,809)
(132,331)	(247,050)	Other Long-Term Liabilities		(225,497)
(15,507)	(16,831)	Deferred Tax		(17,570)
(726,066)	(1,153,608)	Liabilities in Associates and Joint Ventures		(1,023,262)
<u>(283,546)</u>	<u>(722,288)</u>	Other Long-Term Liabilities (Pensions)		<u>(346,559)</u>
<u>(2,264,312)</u>	<u>(3,355,957)</u>	Long-Term Liabilities		<u>(2,887,697)</u>
<u>1,005,919</u>	<u>286,094</u>	Net Assets		<u>908,874</u>
(503,611)	(734,264)	Revaluation Reserve		(774,085)
(1,340,425)	(1,251,384)	Capital Adjustment Account		(1,329,289)
57,633	56,848	Financial Instruments Adjustment Account		55,768
276,181	679,608	Pensions Reserve		335,902
27,823	29,457	Employee Statutory Adjustment Account		29,868
<u>640,693</u>	<u>1,059,868</u>	Group Unusable Reserves		<u>919,633</u>
<u>(841,706)</u>	<u>(159,867)</u>	Unusable Reserves	25.	(762,203)
(33,940)	(27,207)	Capital Grants Unapplied Account		(1,541)
(22,941)	(22,467)	Capital Fund		(16,390)
(10,330)	(13,779)	Renewal and Repairs Fund		(15,404)
(59,575)	(73,113)	General Fund		(89,634)
<u>(31,719)</u>	<u>12,942</u>	Group Usable Reserves		<u>(17,848)</u>
<u>(158,505)</u>	<u>(123,624)</u>	Usable Reserves	10.	<u>(140,817)</u>
(1,000,211)	(283,491)	Total Group Reserves		(903,020)
(5,708)	(2,603)	Minority Interest		(5,854)
<u>(1,005,919)</u>	<u>(286,094)</u>	Total Reserves		<u>(908,874)</u>

The unaudited accounts were issued on 22 June 2011 and signed by D. McGougan, former Director of Finance. The audited accounts were issued on 30 September 2011.

KAREN KELLY, CPFA,
Acting Director of Finance
30 September 2011

BALANCE SHEET

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

(re-stated) 1 April 2009 £000	(re-stated) 31 March 2010 £000		Notes	31 March 2011 £000	£000
1,402	2,320	Intangible Assets	16.		2,476
1,025,948	1,005,705	Council Dwellings		1,009,675	
1,345,640	1,604,706	Other Land and Buildings		1,588,189	
42,366	39,483	Vehicles, Plant, Furniture and Equipment		31,170	
527,409	626,639	Infrastructure Assets		726,364	
13,687	14,665	Community Assets		15,532	
12,674	19,706	Surplus Assets		40,175	
10,285	39,911	Assets under Construction		61,342	
<u>2,978,009</u>	<u>3,350,815</u>	Property, Plant and Equipment	14.		3,472,447
1,791	2,227	Investment Properties	15.		2,288
842	2,812	Assets Held for Sale	21.		7,975
43,374	23,335	Long-Term Investments			23,335
64,061	59,668	Long-Term Debtors	19.		62,748
<u>3,089,479</u>	<u>3,441,177</u>	Long-Term Assets			<u>3,571,269</u>
41,617	12,193	Short-Term Investments		33,118	
1,837	3,200	Assets Held for Sale	21.	5,357	
2,122	1,870	Inventories	18.	2,028	
142,132	158,175	Short-Term Debtors	19.	168,924	
82,399	117,384	Cash and Cash Equivalents	20.	207,464	
<u>270,107</u>	<u>292,822</u>	Current Assets			416,891
(64,742)	(28,029)	Short-Term Borrowing		(46,863)	
(170,188)	(178,102)	Short-Term Creditors	22.	(173,300)	
<u>(26,540)</u>	<u>(50,668)</u>	Provisions	23.	<u>(127,697)</u>	
<u>(261,470)</u>	<u>(256,799)</u>	Current Liabilities			(347,860)

BALANCE SHEET

(re-stated) 1 April 2009	(re-stated) 31 March 2010			31 March 2011
£000	£000		Notes	£000 £000
(1,100,284)	(1,213,186)	Long-Term Borrowing	17.	(1,281,119)
(112,466)	(228,105)	Other Long-Term Liabilities	17.	(218,474)
(276,181)	(679,608)	Other Long-Term Liabilities (Pensions)	43.7	(335,902)
<u>(1,488,931)</u>	<u>(2,120,899)</u>	Long-Term Liabilities		<u>(1,835,495)</u>
<u>1,609,185</u>	<u>1,356,301</u>	Net Assets		<u>1,804,805</u>
(503,611)	(734,264)	Revaluation Reserve		(774,085)
(1,340,425)	(1,251,384)	Capital Adjustment Account		(1,329,289)
57,633	56,848	Financial Instruments Adjustment Account		55,768
276,181	679,608	Pensions Reserve		335,902
<u>27,823</u>	<u>29,457</u>	Employee Statutory Adjustment Account		<u>29,868</u>
<u>(1,482,399)</u>	<u>(1,219,735)</u>	Unusable Reserves	25.	(1,681,836)
(33,940)	(27,207)	Capital Grants Unapplied Account		(1,541)
(22,941)	(22,467)	Capital Fund		(16,390)
(10,330)	(13,779)	Renewal and Repairs Fund		(15,404)
<u>(59,575)</u>	<u>(73,113)</u>	General Fund		<u>(89,634)</u>
<u>(126,786)</u>	<u>(136,566)</u>	Usable Reserves	10.	(122,969)
<u>(1,609,185)</u>	<u>(1,356,301)</u>	Total Reserves		<u>(1,804,805)</u>

The unaudited accounts were issued on 22 June 2011 and signed by D. McGougan, former Director of Finance. The audited accounts were issued on 30 September 2011.

KAREN KELLY, CPFA,
Acting Director of Finance
30 September 2011

GROUP CASH FLOW STATEMENT

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

Year ended 31 March 2011

(re-stated) 2009/10				
£000	OPERATING ACTIVITIES	Notes	£000	£000
(226,073)	Taxation		(230,245)	
(1,242,178)	Grants		(1,160,557)	
(72,832)	Housing rents		(62,431)	
(465,785)	Sales of goods and rendering of services		(458,872)	
(5,773)	Interest and investment income received		(4,528)	
<u>(12,056)</u>	Net cash inflow on group members		<u>0</u>	
(2,024,697)	Cash inflows from operating activities			(1,916,633)
611,764	Cash paid to and on behalf of employees		571,762	
176,533	Housing benefits paid out		184,953	
809,605	Cash paid to suppliers of goods and services		813,223	
0	Taxation paid		2,479	
91,629	Interest paid		94,854	
<u>7,486</u>	Net cash outflow on group members		<u>0</u>	
<u>1,697,017</u>	Cash outflows from operating activities			<u>1,667,271</u>
(327,680)	Net cash flows from operating activities	26.		(249,362)
291,789	Net cash flows from investing activities	27.		236,960
<u>(17,978)</u>	Net cash flows from financing activities	28.		<u>(76,150)</u>
<u>(53,869)</u>	Net increase in cash and cash equivalents			<u>(88,552)</u>
<u>81,939</u>	Cash and cash equivalents at 1 April			<u>135,808</u>
<u>135,808</u>	Cash and cash equivalents at 31 March	20.		<u>224,360</u>

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

Year ended 31 March 2011

(re-stated) 2009/10				
£000	OPERATING ACTIVITIES	Notes	£000	£000
(224,740)	Taxation		(229,895)	
(1,191,289)	Grants		(1,160,557)	
(72,832)	Housing rents		(62,431)	
(381,313)	Sales of goods and rendering of services		(316,276)	
<u>(5,387)</u>	Interest and investment income received		<u>(4,409)</u>	
(1,875,561)	Cash inflows from operating activities			(1,773,568)
546,812	Cash paid to and on behalf of employees		553,430	
176,533	Housing benefits paid out		184,953	
790,753	Cash paid to suppliers of goods and services		702,532	
<u>83,653</u>	Interest paid		<u>93,816</u>	
<u>1,597,751</u>	Cash outflows from operating activities			<u>1,534,731</u>
(277,810)	Net cash flows from operating activities	26.		(238,837)
320,917	Net cash flows from investing activities	27.		231,443
<u>(78,092)</u>	Net cash flows from financing activities	28.		<u>(82,686)</u>
<u>(34,985)</u>	Net increase in cash and cash equivalents			<u>(90,080)</u>
<u>82,399</u>	Cash and cash equivalents at 1 April			<u>117,384</u>
<u>117,384</u>	Cash and cash equivalents at 31 March	20.		<u>207,464</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2011 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11: A Statement of Recommended Practice, (the Code) and the Best Value Accounting Code of Practice (BVACOP). This is to ensure that the Annual Accounts 'present a true and fair view' of the financial position and transactions of the Council.

The Council has accounted for the transition to the International Financial Reporting Standards (IFRS) based Code of Practice in accordance with IFRS1, First-time Adoption of International Financial Reporting Standards, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The accounts have been prepared on a historic cost basis, other than changes resulting from the revaluation of certain categories of fixed assets.

1.1 Accruals of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice.
- Provision has been made in the relevant accounts for bad and doubtful debts.

1.2 Debt Redemption

- The Council operates a consolidated loans fund under the terms of the Local Government (Scotland) Act 1975. Capital payments made by services are financed from the loans fund and repaid on an annuity basis.
- Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing is taken with a refinancing or restructuring option, gains or losses are recognised over the life of the replacement borrowing.

1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

- credit and debit funds held in banks; and
- investments maturing within three months of the Balance Sheet date.

1.4 Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefit, this is disclosed in the notes to the financial statements.

1.5 Employee Benefits

• Accruals of Holiday Leave

Cost of services' within the Comprehensive Income and Expenditure Statement includes a charge for annual leave to which employees are entitled, but have not taken, as at the Balance Sheet.

The Council is not required to raise Council Tax to cover the cost of accrued annual leave. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account balances by way of an adjusting transaction with the employee statutory adjustment account.

• Pensions

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

• Teachers

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

• Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.5 Employee Benefits - continued

- Pensions - continued

- Other Employees - continued

The Financial Statements have been prepared including pension costs as determined under International Accounting Standard 19 - Employee Benefits (IAS19). The cost of services includes expenditure equivalent to the amount of retirement benefits the Council has committed to during the year. Pensions interest costs and the expected return on pension assets have been charged to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations are disclosed in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

1.6 Financial Instruments

- Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement for the General Fund Balance.

- Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made three loans to a related party at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the related party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Financial Instruments - continued

- **Financial Assets - continued**

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Surplus funds on behalf of the Council and associated bodies and cash monies of Lothian Pension Funds are now managed by the Council under a formal management agreement in a pooled investment arrangement. While the monies continue to be shown as investments in Lothian Pension Funds' accounts, they are no longer shown as both liabilities and investments in the Council's accounts.

- **Available-for-Sale-Financial Instruments**

The Council has a significant financial interest in several companies and trusts which have been set up for specific purposes. Details of these appear in note 7 to the Financial Statements. These financial interests have been assessed under the requirements of FRS26 Financial Instruments: Measurement.

The Council's investments in Lothian Buses plc, CEC Holdings Limited and tie Limited have been assessed as outwith the scope of FRS26.

Unless otherwise stated, the accounts of these companies may be obtained on application to the Director of Finance, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

1.7 Government and non-Government Grants and Contributions

- **Revenue**

Revenue grants and contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

- **Capital**

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred and the unapplied capital grants account where expenditure has not been incurred.

Where there are conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants receipts in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

1.8 Intangible Assets

- **Intangible Assets**

Intangible fixed assets represent support for the construction of Housing, where the Council retains nomination rights to the properties and software licences purchased by the Council.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

- **Measurement**

Intangible fixed assets are initially measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.8 Intangible Assets - continued

- **Depreciation**

Nomination rights classified as intangible fixed assets are not depreciated, as these rights are in perpetuity.

Software licences are depreciated over the period of the licence, commencing in the year after acquisition.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

Work-in-progress for BlindCraft has been valued at material cost plus labour costs. This does not comply with the Code of Practice, which requires work-in-progress to be valued at cost plus attributable profit less foreseeable losses. The difference is not considered to be material.

1.10 Investment Properties

- **Measurement**

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value.

Any gains or losses arising from a change in the fair value of investment properties are recognised in the Comprehensive Income and Expenditure Statement for the period in which they arise.

- **Revaluation**

Investment properties are revalued annually.

- **Depreciation**

Investment properties held at fair value are not depreciated.

- **De-recognition**

Investment properties are de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

The gain or loss on arising from the retirement or disposal of an investment property is recognised in the 'surplus or deficit on provision of services' within the Comprehensive Income and Expenditure Statement in the period of the retirement or disposal.

1.11 Leases

- **Operating Leases**

- **Leased-in Assets**

Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease.

- **Leased-out Assets**

Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

- **Finance Leases**

- **Leased-in Assets**

Finance leases, which have substantially transferred to the authority the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.11 Leases - continued

- **Finance Leases - continued**
 - **Leased-in Assets - continued**

The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

1.12 Current and Non-Current Assets held for Sale

Current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

- **Measurement**

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

- **Depreciation**

Current and non-current assets held for sale are not depreciated.

1.13 Overheads

The costs of support services are allocated to direct services. The allocations are made on a basis appropriate to the service provided, in order to match costs to service usage. Certain support service costs are recovered through direct charges during the year.

1.14 Public Private Partnership - School Buildings, Maintenance and Other Facilities

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the non-current assets required to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under this scheme and as ownership of the schools and other facilities will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on its Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other assets owned by the Council.

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

- fair value of the services received during the year - debited to education services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 7.35% (PPP1 scheme) and 5.004% (PPP2 scheme) on the outstanding balance sheet liability - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.15 Property, Plant and Equipment

- **Categories of Assets**

Property, plant and equipment is categorised into the following classes:

Council dwellings	Other land and buildings
Vehicles, plant, furniture and equipment	Infrastructure assets, e.g. roads and footways
Community assets, e.g. parks	Assets under construction
Surplus assets (assets that are surplus to requirements, but there are no clear plans to sell these at the current time.)	

- **Recognition**

Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis.

- **Measurement**

Infrastructure, community assets and assets under construction are measured at historical cost.

All other classes of property, plant and equipment are measured at fair value.

- Other land and buildings - fair value is the amount that would be paid for the assets in its existing use.
- Council dwellings - fair value is measured at existing use value - social housing.
- Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost.

- **Depreciation**

Depreciation is provided on all property, plant and equipment, other than community assets and assets under construction.

The Council does not depreciate its non-current assets in the year of acquisition. The Council operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight line basis on the opening book value over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is not impacted by changes in asset value during the year arising from either revaluation or enhancements.

Component accounting is applied as part of the revaluation process. As a result, where a building asset is split down into further components for the first time in year, the depreciation charge is based on the opening book value over the opening remaining useful life of the asset rather than subsequent component values and associated lives. The difference is not considered material.

- **Charges to Revenue for use of Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service.
- impairment losses attributable to the clear consumption of economic benefits on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise council tax to cover depreciation or impairment losses.

Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Property Manager (Property Management and Development).

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.15 Property, Plant and Equipment - continued

- **De-recognition**

An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in 'surplus or deficit on the provision of services' within the Comprehensive Income and Expenditure Statement when the asset is de-recognised.

The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

- **Components**

Component accounting is applied to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately.

The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million approximately. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

Where it is necessary to break a building down into further components, the following categories are applied:

- Structural - includes external and internal walls, traditional roofing, doors, etc.
- Non traditional roofing - includes flat roof, non-traditional roof coverings and industrial type roofs.
- Finishes - includes doors, windows and room finishes.
- Mechanical and electrical services - includes water, heat, ventilation, electrical, lifts, fire and communications.
- Fittings and furnishings - includes fittings, furnishings and sanitary appliances.

1.16 Provisions

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

1.17 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax.

Unusable reserves cannot be applied to fund expenditure.

- **Usable Reserves**

The Council operates the following usable reserves:

- Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
- Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
- Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
- Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
- General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.17 Reserves - continued

• Unusable Reserves

The Council operates the following unusable reserves:

- Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
- Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
- Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
- Pension reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003.
- Employee statutory adjustment account - represents the net monies which the Council requires to meet its short-term compensated absences for employees under IAS19.

1.18 Revenue Expenditure Funded from Capital Under Statute

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'net cost of services' in the Comprehensive Income and Expenditure Statement.

These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

1.19 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is not recoverable from HM Revenues and Customs.

1.20 Group Account Consolidation

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates - equity method.
- Lothian Buses' and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March), no consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Minority interests have been disclosed separately within the Group Balance Sheet and in Note 7.1 to the Financial Statements.
- Group members' financial statements have been prepared on an accruals basis, with the exception of the International Conference Centre Income Trust and International Conference Centre Expenditure Trust, which have been prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards that have been Issued but not yet Adopted

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Examples include historical buildings and museum and gallery collections.

Heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 Financial Statements, in accordance with FRS 30.

3. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 to the Financial Statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant judgements made in these Financial Statements are detailed below:

3.1 Tram Project

Mediation has been undertaken in relation to the Edinburgh Tram project. The Council has now signed a settlement agreement with the contractor for a reduced project scope, from the airport to St Andrew Square / York Place, with an overall budget of £776m.

3.2 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1) and Axiom Education Limited (PPP2).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £530.598m at 31st March 2011) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.3 Group Membership

The Council has an interest in a number of subsidiary and associate companies, joint ventures and trusts. Full details of these interests are shown in note 7 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The following companies have been assessed as subsidiaries of the Council:

	Shareholding
CEC Holdings Limited	100.00%
Lothian Buses plc	91.01%
tie Limited	100.00%
Edinburgh Convention Bureau	100.00%

The following companies, trusts and joint boards have been assessed as associates of the Council:

Edinburgh Leisure	33.33%	Board representation
Festival City Theatres Trust	33.33%	Board representation
International Conference Centre Income Trust	100.00%	
International Conference Centre Exp. Trust	100.00%	
Lothian and Borders Fire and Rescue Board	53.24%	Funding percentage
Lothian and Borders Police Board	55.74%	Funding percentage
Lothian Valuation Joint Board	61.57%	Funding percentage

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The following details uncertainties on assumptions and estimates, and outlines the potential effect if actual results differ from the assumptions made.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £11.735m for each year that useful lives were reduced.
Provisions	The Council has made a provision of £46.183m for the settlement of equal pay claims. This is based on the number of potential claimants and assumes similar settlement terms to those achieved previously. There is uncertainty surrounding both of these assumptions.	Should the settlement values increase by 10%, this would have the effect of adding £4.618m to the provision required.
	The single status agreement was introduced in October 2010. A provision of £1.750m has been made to cover the cost of appeals lodged by staff. It is expected that the appeals process will be on-going during 2011/12.	Any shortfall arising in this provision will cause an on-going cost against the Council's employee budget.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.
Arrears	At 31 March, the Council had a balance of sundry debtors of £33.306m. A review of significant balances suggested that an impairment of doubtful debts of £2.226m (6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.226m to be set aside as an allowance.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
VAT Recovery Status	The Council's accounts are prepared on the assumption that VAT charged on its purchases is fully recoverable and that it will not become partially exempt.	If the Council were to exceed its 5% de minimis level, a minimum repayment of £3.99m would be due to HM Revenues and Customs.
Council Tax Arrears	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. The Council currently assumes that 96.3% of Council Tax will be collected. An impairment for doubtful debts of £8.901m has been provided for. In the current economic climate it is not certain that this would be sufficient.	If collection rates were to deteriorate, an increase of 1% in the amount to be impaired would require an additional £2.385m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £2.136m. A review of significant balances suggested that an impairment of doubtful debts of £1.115m (52%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, an increase of 10% in the amount to be impaired would require an additional £0.214m to be set aside as an allowance.
Edinburgh Trams Project	The Council has previously recognised a contingent liability provision of £55m in relation to this project, taking the potential cost to £600m. Following mediation in March 2011, the Council has now signed a settlement agreement with the contractor for a reduced project scope with an overall budget of £776m.	The revenue impact on the Council of borrowing the additional £231m to complete the project will be £15m per annum. Each additional £10m of borrowing over and above this sum would cost the Council an additional £0.664m per annum, based on a thirty year repayment period.
Long-Term Contracts	The Council's approved budget provides for inflationary uplifts on long term contracts.	If inflation were to increase by 1%, this would result in an additional cost of £0.56m per annum.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

5. Material Items of Income and Expense

Provisions - the Council drew £1.438m down from the provision set aside in 2009/10 for equal pay costs to meet the costs of settlements arising in 2010/11. This has been netted against the costs included in the Comprehensive Income and Expenditure Statement. A further £1.64m was drawn down from the provision for housing benefit subsidy to meet the costs arising from claw back of subsidy.

6. Events After the Balance Sheet Date

In August and September 2011, the Council approved a number of changes to the tram project. These include:

- Re-scoping of the project, with the line terminating at St Andrew Square / York Place and an increased project budget of £776m, including risk allowance.

NOTES TO THE FINANCIAL STATEMENTS

6. Events After the Balance Sheet Date - continued

- Governance and project management arrangements for the tram project are being revised. A reduction in the Limited staff is planned over the period to November 2011. The Boards of Transport Edinburgh Limited and the Limited have been reduced to statutory minimums. As a result of this, the Council will be required to meet the pension deficit of the Limited, which has been estimated by the actuary at £4.632m. Payment will be over a period of up to five years.

7. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

Unless otherwise stated, the accounts of the companies may be obtained on application to the Director of Finance, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Subsidiaries:

- CEC Holdings Limited
- Lothian Buses plc
- the Limited

Associates:

- Edinburgh Leisure
- Festival City Theatres Trust
- Lothian and Borders Fire and Rescue Board
- Lothian and Borders Police Board
- Lothian Valuation Joint Board

Trusts:

- International Conference Centre Income Trust
- International Conference Centre Expenditure Trust

The following companies are not consolidated into the Group Accounts. An assessment has been carried out on these companies and their activities and the level of Council control. These companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

- Common Repairs Grant Trust
- Edinburgh Convention Bureau
- Edinburgh, Lothian and Scottish Borders Screen Industries Office Limited
- Pacific Shelf 825 Limited
- Projects (Edinburgh) Limited (wound up January 2010)
- Shawfair Developments Limited (wound up February 2011)

7.1 Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure 2010/11

	Authority £000	Minority Interests £000	Total £000
(Surplus) or Deficit on the Provision of Services	(323,175)	(2,338)	(325,513)
Other Comprehensive Income and Expenditure	(288,285)	(913)	(289,198)
	<u>(611,460)</u>	<u>(3,251)</u>	<u>(614,711)</u>

2009/10 Comparative Data

	£000	£000	£000
(Surplus) or Deficit on the Provision of Services	1,934	133	2,067
Other Comprehensive Income and Expenditure	716,712	2,972	719,684
	<u>718,646</u>	<u>3,105</u>	<u>721,751</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies

• CEC Holdings Limited

The principal activities of the company are property development and the operation of an international conference centre. The company is wholly owned by the City of Edinburgh Council.

	31.12.2010	(re-stated) 31.12.2009
	£000	£000
The most recent results of the company are as follows:		
Net assets	17,869	17,334
Net loss before taxation	6,791	12,096
Retained loss carried forward	(50,090)	(45,340)

The Council inherited its interest in CEC Holdings Limited following the reorganisation of local government in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

• Edinburgh Convention Bureau

The company is limited by guarantee, with the Council as the sole member. The principal activity of the company is to act as a lead organisation for marketing and promoting Edinburgh as a premier conference and event destination.

The Company's Board passed a resolution in April 2011 to transfer the assets of the company to Marketing Edinburgh Limited from 1 April 2011 and to undertake all necessary arrangements to strike off the company as soon as practicable after the date of transfer of the assets.

	31.03.10	31.03.09
	£000	£000
The most recent results of the company are as follows:		
Net assets	239	349
Net loss before taxation	35	8
Retained profit carried forward	239	349

• Edinburgh, Lothian and Scottish Borders Screen Industries Office Limited

The City of Edinburgh Council owns 100% of this company which was formed to promote potential screen locations throughout Edinburgh, the Lothians and the Scottish Borders.

	14 months to 31.05.2011	12 months to 31.03.2010
The most recent results of the company are as follows:		
Net assets	13	14
Retained profit carried forward	2	3

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 • Lothian Buses plc

The City of Edinburgh Council is the major shareholder in Lothian Buses plc, a company incorporated to operate buses in the City of Edinburgh and its surrounding area. The Council's shareholding comprises 5,824,139 (91.01%) £1 ordinary shares (fully paid).

The most recent results of the company are as follows:

	31.12.2010	31.12.2009
	£000	£000
Net assets	48,295	11,851
Net profit before taxation	(30,050)	(8,494)
Profit and loss account reserve	41,896	5,452
Dividend	2,198	2,198

The net assets figure excludes the revaluation of depots which has been calculated for group account purposes.

The Council inherited its interest in Lothian Buses plc, following the reorganisation of local government in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses plc, Annandale Street, Edinburgh, EH7 4AZ.

• Pacific Shelf 825 Limited

The City of Edinburgh Council wholly owns 100% of the company.

The principal activity of the company during the period was leasing land and property.

The most recent results of the company are as follows:

	31.03.2011	(re-stated) 31.03.2010
	£000	£000
Net liabilities	(447)	(446)
Net loss before taxation	(1)	(9)
Retained loss carried forward	(1,136)	(1,135)

• Projects (Edinburgh) Limited

The City of Edinburgh Council wholly owned 100% of the company. The principal activity of the company was to manage capital projects on behalf of the Council. The company was wound up on a voluntary basis in January 2010.

• tie Limited

The principal activity of the company is to promote, support and / or effect the development, procurement and implementation of projects defined in, or referred to in the Local Transport Strategy of the City of Edinburgh Council. The Council owns 100% (1,000 shares) of the issued share capital.

The most recent results of the company are as follows:

	31.03.2011	31.03.2010
	£000	£000
Turnover	(63,951)	(114,921)
Net liabilities	(521)	(2,205)
Net profit before taxation	(951)	(309)
Retained profit / (loss) carried forward	(522)	(2,206)

tie Limited's accounts include an emphasis of matter statement in the independent auditor's report. The emphasis of matter relates to the company's ability to continue as a going concern, if the tram project were to be cancelled.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Associates

- **Edinburgh Leisure**

This is a non-profit-distributing company limited by guarantee and registered as a Charity. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

The principal activity of the company is the provision of recreation and leisure facilities.

The City of Edinburgh Council is represented on the company's Board of Directors and contributes a substantial sum to the company towards the cost of operating sport and leisure facilities.

The City of Edinburgh Council leases its sport and leisure centres to the company.

	31.03.2011	(re-stated) 31.03.2010
	£000	£000
The most recent results of the company are as follows:		
Net (liabilities) / assets	7,194	(2,138)
Net operating income	(5,153)	(488)
Fund balances carried forward	(7,194)	2,138

The net incoming resources are prior actuarial gain / (loss) on pension scheme.

Although Edinburgh Leisure is included in the Group Accounts, due to the nature of its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of Edinburgh Leisure, based on 33.33% (2009/10 33.33%) Board Representation, is as follows:

	31.03.2011	31.03.2010
	£000	£000
Incoming resources	(8,565)	(8,528)
Net surplus	(1,718)	(163)
Net assets / (liabilities)	2,398	(713)
Total usable reserves	(2,398)	713

- **Festival City Theatres Trust**

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

	31.03.2011	(re-stated) 31.03.2010
	£000	£000
The most recent results of the trust are as follows:		
Net assets	5,054	6,342
Net outgoing resources	1,340	845
Fund balances carried forward	(5,054)	(6,342)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Associates - continued

• Festival City Theatres Trust - continued

Although Festival City Theatres Trust is included in the Group Accounts, due to the nature of its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of the Festival City Theatres Trust, based on 33.33% (2009/10 36.36%) Board Representation, is as follows:

	31.03.2011 £000	31.03.2010 £000
Incoming resources	(2,196)	(2,745)
Net outgoing resources	467	307
Net assets	1,685	2,306
Total usable reserves	(1,685)	(2,306)

Festival City Theatres Trust accounts include an emphasis of matter statement in the independent auditor's report. The emphasis of matter relates to the ability of the charitable company to continue as a going concern.

• Lothian Investment Fund for Enterprise Limited

The City of Edinburgh Council is the major shareholder in Lothian Investment Fund for Enterprise Limited. The Council's shareholding comprises 669,000 (99.99%) £1 ordinary shares (fully paid).

The Royal Bank of Scotland, as Joint Venture Partner, owns a £1 golden share (fully paid) which gives the bank equal rights to the assets of the company with the Council's ordinary shares.

The company is in the process of a voluntary liquidation and the assets are being realised. Final draft accounts at 30 September 2007 have been produced. No audited accounts have been produced

• Lothian and Borders Fire and Rescue Board

The South Eastern Combined Fire Services Area Administration Scheme 1995 requires the Joint Board to comprise 18 members appointed from the constituent authorities as follows: two members from East Lothian, Midlothian and Scottish Borders Councils; three from West Lothian Council; and nine from the City of Edinburgh Council.

Costs are apportioned according to the estimated cost of service provision within the area of each constituent authority.

The group share of the results of the Lothian and Borders Fire and Rescue Board, based on 53.24% (2009/10 54.65%) funding percentage is as follows:

	2010/11 £000	2009/10 £000
Funding - requisitions	(22,753)	(28,246)
Other income	(3,759)	(1,946)
Total income	<u>(26,512)</u>	<u>(30,192)</u>
(Surplus) / deficit for the year	<u>(10,700)</u>	<u>10,752</u>
Net liabilities	<u>(160,520)</u>	<u>(202,625)</u>
Usable reserves	(1,877)	(2,118)
Unusable reserves	<u>162,397</u>	<u>204,743</u>
Total reserves	<u>160,520</u>	<u>202,625</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Associates - continued

• Lothian and Borders Police Board

The Lothian and Borders Combined Police Area Amalgamation Scheme 1995 requires the Joint Board to comprise 18 members appointed from the constituency authorities as follows: two members from East Lothian, Midlothian and Scottish Borders Councils; three from West Lothian Council; and nine from the City of Edinburgh Council.

The Amalgamation Scheme 1995 provides that the estimated expenditure of the Board in each financial year shall be apportioned among constituent authorities according to the cost of the provision of services by Lothian and Borders Police within the area of each constituent authority.

The group share of the results of the Lothian and Borders Police Board, based on 55.74% (2009/10 55.79%) funding percentage is as follows:

	2010/11 £000	2009/10 £000
Funding - requisitions	(46,846)	(55,066)
Other income	(109,631)	(111,240)
Total income	(156,477)	(166,306)
(Surplus) / deficit for the year	(61,048)	43,078
Net liabilities	(859,956)	(943,322)
Usable reserves	(6,129)	(6,025)
Unusable reserves	866,085	949,347
Total reserves	859,956	943,322

• Lothian Valuation Joint Board

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for council tax within the areas of each constituent authority.

The group share of the results of the Lothian Valuation Joint Board, based on 61.57% (2009/10 61.57%) funding percentage is as follows:

	2010/11 £000	2009/10 £000
Funding - requisitions	(3,780)	(3,803)
Other income	(44)	(53)
Total income	(3,824)	(3,856)
Surplus for the year	(2,098)	(61)
Net liabilities	(2,787)	(6,948)
Usable reserves	0	0
Unusable reserves	2,787	6,948
Total reserves	2,787	6,948

7.4 Joint Ventures

• Shawfair Developments Limited

The City of Edinburgh Council owned 50% (2008 37.5%) of the issued share capital of the company. The principal activity of the company was land and property development. The company went into voluntary liquidation and was formally dissolved on 11 February 2011.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.5 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, all the companies noted have an unqualified audit opinion.

7.6 Shareholder Support to Council Companies

A number of companies within the group are currently dependent on the continued financial support of their shareholders. The companies are Waterfront Edinburgh Limited, EICC Limited, Parc Craigmillar Limited and the EDI Group Limited. These companies are all subsidiaries of CEC Holdings Limited - the Council owns 100% of the shares in CEC Holdings Limited and therefore these companies are dependent on the continued support of the Council.

7.7 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to decrease both reserves and net assets by £895.931m (2009/10 £1,070.207m) representing the Council's share of the realisable surpluses or deficits in these companies.

As noted in the foreword to the accounts, the financial impact on consolidation of the group mainly arises from the inclusion of pension liabilities. This is a snapshot of the position at 31 March 2011. The actuarial valuation, which takes account of the longer term view, will consider the appropriate employers' contribution rates and these together with employee contributions and revenues generated from fund investments will be utilised to meet the financing of these liabilities.

8. Trusts

• Capital Development Trust

This trust was set up to hold fund provided by the City of Edinburgh Council for future expenditure on nominated capital projects through the medium of Projects (Edinburgh) Limited.

The Trust was wound up in 2009/10 following approval by the Projects (Edinburgh) Limited's board to voluntarily wind the company up.

• Common Repairs Grants Trust

This Trust was set up to hold funds provided by the City of Edinburgh Council and by private owners for the grant-aided repair of multiple-ownership housing in the city.

The balance of unexpended funds held at 31 March 2011 was £0.543m (2010 £0.551m).

There is on-going discussion about winding the Trust up in 2010/11.

• International Conference Centre Expenditure Trust

This Trust was set up to hold funds provided by the Council for its development of the Edinburgh International Conference Centre. The balance of unexpended funds held at 31 March 2011 was £4.006m (2010 £0.601m).

The increase in the balance of £3.405m from last year is due to an approved transfer of £3.941m from the International Conference Centre Income Trust to provide a sinking fund to meet capital expenditure on the Edinburgh International Conference Centre (EICC), less reimbursement of EICC capital expenditure of £0.54m. The balance of £0.004m is due to interest accrued on the fund during the year.

• International Conference Centre Income Trust

This Trust was set up to hold funds received from the sale of land at the Edinburgh International Conference Centre site, pending their use for development and other costs of the centre. The balance of unexpended funds held at 31 March 2011 was £14.520m (2010 £26.231m).

The decrease of £11.711m in the balance from last year is made up of £7.16m for payment for construction and development costs of the EICC extension and office development in Morrison Street; £3.941m transferred to the International Conference Centre Expenditure Trust; a further investment of £0.799m in EICC operations and interest received during the year of £0.189m.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2010/11	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	(134,267)	(36,147)	0
Movements in the market value of investment properties	61	0	0
Amortisation of intangible assets	(262)	0	0
Capital grants and contributions applied	134,318	1,158	0
Revenue expenditure funded from capital under statute	(44,820)	0	0
Movements in donated assets	171	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	59,443	17,483	0
Capital expenditure charged against General Fund and HRA balances	44,820	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	1,730	(863)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	8,435
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	785	289	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	120,853	3,113	0
Employer's pension contributions and direct payments to pensioners payable in the year	58,018	480	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(451)	41	0
Total Adjustments	240,399	(14,446)	8,435

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
2010/11			
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	170,414
Movements in the market value of investment properties	0	0	(61)
Amortisation of intangible assets	0	0	262
Capital grants and contributions applied	(478)	0	(134,998)
Revenue expenditure funded from capital under statute	0	0	44,820
Movements in donated assets			(171)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	(76,926)
Capital expenditure charged against General Fund and HRA balances	0	0	(44,820)
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	26,144	164	(26,308)
Adjustments primarily involving the Capital Receipts Reserve			
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	0	0	(867)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(8,435)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	(1,074)
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(123,966)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	(58,498)
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	410
Total Adjustments	25,666	164	(260,218)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2009/10 Comparative Data			
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	(125,065)	(48,046)	0
Movements in the market value of investment properties	436	0	0
Amortisation of intangible assets	(158)	0	0
Capital grants and contributions applied	157,165	539	0
Revenue expenditure funded from capital under statute	(49,325)	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	51,454	12,249	0
Capital expenditure charged against General Fund and HRA balances	49,325	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	730	(505)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,312
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	506	188	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	(55,976)	(787)	0
Employer's pension contributions and direct payments to pensioners payable in the year	56,924	540	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(1,576)	(58)	0
Total Adjustments	84,440	(35,880)	6,312

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2009/10 Comparative Data - continued	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	173,111
Movements in the market value of investment properties	0	0	(436)
Amortisation of intangible assets	0	0	158
Capital grants and contributions applied	(26,070)	0	(131,634)
Revenue expenditure funded from capital under statute	0	0	49,325
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	(63,703)
Capital expenditure charged against General Fund and HRA balances	0	0	(49,325)
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	33,940	0	(33,940)
Adjustments primarily involving the Capital Receipts Reserve			
Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	0	0	(225)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(6,312)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	(694)
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	56,763
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	(57,464)
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	1,634
Total Adjustments	7,870	0	(62,742)

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves

10.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year. Comparative data is included for 2009/10.

	Balance at 01.04.09 £000	Net Transfers Out 2009/10 £000	Net Transfers In 2009/10 £000	Balance at 31.03.10 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	38,106	0	7,234	45,340
Lothian Buses				
Revenue reserves	(25,748)	30,734	0	4,986
Tie Limited				
Revenue reserves	561	1,645	0	2,206
Capital grants unapplied account	(1,596)	255	0	(1,341)
Total Usable Reserves - Subsidiaries	11,323	32,634	7,234	51,191
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	(1,867)	230	0	(1,637)
Edinburgh Leisure				
Capital contribution	(166)	22	0	(144)
Earmarked revenue reserve	(256)	76	0	(180)
Revenue reserves	(669)	1,706	0	1,037
International Conference Centre Trusts				
Income Trust	(29,359)	3,128	0	(26,231)
Expenditure Trust	0	0	(601)	(601)
Festival City Theatres Trust				
Earmarked capital reserve	(2,665)	212	0	(2,453)
Revenue reserves	51	96	0	147
Lothian and Borders Fire and Rescue Board				
Earmarked capital reserve	0	0	(44)	(44)
Revenue reserves	(1,998)	0	(120)	(2,118)
Lothian and Borders Police Board				
Revenue reserves	(6,113)	88	0	(6,025)
Total Usable Reserves - Associates and Joint Ventures	(43,042)	5,558	(765)	(38,249)
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	(31,719)	38,192	6,469	12,942

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.10 £000	Net Transfers Out 2010/11 £000	Net Transfers In 2010/11 £000	Balance at 31.03.11 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	45,340	4,753	0	50,093
Capital grants unapplied account	0	0	(7,122)	(7,122)
Lothian Buses				
Revenue reserves	4,986	0	(33,291)	(28,305)
Tie Limited				
Revenue reserves	2,206	0	(1,684)	522
Capital grants unapplied account	(1,341)	552	0	(789)
Total Usable Reserves - Subsidiaries	51,191	5,305	(42,097)	14,399
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	(1,637)	6	0	(1,631)
Edinburgh Leisure				
Capital contribution	(144)	144	0	0
Earmarked revenue reserve	(180)	0	(189)	(369)
Revenue reserves	1,037	0	(3,066)	(2,029)
International Conference Centre Trusts				
Income Trust	(26,231)	11,711	0	(14,520)
Expenditure Trust	(601)	0	(3,405)	(4,006)
Festival City Theatres Trust				
Earmarked capital reserve	(2,453)	416	0	(2,037)
Revenue reserves	147	204	0	351
Lothian and Borders Fire and Rescue Board				
Earmarked capital reserve	(44)	0	(7)	(51)
Capital Grants Unapplied Account	0		(152)	(152)
Revenue reserves	(2,118)	444	0	(1,674)
Lothian and Borders Police Board				
Earmarked capital reserve	0	0	(120)	(120)
Capital Grants Unapplied Account	0	0	(109)	(109)
Revenue reserves	(6,025)	125	0	(5,900)
Total Usable Reserves - Associates and Joint Ventures	(38,249)	13,050	(7,048)	(32,247)
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	12,942	18,355	(49,145)	(17,848)

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.09 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31.03.10 £000
Council's Usable Reserves				
General Fund				
Unallocated General Fund	(6,472)	3,421	(5,974)	(9,025)
Balances held by schools under Devolved School Management (DSM)	(904)	0	(96)	(1,000)
Balances set aside under budget flexibility scheme	(2,872)	1,494	(4,219)	(5,597)
Contingency funding - priority outcomes	0	0	0	0
Dilapidations fund	0	0	(734)	(734)
Energy efficiency fund	(730)	212	(161)	(679)
Funding set aside for equal pay liabilities	(19,656)	9,564	(3,708)	(13,800)
Insurance Fund	(6,234)	901	(3,129)	(8,462)
Licensing Income	(1,043)	137	(2)	(908)
Recycling balances	(3,476)	101	(1,472)	(4,847)
Revenue grants and contributions received in advance of planned expenditure	(11,541)	3,172	(10,011)	(18,380)
Savings in the BT contract set aside for IT projects	(1,212)	5,199	(5,038)	(1,051)
Second home discounts on Council Tax set aside for payments to registered social landlords	(2,816)	440	(2,801)	(5,177)
Spend to Save Fund	(1,216)	15	(1,636)	(2,837)
Other earmarked balances	(1,403)	814	(27)	(616)
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	3,421	(3,421)	0
Total General Fund	(59,575)	28,891	(42,429)	(73,113)
Housing Revenue Account Balance	0	3,421	(3,421)	0
Renewal and Repairs Fund	(10,330)	9	(3,458)	(13,779)
Capital Fund	(22,941)	581	(107)	(22,467)
Capital Receipts Reserve	0	6,312	(6,312)	0
Capital Grants Unapplied Account	(33,940)	33,940	(27,207)	(27,207)
Total Usable Reserves - Council	(126,786)	73,154	(82,934)	(136,566)
Total Usable Reserves - Group	(158,505)	111,346	(76,465)	(123,624)

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.10 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31.03.11 £000
General Fund				
Unallocated General Fund	(9,025)	1,614	(5,614)	(13,025)
Balances held by schools under DSM	(1,000)	0	(900)	(1,900)
Balances set aside under budget flexibility scheme	(5,597)	3,416	(1,014)	(3,195)
Contingency funding - priority outcomes	0	0	(6,643)	(6,643)
Dilapidations fund	(734)	47	(3,780)	(4,467)
Energy efficiency fund	(679)	166	(179)	(692)
Funding set aside for equal pay liabilities	(13,800)	5,158	(59)	(8,701)
Insurance Fund	(8,462)	0	(1,688)	(10,150)
Licensing Income	(908)	99	(177)	(986)
Recycling balances	(4,847)	600	(5,601)	(9,848)
Revenue grants and contributions received in advance of planned expenditure	(18,380)	8,275	(8,367)	(18,472)
Savings in the BT contract set aside for IT projects	(1,051)	3,463	(3,717)	(1,305)
Second home discounts on Council Tax set aside for payments to registered social landlords	(5,177)	0	(2,944)	(8,121)
Spend to Save Fund	(2,837)	1,833	(479)	(1,483)
Other earmarked balances	(616)	0	(30)	(646)
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	1,614	(1,614)	0
Total General Fund	(73,113)	26,285	(42,806)	(89,634)
Housing Revenue Account Balance	0	1,614	(1,614)	0
Renewal and Repairs Fund	(13,779)	48	(1,673)	(15,404)
Capital Fund	(22,467)	6,174	(97)	(16,390)
Capital Receipts Reserve	0	8,435	(8,435)	0
Capital Grants Unapplied Account	(27,207)	26,144	(478)	(1,541)
Total Usable Reserves - Council	(136,566)	68,700	(55,103)	(122,969)
Total Usable Reserves - Group	(123,624)	87,055	(104,248)	(140,817)

10.2 Devolved School Management

A net credit balance of £1.900m (2009/10 £1.000m) is held within the General Fund in accordance with the Devolved School Management scheme.

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2010/11	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	26,285	1,614	48	8,435
Transfers in	(42,806)	(1,614)	(1,673)	(8,435)
Total movements in fund	<u>(16,521)</u>	<u>0</u>	<u>(1,625)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	(10,619)	(1,614)	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	(5,902)	1,614	(1,625)	0
Total movements in fund	<u>(16,521)</u>	<u>0</u>	<u>(1,625)</u>	<u>0</u>
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	26,144	6,174	18,355	87,055
Transfers in	(478)	(97)	(49,145)	(104,248)
Total movements in fund	<u>25,666</u>	<u>6,077</u>	<u>(30,790)</u>	<u>(17,193)</u>
Recognised in Comprehensive Income and Expenditure Statement	25,666	164	(33,565)	(19,968)
Minority interest and other consol. adjusts.	0	0	3,287	3,287
Transfers to other earmarked reserves	0	5,913	(512)	(512)
Total movements in fund	<u>25,666</u>	<u>6,077</u>	<u>(30,790)</u>	<u>(17,193)</u>
2009/10 Comparative Data	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	28,891	3,421	9	6,312
Transfers in	(42,429)	(3,421)	(3,458)	(6,312)
Total movements in fund	<u>(13,538)</u>	<u>0</u>	<u>(3,449)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	(13,222)	(3,421)	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	(316)	3,421	(3,449)	0
Total movements in fund	<u>(13,538)</u>	<u>0</u>	<u>(3,449)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2009/10 Comparative Data - continued	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	33,940	581	38,192	111,346
Transfers in	(27,207)	(107)	6,469	(76,465)
Total movements in fund	6,733	474	44,661	34,881
Recognised in Comprehensive Income and Expenditure Statement	6,733	130	48,496	38,716
Minority interest and other consol. adjusts.	0	0	(3,835)	(3,835)
Transfers to other earmarked reserves	0	344	0	0
Total movements in fund	6,733	474	44,661	34,881

11. Other Operating Expenditure

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
(Gains) / losses on the disposal of non-current assets	(2,168)	(867)	(2,189)	(226)
	(2,168)	(867)	(2,189)	(226)

12. Financing and Investment Income and Expenditure

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	68,714	67,366	74,434	64,065
Pensions interest cost and expected return on pension assets	3,869	4,444	23,445	21,446
Interest receivable and similar income	(4,185)	(3,112)	(3,761)	(3,378)
Income and expenditure in relation to investment properties and changes in their fair value	(257)	(257)	(634)	(634)
Net surplus from trading activities	(3,994)	(3,994)	(5,844)	(5,844)
	64,147	64,447	87,640	75,655

13. Taxation and Non-Specific Grant Income

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(226,583)	(226,583)	(238,628)	(238,628)
Non-domestic rates	(188,733)	(188,733)	(197,002)	(197,002)
Non-ring fenced government grants	(579,737)	(579,737)	(562,800)	(562,800)
Capital grants and contributions	(135,476)	(135,476)	(157,664)	(157,704)
Taxation expenses	2,880	0	307	0
	(1,127,649)	(1,130,529)	(1,155,787)	(1,156,134)

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment

14.1 Depreciation

No depreciation is provided in the year of the asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Council dwellings	50 years
Buildings	50 years (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP Schools	40 years (PPP1 schools) and 35 years (PPP2 schools)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 7 years, to reflect estimated useful life

14.2 Capital Commitments

At 31 March 2011, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2011/12 and future years. These are budgeted to cost £205.018m. Similar commitments at 31 March 2010 were £204.774m.

	£000	Expected Completion Date
Tram infrastructure contracts	109,147	2014
Royal Commonwealth Pool	13,007	2012
Water of Leith flood prevention works	11,000	2012
New Craigmillar neighbourhood office	11,000	2013
Tram vehicles contract	10,744	2012
New Tattoo grandstand	10,000	2011
Drumrae Park Care Home	8,600	2013
Assembly Rooms	7,225	2013
Niddrie Burn Restoration and ERI Link Road	5,000	2012
21st Century Homes - Gracemount	4,750	2012
Drumrae Library and Day Care Centre	4,300	2011
Royston Wardieburn Community Centre	1,518	2011
James Gillespies High School Wave 3 essential works	1,300	2013
Tram design	1,229	2013
Boroughmuir High School Wave 3 essential works	1,200	2014
Tarmac - term service contract	1,200	2012
Other capital commitments	3,798	various
	<u>205,018</u>	

Lothian Buses has a commitment for capital expenditure on passenger carrying vehicles of approximately £15m.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts

Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2010	1,020,315	1,712,428	196,389	801,470
Additions	37,358	35,652	9,509	148,743
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,350	33,913	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(18,472)	(42,215)	0	0
Derecognition - disposals	(4,418)	(446)	(13,120)	0
Assets reclassified (to) / from held for sale	(616)	(9,643)	0	0
Other movements in cost or valuation	0	(7,411)	(2)	0
At 31 March 2011	<u>1,039,517</u>	<u>1,722,278</u>	<u>192,776</u>	<u>950,213</u>
Accumulated Depreciation and Impairment				
At 1 April 2010	(14,610)	(59,262)	(85,195)	(172,051)
Depreciation charge	(16,110)	(35,154)	(21,398)	(40,639)
Depreciation charge written out to Revaluation Reserve	320	2,686	0	0
Depreciation written out to the Surplus on the Provision of Services	412	4,710	0	0
Derecognition - disposals	127	31	13,022	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(8,668)
Other movements in cost or valuation	19	33	0	0
As at 31 March 2011	<u>(29,842)</u>	<u>(86,956)</u>	<u>(93,571)</u>	<u>(221,358)</u>
Net book value				
at 31 March 2011	<u>1,009,675</u>	<u>1,635,322</u>	<u>99,205</u>	<u>728,855</u>
at 31 March 2010	<u>1,005,705</u>	<u>1,653,166</u>	<u>111,194</u>	<u>629,419</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2010/11

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2010	14,665	19,760	40,350	3,805,377
Additions	1,074	4	30,277	262,617
Revaluation increases / (decreases) recognised in the Revaluation Reserve	55	7,660	0	46,978
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(143)	(1,917)	0	(62,747)
Derecognition - disposals	0	0	0	(17,984)
Assets reclassified (to) / from held for sale	(56)	(218)	0	(10,533)
Other movements in cost or valuation	(63)	15,056	(7,890)	(310)
At 31 March 2011	<u>15,532</u>	<u>40,345</u>	<u>62,737</u>	<u>4,023,398</u>
Accumulated Depreciation and Impairment				
At 1 April 2010	0	(54)	0	(331,172)
Depreciation charge	0	(206)	0	(113,507)
Depreciation charge written out to Revaluation Reserve	0	0	0	3,006
Depreciation written out to the Surplus on the Provision of Services	0	90	0	5,212
Derecognition - disposals	0	0	0	13,180
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(8,668)
Other movements in cost or valuation	0	0	0	52
As at 31 March 2011	<u>0</u>	<u>(170)</u>	<u>0</u>	<u>(431,897)</u>
Net book value				
at 31 March 2011	<u>15,532</u>	<u>40,175</u>	<u>62,737</u>	<u>3,591,501</u>
at 31 March 2010	<u>14,665</u>	<u>19,706</u>	<u>40,350</u>	<u>3,474,205</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts Comparative Movements in 2009/10

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2009	1,026,054	1,498,461	190,055	671,823
Additions	33,672	114,619	21,395	132,160
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(3,419)	234,782	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(31,067)	(66,382)	0	0
Derecognition - disposals	(3,576)	(59,543)	(15,007)	(3,324)
Assets reclassified (to) / from held for sale	(1,349)	(2,418)	0	0
Other movements in cost or valuation	0	(7,091)	(54)	811
At 31 March 2010	<u>1,020,315</u>	<u>1,712,428</u>	<u>196,389</u>	<u>801,470</u>
Accumulated Depreciation				
At 1 April 2009	(106)	(49,736)	(77,146)	(139,455)
Depreciation charge	(16,037)	(24,767)	(20,914)	(34,196)
Depreciation charge written out to Revaluation Reserve	966	7,294	0	0
Depreciation written out to the Surplus on the Provision of Services	498	7,931	0	0
Derecognition - disposals	49	0	12,824	1,600
Other movements in cost or valuation	20	16	41	0
As at 31 March 2010	<u>(14,610)</u>	<u>(59,262)</u>	<u>(85,195)</u>	<u>(172,051)</u>
Net book value				
at 31 March 2010	<u>1,005,705</u>	<u>1,653,166</u>	<u>111,194</u>	<u>629,419</u>
at 31 March 2009	<u>1,025,948</u>	<u>1,448,725</u>	<u>112,909</u>	<u>532,368</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts Comparative Movements in 2009/10

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2009	13,687	12,674	10,664	3,423,418
Additions	1,591	12	37,792	341,241
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1	(1,012)	0	230,352
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(614)	(49)	0	(98,112)
Derecognition - disposals	0	0	0	(81,450)
Assets reclassified (to) / from held for sale	0	(1,800)	0	(5,567)
Other movements in cost or valuation	0	9,935	(8,106)	(4,505)
At 31 March 2010	<u>14,665</u>	<u>19,760</u>	<u>40,350</u>	<u>3,805,377</u>
Accumulated Depreciation				
At 1 April 2009	0	0	0	(266,443)
Depreciation charge	0	0	0	(95,914)
Depreciation charge written out to Revaluation Reserve	0	(96)	0	8,164
Depreciation written out to the Surplus on the Provision of Services	0	42	0	8,471
Derecognition - disposals	0	0	0	14,473
Other movements in cost or valuation	0	0	0	77
As at 31 March 2010	<u>0</u>	<u>(54)</u>	<u>0</u>	<u>(331,172)</u>
Net book value				
at 31 March 2010	<u>14,665</u>	<u>19,706</u>	<u>40,350</u>	<u>3,474,205</u>
at 31 March 2009	<u>13,687</u>	<u>12,674</u>	<u>10,664</u>	<u>3,156,975</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2010	1,020,315	1,630,821	76,706	794,801
Additions	37,358	35,483	4,944	148,743
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,350	33,913	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(18,472)	(42,215)	0	0
Derecognition - disposals	(4,418)	(57)	0	0
Assets reclassified (to) / from held for sale	(616)	(9,643)	0	0
Other movements in cost or valuation	0	(7,166)	0	0
At 31 March 2011	<u>1,039,517</u>	<u>1,641,136</u>	<u>81,650</u>	<u>943,544</u>
Accumulated Depreciation and Impairment				
At 1 April 2010	(14,610)	(26,115)	(37,223)	(168,162)
Depreciation charge	(16,110)	(34,229)	(13,257)	(40,350)
Depreciation charge written out to Revaluation Reserve	320	2,686	0	0
Depreciation written out to the Surplus on the Provision of Services	412	4,710	0	0
Derecognition - disposals	127	1	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(8,668)
Other movements in cost or valuation	19	0	0	0
As at 31 March 2011	<u>(29,842)</u>	<u>(52,947)</u>	<u>(50,480)</u>	<u>(217,180)</u>
Net book value				
at 31 March 2011	<u>1,009,675</u>	<u>1,588,189</u>	<u>31,170</u>	<u>726,364</u>
at 31 March 2010	<u>1,005,705</u>	<u>1,604,706</u>	<u>39,483</u>	<u>626,639</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2010/11

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2010	14,665	19,760	39,911	3,596,979	552,861
Additions	1,074	4	29,321	256,927	1,150
Revaluation increases / (decreases) recognised in the Revaluation Reserve	55	7,660	0	46,978	2,874
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(143)	(1,917)	0	(62,747)	(3,314)
Derecognition - disposals	0	0	0	(4,475)	0
Assets reclassified (to) / from held for sale	(56)	(218)	0	(10,533)	0
Other movements in cost or valuation	(63)	15,056	(7,890)	(63)	(2,000)
At 31 March 2011	<u>15,532</u>	<u>40,345</u>	<u>61,342</u>	<u>3,823,066</u>	<u>551,571</u>
Accumulated Depreciation and Impairment					
At 1 April 2010	0	(54)	0	(246,164)	(11,942)
Depreciation charge	0	(206)	0	(104,152)	(11,291)
Depreciation charge written out to Revaluation Reserve	0	0	0	3,006	1,592
Depreciation written out to the Surplus on the Provision of Services	0	90	0	5,212	668
Derecognition - disposals	0	0	0	128	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(8,668)	0
Other movements in cost or valuation	0	0	0	19	0
As at 31 March 2011	<u>0</u>	<u>(170)</u>	<u>0</u>	<u>(350,619)</u>	<u>(20,973)</u>
Net book value					
at 31 March 2011	<u>15,532</u>	<u>40,175</u>	<u>61,342</u>	<u>3,472,447</u>	<u>530,598</u>
at 31 March 2010	<u>14,665</u>	<u>19,706</u>	<u>39,911</u>	<u>3,350,815</u>	<u>540,919</u>

The disclosure for PPP assets is for information only the costs and depreciation are included in 'Other Land and Buildings'.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council Comparative Movements in 2009/10

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2009	1,026,054	1,363,312	67,695	661,829
Additions	33,672	103,751	9,011	132,161
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(3,419)	232,268	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(31,067)	(64,263)	0	0
Derecognition - disposals	(3,576)	0	0	0
Assets reclassified (to) / from held for sale	(1,349)	(2,418)	0	0
Other movements in cost or valuation	0	(1,829)	0	811
At 31 March 2010	<u>1,020,315</u>	<u>1,630,821</u>	<u>76,706</u>	<u>794,801</u>
Accumulated Depreciation				
At 1 April 2009	(106)	(17,672)	(25,329)	(134,420)
Depreciation charge	(16,037)	(23,683)	(11,894)	(33,742)
Depreciation charge written out to Revaluation Reserve	966	7,294	0	0
Depreciation written out to the Surplus on the Provision of Services	498	7,931	0	0
Derecognition - disposals	49	0	0	0
Other movements in cost or valuation	20	15	0	0
As at 31 March 2010	<u>(14,610)</u>	<u>(26,115)</u>	<u>(37,223)</u>	<u>(168,162)</u>
Net book value				
at 31 March 2010	<u>1,005,705</u>	<u>1,604,706</u>	<u>39,483</u>	<u>626,639</u>
at 31 March 2009	<u>1,025,948</u>	<u>1,345,640</u>	<u>42,366</u>	<u>527,409</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council Comparative Movements in 2009/10

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2009	13,687	12,674	10,285	3,155,536	377,734
Additions	1,591	12	37,732	317,930	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1	(1,012)	0	227,838	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(614)	(49)	0	(95,993)	175,127
Derecognition - disposals	0	0	0	(3,576)	0
Assets reclassified (to) / from held for sale	0	(1,800)	0	(5,567)	0
Other movements in cost or valuation	0	9,935	(8,106)	811	0
At 31 March 2010	14,665	19,760	39,911	3,596,979	552,861
Accumulated Depreciation					
At 1 April 2009	0	0	0	(177,527)	(6,059)
Depreciation charge	0	0	0	(85,356)	(6,819)
Depreciation charge written out to Revaluation Reserve	0	(96)	0	8,164	936
Depreciation written out to the Surplus on the Provision of Services	0	42	0	8,471	0
Derecognition - disposals	0	0	0	49	0
Other movements in cost or valuation	0	0	0	35	0
As at 31 March 2010	0	(54)	0	(246,164)	(11,942)
Net book value					
at 31 March 2010	14,665	19,706	39,911	3,350,815	540,919
at 31 March 2009	13,687	12,674	10,285	2,978,009	371,675

The disclosure for PPP assets is for information only the costs and depreciation are included in 'Other Land and Buildings'.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.7 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Property Manager (Property Management and Development), W. Miller FRICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were assumed to be in a reasonable state of repair and have a life expectancy of more than fifty years.
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.
- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	53,728	42,234	81,650	943,544
Valued at fair value as at:				
31 March 2011	2,333	133,177	0	0
31 March 2010	1,200	835,169	0	0
31 March 2009	981,619	477,712	0	0
31 March 2008	563	111,246	0	0
31 March 2007	74	41,598	0	0
Total cost or valuation	1,039,517	1,641,136	81,650	943,544

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	15,532	40	61,342	1,198,070
Valued at fair value as at:				
31 March 2011	0	26,985	0	162,495
31 March 2010	0	13,241	0	849,610
31 March 2009	0	0	0	1,459,331
31 March 2008	0	79	0	111,888
31 March 2007	0	0	0	41,672
Total cost or valuation	15,532	40,345	61,342	3,823,066

NOTES TO THE FINANCIAL STATEMENTS

15. Investment Properties

15.1 Income and Expenses on Investment Properties

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

	2010/11		2009/10	
	Group	Council £000	Group	Council £000
Rental income from investment properties	196	196	199	199
Direct operating expenses arising from investment property	0	0	(1)	(1)
	<u>196</u>	<u>196</u>	<u>198</u>	<u>198</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal. Within the Group, £4.5m of investment properties represents the Council's share of land at Shawfair, which is held jointly with Midlothian Council. The disposal of this would therefore require the consent of Midlothian Council.

15.2 Movement in Fair Value

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

	2010/11		2009/10	
	Group	Council £000	Group	Council £000
Value at 1 April	8,477	2,227	8,041	1,791
Additions	737	0	0	0
Disposals	(225)	0	0	0
Net (loss) / gain from fair value adjustments	<u>(1,731)</u>	<u>61</u>	<u>436</u>	<u>436</u>
Value at 31 March	<u>7,258</u>	<u>2,288</u>	<u>8,477</u>	<u>2,227</u>

16. Intangible Assets

Intangible assets represent support for the construction of houses for rent by Housing Associations where the Council will have nomination rights and purchased software licences.

Nomination rights have an infinite life, as these are given in perpetuity. Software is given a finite useful life, based on the period of the licence purchased.

2 Years	LoCTA hosted solution software, GLOW Software, Mosaic Household directory, Digilog VRA solution
3 Years	Jadu software
5 Years	Weighbridge, Arcview, Adobe Acrobat, GIS, Anite Swift, Online Ticketing software
6 Years	Data encryption software
Infinite	Council housing nomination rights

The carrying amount of intangible assets with finite lives is amortised on a straight-line basis. The amortisation of £0.262m in 2010/11 (2009/10 £0.158m) was charged to the following services.

	2010/11 £000	2009/10 £000
Education services	225	156
Cultural and related services	33	1
Environmental services	1	1
Allocable overheads	<u>3</u>	<u>0</u>
Value at 31 March	<u>262</u>	<u>158</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Intangible Assets - continued

The movement on intangible asset balances during the year is as follows:

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April				
Gross carrying amount	2,480	2,480	1,404	1,404
Less: Accumulated amortisation	<u>(160)</u>	<u>(160)</u>	<u>(2)</u>	<u>(2)</u>
Net carrying amount at 1 April	2,320	2,320	1,402	1,402
Additions during the year				
- Purchased intangible assets	418	418	1,076	1,076
Amortisation for the period	<u>(262)</u>	<u>(262)</u>	<u>(158)</u>	<u>(158)</u>
Net carrying amount at 31 March	<u>2,476</u>	<u>2,476</u>	<u>2,320</u>	<u>2,320</u>
Comprising:				
Gross carrying amounts	2,898	2,898	2,480	2,480
Accumulated amortisation	<u>(422)</u>	<u>(422)</u>	<u>(160)</u>	<u>(160)</u>
Net carrying amount at 31 March	<u>2,476</u>	<u>2,476</u>	<u>2,320</u>	<u>2,320</u>

The Council has determined that the following intangible assets have an indefinite life. The Council has received nomination rights in perpetuity in exchange for capital funding.

	Carrying Value £000	Nomination Rights First Let %	Future Lets %
Year of acquisition			
2006/07	40	100	100
2006/07	76	100	75
2007/08	322	100	100
2007/08	2	100	70
2008/09	174	100	75
2009/10	<u>535</u>	100	75
	<u>1,149</u>		

The following items of capitalised software are individually material to the financial statements.

	Carrying Amount 2010/11 £000	2009/10 £000	Remaining Amortisation Period at 31.03.11
Anite Swift	467	623	3 years
Data encryption software	279	334	5 years
GLOW Software	391	n/a	2 years

NOTES TO THE FINANCIAL STATEMENTS

17. Financial Instruments

17.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long-Term		Current	
	31.03.11	31.03.10	31.03.11	31.03.10
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	268,628	162,471
Unquoted equity investment at cost	23,335	23,335	0	0
Total investments	<u>23,335</u>	<u>23,335</u>	<u>268,628</u>	<u>162,471</u>
Debtors				
Loans and receivables	3,500	4,000	33,306	31,720
Total debtors	<u>3,500</u>	<u>4,000</u>	<u>33,306</u>	<u>31,720</u>
Borrowings				
Financial liabilities (principal amount)	(1,272,805)	(1,205,651)	(54,969)	(13,698)
Accrued interest	0	0	(16,652)	(15,953)
Amortised cost	(8,314)	(7,535)	0	0
Total borrowings	<u>(1,281,119)</u>	<u>(1,213,186)</u>	<u>(71,621)</u>	<u>(29,651)</u>
Other Long-Term Liabilities				
PPP and finance lease liabilities	(218,124)	(227,755)		
Deferred liability	(350)	(350)		
Total other long-term liabilities	<u>(218,474)</u>	<u>(228,105)</u>		
Further detail on the PPP and finance lease liabilities can be seen in notes 39 and 40.				
Creditors				
Financial liabilities at amortised cost	0	0	(19,735)	(14,689)
Total creditors	<u>0</u>	<u>0</u>	<u>(19,735)</u>	<u>(14,689)</u>

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is reflected in the Balance Sheet as 'Other Long-term Liabilities' of £0.35m, as shown above and as a long-term investment.

NOTES TO THE FINANCIAL STATEMENTS

17. Financial Instruments - continued

17.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	(67,003)	0	(67,003)
Impairment losses	0	(202)	(202)
Total expense in Surplus on the Provision of Services	(67,003)	(202)	(67,205)
Interest income	0	1,647	1,647
Net gain / (loss) for the year	(67,003)	1,445	(65,558)

In addition to the above interest expense, £1.858m (2009/10 £1.858m) (of which £1.804m [2009/10 £1.796m] related to the Council) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.363m (2009/10 £0.473m) of loans fund expenses charged to the Council.

The net impairment losses of £0.202m relate to a gain of £0.013m on the early repayment of an interest free loan by Edinburgh Leisure due to mature in July 2012, against which an impairment charge was taken in 2007/08, offset by other new impairments, including a new interest free loan to Forth Sector.

17.3 Fair Value of Assets and Liabilities

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

- the fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLb) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date.
- for loans and receivables, the prevailing benchmark market rates have been used to provide the fair value.
- no early repayment of impairment is recognised.
- where no instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

NOTES TO THE FINANCIAL STATEMENTS

17. Financial Instruments - continued

17.3 Fair Value of Assets and Liabilities - continued

The fair values are calculated as follows:

	31.03.11		31.03.10	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	(1,027,666)	(1,202,579)	(964,340)	(1,118,113)
European Investment Bank	(457)	(526)	(615)	(686)
Market debt	(292,300)	(343,962)	(266,356)	(290,263)
Temporary borrowing	(7,558)	(7,558)	(9,904)	(9,904)
Other bodies	(24,758)	(24,758)	(1,623)	(1,623)
Other long-term liabilities	(350)	(350)	(350)	(350)
Trade creditors	(10,302)	(10,302)	(6,682)	(6,682)
Finance Leases	(227,556)	(227,556)	(233,622)	(233,622)
Financial liabilities	<u>(1,590,947)</u>	<u>(1,817,591)</u>	<u>(1,483,492)</u>	<u>(1,661,243)</u>

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31.03.11		31.03.10	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments				
Loans and receivables	268,628	268,630	162,471	162,471
Unquoted equity investment at cost	23,335	23,335	23,335	23,335
Debtors				
Loans and receivables	3,500	3,500	4,000	4,000
Other trade debtors	33,306	33,306	31,720	31,720
Total Investments	<u>328,769</u>	<u>328,771</u>	<u>221,526</u>	<u>221,526</u>

18. Inventories

18.1 Group - Movements in 2010/11

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	563	191	1,171	329
Purchases	23,382	1,270	24,149	811
Donations	0	170	0	0
Held by a third party	0	45	0	0
Recognised as an expense in the year	(23,318)	(1,067)	(24,042)	(971)
Stock written off	<u>0</u>	<u>0</u>	<u>(135)</u>	<u>(23)</u>
Balance at 31 March	<u>627</u>	<u>609</u>	<u>1,143</u>	<u>146</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Inventories - continued

18.1 Group - Movements in 2010/11 - continued

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	22,572	143	112	25,081
Purchases	602	294	1,993	52,501
Donations	0	0	0	170
Held by a third party	0	0	0	45
Recognised as an expense in the year	(3,870)	(359)	(1,995)	(55,622)
Stock written off	(61)	(2)	0	(221)
Balance at 31 March	19,243	76	110	21,954

18.2 Group - Comparative Movements in 2009/10

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	494	216	1,218	414
Purchases	23,657	789	22,485	1,179
Donations	0	0	0	0
Held by a third party	0	0	0	0
Recognised as an expense in the year	(23,585)	(814)	(22,523)	(1,264)
Stock written off	(3)	0	(9)	0
Balance at 31 March	563	191	1,171	329

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	31,771	241	124	34,478
Purchases	930	202	2,299	51,541
Donations	0	0	0	0
Held by a third party	0	0	0	0
Recognised as an expense in the year	(6,883)	(257)	(2,311)	(57,637)
Stock written off	(3,246)	(43)	0	(3,301)
Balance at 31 March	22,572	143	112	25,081

NOTES TO THE FINANCIAL STATEMENTS

18. Inventories - continued

18.3 Council - Movements in 2010/11

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	150	191	909	329
Purchases	2,977	1,270	9,469	811
Donations	0	170	0	0
Held by a third party	0	45	0	0
Recognised as an expense in the year	(2,943)	(1,067)	(9,342)	(971)
Stock written off	0	0	(135)	(23)
Balance at 31 March	<u>184</u>	<u>609</u>	<u>901</u>	<u>146</u>

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	36	143	112	1,870
Purchases	602	294	1,993	17,416
Donations	0	0	0	170
Held by a third party	0	0	0	45
Recognised as an expense in the year	(621)	(359)	(1,995)	(17,298)
Stock written off	(15)	(2)	0	(175)
Balance at 31 March	<u>2</u>	<u>76</u>	<u>110</u>	<u>2,028</u>

18.4 Council - Comparative Movements in 2009/10

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	153	216	950	414
Purchases	2,170	789	8,891	1,179
Donations	0	0	0	0
Held by a third party	0	0	0	0
Recognised as an expense in the year	(2,170)	(814)	(8,923)	(1,264)
Stock written off	(3)	0	(9)	0
Balance at 31 March	<u>150</u>	<u>191</u>	<u>909</u>	<u>329</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Inventories - continued

18.4 Council - Comparative Movements in 2009/10

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	24	241	124	2,122
Purchases	930	202	2,299	16,460
Donations	0	0	0	0
Held by Third Party	0	0	0	0
Recognised as an expense in the year	(918)	(257)	(2,311)	(16,657)
Stock written off	0	(43)	0	(55)
Balance at 31 March	36	143	112	1,870

19. Debtors

19.1 Long-term Debtors

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	4,709	4,709	7,566	7,566
Other local authorities	35,201	35,201	38,162	38,162
Other entities and individuals	183,091	186,591	164,364	168,364
Total long-term debtors before provision for impairment	223,001	226,501	210,092	214,092
Less: Provision for impairment	(163,753)	(163,753)	(154,424)	(154,424)
Total net long-term debtors	59,248	62,748	55,668	59,668

19.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Capital advances				
Lothian / Borders Police Board	26,711	26,711	28,523	28,523
Lothian / Borders Fire / Rescue Board	8,490	8,490	9,638	9,638
Further Educ. Colleges (pre 1996 debt)	165	165	182	182
Council Tax	91,395	91,395	87,516	87,516
Community Charge	72,571	72,571	72,668	72,668
Non-Domestic Rates	5,656	5,656	8,493	8,493
CEC Holdings	0	3,500	0	4,000
Edinburgh Marketing loan	81	81	100	100
Edinburgh Leisure loan	216	216	313	313
CEC Holdings - Parc loan	0	0	608	608
House rents	1,794	1,794	1,923	1,923
Car loan scheme	185	185	128	128
Other debtors	15,737	15,737	0	0
	223,001	226,501	210,092	214,092

Long-term debtors include £26.711m (2009/10 £28.523m) and £8.49m (2009/10 £9.638m) for sums recoverable from Lothian and Borders Police and Fire and Rescue Boards respectively. These sums relate to monies advanced to the joint boards for capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

19.3 Current Debtors

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	61,921	60,376	40,228	38,453
Other local authorities	4,827	6,488	7,385	7,027
NHS bodies	7,348	7,346	2,028	2,026
Public corporations and trading funds	1,953	1,953	355	355
Other entities and individuals	179,004	156,110	216,584	174,889
Total current debtors before provision for impairment	255,053	232,273	266,580	222,750
Less: Provision for impairment	(63,349)	(63,349)	(64,575)	(64,575)
Total net current debtors	191,704	168,924	202,005	158,175

19.4 Provision for Impairment

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Community charge	(72,571)	(72,571)	(72,668)	(72,668)
Council tax	(83,711)	(83,711)	(79,515)	(79,515)
Non-Domestic rates	(947)	(947)	(926)	(926)
Sundry debtors	(6,524)	(6,524)	(1,315)	(1,315)
Total long-term provision for impairment	(163,753)	(163,753)	(154,424)	(154,424)
Current provision for impairment	£000	£000	£000	£000
Community charge	(60)	(60)	(60)	(60)
Council tax	(56,951)	(56,951)	(54,561)	(54,561)
Non-Domestic rates	(626)	(626)	(617)	(617)
Sundry debtors	(5,712)	(5,712)	(9,337)	(9,337)
Total current provision for impairment	(63,349)	(63,349)	(64,575)	(64,575)

20. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within three months of the balance sheet are deemed to be cash and cash equivalents.

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Cash held	554	528	543	517
Bank current accounts	(13,803)	(28,573)	(17,733)	(32,802)
Short-term deposits:				
With banks or building societies	124,314	122,214	46,651	43,322
With other local authorities	94,376	94,376	57,478	57,478
With money market fund	18,919	18,919	0	0
With H.M. Treasury	0	0	48,869	48,869
	224,360	207,464	135,808	117,384

NOTES TO THE FINANCIAL STATEMENTS

21. Assets Held for Sale

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
21.1 Non-Current Assets				
Balance at 1 April	2,812	2,812	842	842
Assets newly classified as held for sale:				
Property, Plant and Equipment	5,822	5,822	2,600	2,600
Additions	23	23	30	30
Revaluation gains/(losses) recognised in the revaluation reserve	124	124	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(5)	(5)	0	0
Assets sold	(1)	(1)	0	0
Transfers from non-current to current	(800)	(800)	(660)	(660)
Balance at 31 March	<u>7,975</u>	<u>7,975</u>	<u>2,812</u>	<u>2,812</u>

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
21.2 Current Assets				
Balance at 1 April	3,200	3,200	1,837	1,837
Assets newly classified as held for sale:				
Property, Plant and Equipment	4,692	4,692	2,931	2,931
Additions	21	21	159	159
Revaluation gains/(losses) recognised in the revaluation reserve	(83)	(83)	(254)	(254)
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(52)	(52)	(138)	(138)
Assets sold	(3,221)	(3,221)	(1,995)	(1,995)
Transfers from non-current to current	800	800	660	660
Balance at 31 March	<u>5,357</u>	<u>5,357</u>	<u>3,200</u>	<u>3,200</u>

22. Creditors

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(8,058)	(2,144)	(32,983)	(15,539)
Other local authorities	(10,948)	(9,167)	(32,538)	(28,475)
NHS bodies	(431)	(424)	(498)	(491)
Public corporations and trading funds	(1,543)	(1,543)	(1,217)	(1,217)
Other entities and individuals	(199,209)	(160,022)	(186,175)	(132,380)
	<u>(220,189)</u>	<u>(173,300)</u>	<u>(253,411)</u>	<u>(178,102)</u>

NOTES TO THE FINANCIAL STATEMENTS

23. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £129.704m (2009/10 £52.851m).

Of this amount, £127.697m (2009/10 £50.668m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation and insurance claims, land acquisition costs and costs arising from the mediation process for the tram project and Council Tax discounts payable to Registered Social Landlords. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below, based on a Council assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2010	(9,837)	(35,563)	(1,131)
Additional provisions made in 2010/11	(67,550)	(13,809)	(430)
Amounts used in 2010/11	1,952	1,438	0
Transferred to debtor impairments	0	0	0
Transferred to earmarked balance	0	0	309
Unused amounts reversed in 2010/11	0	0	0
Balance at 31 March 2011	<u>(75,435)</u>	<u>(47,934)</u>	<u>(1,252)</u>
	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2010	(2,117)	(546)	(1,474)
Additional provisions made in 2010/11	(410)	(212)	(1,250)
Amounts used in 2010/11	1,640	147	435
Transferred to debtor impairments	0	0	60
Transferred to earmarked balance	0	0	0
Unused amounts reversed in 2010/11	245	0	406
Balance at 31 March 2011	<u>(642)</u>	<u>(611)</u>	<u>(1,823)</u>
	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2010	(50,668)	(2,183)	(52,851)
Additional provisions made in 2010/11	(83,661)	(571)	(84,232)
Amounts used in 2010/11	5,612	747	6,359
Transferred to debtor impairments	60	0	60
Transferred to earmarked balance	309	0	309
Unused amounts reversed in 2010/11	651	0	651
Balance at 31 March 2011	<u>(127,697)</u>	<u>(2,007)</u>	<u>(129,704)</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 13 to 15) and Note 10.

25. Unusable Reserves

25.1 Summary of Unusable Reserves

	Balance as at:		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Revaluation Reserve	(774,085)	(734,264)	(503,611)
Capital Adjustment Account	(1,329,289)	(1,251,384)	(1,340,425)
Financial Instruments Adjustment Account	55,768	56,848	57,633
Pensions Reserve	335,902	679,608	276,181
Employee Statutory Adjustment Account	29,868	29,457	27,823
Total Council Unusable Reserves	(1,681,836)	(1,219,735)	(1,482,399)
Subsidiaries, Associates and Joint Ventures	919,633	1,059,868	640,693
Total Group Unusable Reserves	<u>(762,203)</u>	<u>(159,867)</u>	<u>(841,706)</u>

25.2 Revaluation Reserve

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

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

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2010/11 £000	2009/10 £000
Balance at 1 April	(734,264)	(503,611)
Upward revaluation of assets	(91,952)	(269,440)
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	41,929	33,597
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	<u>(50,023)</u>	<u>(235,843)</u>
Difference between fair value depreciation and historical cost depreciation	8,473	4,123
Accumulated gains on assets sold	<u>1,729</u>	<u>1,067</u>
Amount written off to the capital adjustment account	10,202	5,190
Balance at 31 March	<u>(774,085)</u>	<u>(734,264)</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Unusable Reserves - continued

25.3 Capital Adjustment Account

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

The account holds accumulated gains and losses on investment properties.

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

Note 9 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2010/11 £000	2009/10 £000
Balance at 1 April	(1,251,384)	(1,340,425)
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	109,788	82,432
Revaluation losses on property, plant and equipment	57,592	87,660
Amortisation of intangible assets	262	158
Revenue exp. funded from capital under statute	44,820	49,325
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	<u>(867)</u>	<u>(225)</u>
	211,595	219,350
Adjusting amounts written out of the revaluation reserve	<u>(10,202)</u>	<u>(5,190)</u>
Net written out amount of the costs of non-current assets consumed in the year	201,393	214,160
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	(8,435)	(6,312)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(134,998)	(158,840)
Application of grants from the capital grants unapplied account / capital fund	(26,308)	(6,733)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(73,893)	(60,684)
Capital expenditure charged against the General Fund and HRA balances	<u>(44,820)</u>	<u>(49,325)</u>
	(288,454)	(281,894)
Movement in donated assets	(171)	0
Movements in the market value of investment properties credited to the CIES	(61)	(436)
Other unrealised losses debited to the CIES	<u>9,388</u>	<u>157,211</u>
Balance at 31 March	<u><u>(1,329,289)</u></u>	<u><u>(1,251,384)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

25. Unusable Reserves - continued

25.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

	2010/11 £000	2009/10 £000
Balance at 1 April	56,848	57,633
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	(1,804)	(1,795)
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	730	1,101
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	(1,074)	(694)
Proportion of premiums incurred in previous financial years relating to Joint Boards	(53)	(63)
Proportion of equivalent interest rate calculation on LOBOs relating to Joint Boards	22	38
Net amount relating to Joint Boards	(31)	(25)
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	25	(66)
Balance at 31 March	<u>55,768</u>	<u>56,848</u>

The Council operates a loans pool on behalf of Lothian and Borders Fire and Rescue and Police Boards as well as the General Fund and Housing Revenue Account. A proportion of the premiums and discounts therefore relate to debt incurred by the joint boards. Although these amounts are held on the Council's Balance Sheet, the corresponding charges are not reflected in the Comprehensive Income and Expenditure Statement.

25.5 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements, however, require benefits to be financed as the Council makes its contributions to Lothian Pension Fund or pays any pensions for which it is directly responsible.

The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits require to be paid.

NOTES TO THE FINANCIAL STATEMENTS

25. Unusable Reserves - continued

25.5 Pensions Reserve - continued

	2010/11 £000	2009/10 £000
Balance at 1 April	679,608	276,181
Actuarial gains or losses on pension assets and liabilities	(161,242)	404,128
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(123,966)	56,763
Employer's pension contributions and direct payments to pensioners payable in the year	(58,498)	(57,464)
Balance at 31 March	<u>335,902</u>	<u>679,608</u>

25.6 Employee Statutory Adjustment Account

The employee statutory adjustment account provides a balancing mechanism arising from the different arrangements that would otherwise impact on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year (annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is mitigated by transfers to or from this account.

	2010/11 £000	2009/10 £000
Balance at 1 April	29,457	27,823
Settlement or cancellation of accrual made at the end of the preceding year	(29,457)	(27,823)
Amount accrued at the end of the current year	<u>29,868</u>	<u>29,457</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	411	1,634
Balance at 31 March	<u>29,868</u>	<u>29,457</u>

25.7 Unusable Reserves - Group Members

	Balance as at:		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Subsidiaries			
CEC Holdings Limited			
Capital adjustment account	(58,456)	(50,386)	(51,972)
Revaluation reserve	0	0	(404)
Capital contribution	(6,770)	(4,720)	3,512
Lothian Buses			
Revaluation reserve	<u>(28,274)</u>	<u>(28,641)</u>	<u>(26,857)</u>
Total Unusable Reserves - Subsidiaries	<u>(93,500)</u>	<u>(83,747)</u>	<u>(75,721)</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Unusable Reserves - continued

25.7 Unusable Reserves - Group Members - continued

	Balance as at:		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Associates and Joint Ventures			
Common Good			
Capital adjustment account	(13,849)	(14,146)	(14,609)
Revaluation reserve	(4,287)	(3,321)	(3,153)
Lothian and Borders Fire and Rescue Board			
Capital adjustment account	(15,231)	(15,261)	(17,351)
Employee statutory adjustment account - pensions	9,583	12,187	2,240
Employee statutory adjustment account - other	223	255	137
Financial instrument adjustment account	31	45	34
Pension reserve	172,489	212,478	144,471
Revaluation reserve	(4,698)	(4,917)	(213)
Lothian and Borders Police Board			
Capital adjustment account	(28,796)	(35,878)	(36,711)
Employee statutory adjustment account - pensions	43,979	48,649	33,362
Employee statutory adjustment account - other	1,494	1,167	1,141
Financial instrument adjustment account	102	136	81
Pension reserve	860,164	942,937	613,411
Revaluation reserve	(10,858)	(7,664)	(7,664)
Lothian Valuation Joint Board			
Capital adjustment account	(322)	(326)	(350)
Employee statutory adjustment account	53	46	50
Pension reserve	3,056	7,228	1,538
Total Unusable Reserves - Associates and Joint Ventures	1,013,133	1,143,615	716,414
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	919,633	1,059,868	640,693

26. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Interest received	(2,528)	(2,409)	(3,659)	(3,273)
Interest paid	94,854	93,816	91,629	83,653
Dividends received	(2,000)	(2,000)	(2,114)	(2,114)

NOTES TO THE FINANCIAL STATEMENTS

27. Cash Flow Statement - Investing Activities

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	189,302	183,825	377,695	342,696
Purchase of short- and long-term investments	33,856	33,119	12,193	12,193
Other payments for investing activities	63,724	61,118	59,678	57,480
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(10,314)	(8,436)	(71,077)	(6,313)
Proceeds from short- and long-term investments	(12,193)	(12,193)	(41,617)	(41,617)
Other receipts from investing activities	(27,415)	(25,990)	(45,083)	(43,522)
Net cash flows from investing activities	<u>236,960</u>	<u>231,443</u>	<u>291,789</u>	<u>320,917</u>

28. Cash Flow Statement - Financing Activities

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(90,752)	(90,723)	(181,296)	(179,965)
Other receipts from financing activities	(10,057)	(10,057)	(12,832)	(12,698)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	19,226	12,660	13,280	7,943
Repayments of short- and long-term borrowing	<u>5,433</u>	<u>5,434</u>	<u>162,870</u>	<u>106,628</u>
Net cash flows from investing activities	<u>(76,150)</u>	<u>(82,686)</u>	<u>(17,978)</u>	<u>(78,092)</u>

29. Analysis of Change in Financing Activities

	Balance 01.04.2010 £000	Cashflow £000	Non Cash Trans. £000	Balance 31.03.2011 £000
Group				
Debt due within 1 Year	(28,029)	(17,485)	(3,395)	(48,909)
Debt due after 1 Year	<u>(1,216,180)</u>	<u>(67,834)</u>	<u>9,205</u>	<u>(1,274,809)</u>
Total debt due	(1,244,209)	(85,319)	5,810	(1,323,718)
Other liquid resources	64,574	(10,057)	(461)	54,056
Finance leases	<u>(253,247)</u>	<u>19,226</u>	<u>(3,826)</u>	<u>(237,847)</u>
Total	<u>(1,432,882)</u>	<u>(76,150)</u>	<u>1,523</u>	<u>(1,507,509)</u>
Council				
Debt due within 1 Year	(28,029)	(15,439)	(3,395)	(46,863)
Debt due after 1 Year	<u>(1,213,186)</u>	<u>(69,850)</u>	<u>1,917</u>	<u>(1,281,119)</u>
Total debt due	(1,241,215)	(85,289)	(1,478)	(1,327,982)
Other liquid resources	64,101	(10,057)	0	54,044
Finance leases	<u>(237,202)</u>	<u>12,660</u>	<u>(3,014)</u>	<u>(227,556)</u>
Total	<u>(1,414,316)</u>	<u>(82,686)</u>	<u>(4,492)</u>	<u>(1,501,494)</u>

NOTES TO THE FINANCIAL STATEMENTS

30. Reconciliation of Movements in Cash Receipts and Repayments of Short- and Long-Term Borrowing

	Balance 01.04.2010 £000	Cashflow £000	Non Cash Transactions £000	Balance 31.03.2011 £000
Group				
Financing				
Temporary loans	(9,904)	2,341	4	(7,559)
PWLB	(964,340)	(62,782)	(544)	(1,027,666)
Market loans	(266,356)	(25,000)	(944)	(292,300)
European Investment Bank	(615)	152	6	(457)
Other Borrowing	(2,994)	(30)	7,288	4,264
Net financing	<u>(1,244,209)</u>	<u>(85,319)</u>	<u>5,810</u>	<u>(1,323,718)</u>

	£000	£000	£000	£000
Council				
Financing				
Temporary loans	(9,904)	2,341	4	(7,559)
PWLB	(964,340)	(62,782)	(544)	(1,027,666)
Market loans	(266,356)	(25,000)	(944)	(292,300)
European Investment Bank	(615)	152	6	(457)
Net financing	<u>(1,241,215)</u>	<u>(85,289)</u>	<u>(1,478)</u>	<u>(1,327,982)</u>

Accrued interest is included in the carrying value of investments and loans.

31. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service shown in the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocations are taken by the Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made to departments in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of balances on the revaluation reserves are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on the payment of employer's contributions to Lothian Pension Fund rather than the current service cost of benefits earned during the year.
- expenditure on support services is budgeted for within the relevant departments that provide the support services and not charged directly to services receiving the support services.

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

The income and expenditure of the Council's departments recorded in the budget reports for the year is shown below. Income and expenditure for the subsidiary, associate and joint venture companies is shown in total.

31.1 Departmental Income and Expenditure

2010/11	Children and Families £000	City Devt. £000	Corporate Services £000	Finance £000
Fees, charges and other service income	(6,941)	(56,550)	(50,371)	(6,447)
Government grants and other contributions	(9,957)	(6,674)	(7,223)	(6,726)
Total Income	(16,898)	(63,224)	(57,594)	(13,173)
Employee expenses	256,266	31,225	39,579	19,962
Other service expenses	143,651	49,785	77,080	7,709
Support service recharges	0	0	513	0
Total Expenditure	399,917	81,010	117,172	27,671
Net Expenditure / (Income)	383,019	17,786	59,578	14,498
	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(11,071)	(86,376)	0	(132,029)
Government grants and other contributions	(39,989)	(1,282)	(2,126)	(51,199)
Total Income	(51,060)	(87,658)	(2,126)	(183,228)
Employee expenses	90,672	9,768	0	94,293
Other service expenses	132,887	70,267	75,649	233,895
Support service recharges	0	6,009	0	1,755
Total Expenditure	223,559	86,044	75,649	329,943
Net Expenditure / (Income)	172,499	(1,614)	73,523	146,715
	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	(1)	0	(100,418)	(450,204)
Income from associates	0	0	(210,116)	(210,116)
Government grants and other contributions	(214,907)	0	(86,982)	(427,065)
Total Income	(214,908)	0	(397,516)	(1,087,385)
Employee expenses	0	18,416	71,976	632,157
Other service expenses	215,198	0	79,743	1,085,864
Expenditure on associates	0	0	146,307	146,307
Support service recharges	0	0	0	8,277
Depreciation, amortisation and impairment	0	0	10,500	10,500
Total Expenditure	215,198	18,416	308,526	1,883,105
Net Expenditure / (Income)	290	18,416	(88,990)	795,720

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.1 Departmental Income and Expenditure - continued

2009/10 Comparative Data	Children and Families £000	City Dev't. £000	Corporate Services £000	Finance £000
Fees, charges and other service income	(1,013)	(53,768)	(49,319)	(6,783)
Government grants and other contributions	(10,845)	(5,034)	(6,005)	(7,010)
Total Income	(11,858)	(58,802)	(55,324)	(13,793)
Employee expenses	254,659	30,339	40,848	19,963
Other service expenses	127,081	53,953	77,163	8,015
Support service recharges	0	0	511	0
Total Expenditure	381,740	84,292	118,522	27,978
Net Expenditure / (Income)	369,882	25,490	63,198	14,185
	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(11,670)	(83,125)	0	(132,218)
Government grants and other contributions	(40,811)	(1,064)	(2,370)	(67,157)
Total Income	(52,481)	(84,189)	(2,370)	(199,375)
Employee expenses	87,158	8,601	0	94,520
Other service expenses	133,826	64,993	89,488	239,921
Support service recharges	0	7,174	0	1,738
Total Expenditure	220,984	80,768	89,488	336,179
Net Expenditure / (Income)	168,503	(3,421)	87,118	136,804
	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	(3)	0	(114,602)	(452,501)
Income from associates	0	0	(218,659)	(218,659)
Government grants and other contributions	(201,027)	0	(137,877)	(479,200)
Total Income	(201,030)	0	(471,138)	(1,150,360)
Employee expenses	0	37,519	74,948	648,555
Other service expenses	203,577	0	135,541	1,133,558
Expenditure on associates	0	0	308,153	308,153
Support service recharges	0	0	0	9,423
Depreciation, amortisation and impairment	0	0	9,397	9,397
Total Expenditure	203,577	37,519	528,039	2,109,086
Net Expenditure / (Income)	2,547	37,519	56,901	958,726

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.2 Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements for the Group and the Council

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	795,720	884,710	958,726	901,825
Net expenditure of services and support services not included in the dept. analysis	(409,048)	(409,048)	(43,330)	(43,330)
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	407,989	407,605	208,627	208,627
Amounts included in departmental analysis not included in CIES	(58,498)	(58,498)	(57,464)	(57,464)
Amounts included in the departmental analysis included below Cost of Services in the CIES	3,994	3,994	5,844	5,844
Cost of Services in CIES	<u>740,157</u>	<u>828,763</u>	<u>1,072,403</u>	<u>1,015,502</u>

31.3 Reconciliation to Subjective Analysis

Group 2010/11	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(450,204)	36,982	1,590
Income from associates and joint ventures	(210,116)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(427,065)	4,015	0
Total Income	<u>(1,087,385)</u>	<u>40,997</u>	<u>1,590</u>
Employee expenses	632,157	(369,498)	236,929
Other service expenses	1,085,864	(80,547)	(1,589)
Expenditure on associates and joint ventures	146,307	0	0
Support service recharges	8,277	0	0
Depreciation, amortisation and impairment	10,500	0	171,059
Total Expenditure	<u>1,883,105</u>	<u>(450,045)</u>	<u>406,399</u>
Net Expenditure / (Income)	<u>795,720</u>	<u>(409,048)</u>	<u>407,989</u>

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.3 Reconciliation to Subjective Analysis - continued

Group 2010/11	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	42,660	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	29,805	0
Total Income	0	72,465	0
Employee expenses	(58,498)	(20,531)	3,382
Other service expenses	0	(47,924)	4,895
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(8,277)
Depreciation, amortisation and impairment	0	(16)	0
Total Expenditure	(58,498)	(68,471)	0
Net Expenditure / (Income)	(58,498)	3,994	0

Group 2010/11	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(368,972)	(42,917)	(411,889)
Income from associates and joint ventures	(210,116)	0	(210,116)
Interest and investment income	0	(4,185)	(4,185)
Income from Council Tax	0	(226,583)	(226,583)
Government grants and other contributions	(393,245)	(933,751)	(1,326,996)
Total Income	(972,333)	(1,207,436)	(2,179,769)
Employee expenses	423,941	20,531	444,472
Other service expenses	960,699	50,804	1,011,503
Expenditure on associates and joint ventures	146,307	0	146,307
Support service recharges	0	0	0
Depreciation, amortisation and impairment	181,543	16	181,559
Interest payments	0	72,583	72,583
Gain on disposal of assets	0	(2,168)	(2,168)
Total Expenditure	1,712,490	141,766	1,854,256
Net Expenditure / (Income)	740,157	(1,065,670)	(325,513)

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.3 Reconciliation to Subjective Analysis - continued

Council 2010/11	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(349,786)	36,982	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(340,083)	4,015	0
Total Income	(689,869)	40,997	0
Employee expenses	560,181	(369,498)	236,929
Other service expenses	1,006,121	(80,547)	0
Support service recharges	8,277	0	0
Depreciation, amortisation and impairment	0	0	170,676
Total Expenditure	1,574,579	(450,045)	407,605
Net Expenditure / (Income)	884,710	(409,048)	407,605

Council 2010/11	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	42,660	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	29,805	0
Total Income	0	72,465	0
Employee expenses	(58,498)	(20,531)	3,382
Other service expenses	0	(47,924)	4,895
Support service recharges	0	0	(8,277)
Depreciation, amortisation and impairment	0	(16)	0
Total Expenditure	(58,498)	(68,471)	0
Net Expenditure / (Income)	(58,498)	3,994	0

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.3 Reconciliation to Subjective Analysis - continued

Council 2010/11	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(270,144)	(42,917)	(313,061)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(3,112)	(3,112)
Income from Council Tax	0	(226,583)	(226,583)
Government grants and other contributions	(306,263)	(933,751)	(1,240,014)
Total Income	(576,407)	(1,206,363)	(1,782,770)
Employee expenses	351,965	20,531	372,496
Other service expenses	882,545	47,924	930,469
Support service recharges	0	0	0
Depreciation, amortisation and impairment	170,660	16	170,676
Interest payments	0	71,810	71,810
Gain on disposal of assets	0	(867)	(867)
Total Expenditure	1,405,170	139,414	1,544,584
Net Expenditure / (Income)	828,763	(1,066,949)	(238,186)

Group 2009/10 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(452,501)	11,538	2,272
Income from associates and joint ventures	(218,659)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(479,200)	539	0
Total Income	(1,150,360)	12,077	2,272
Employee expenses	648,555	(8,048)	36,074
Other service expenses	1,133,558	(47,359)	0
Expenditure on associates and joint ventures	308,153	0	0
Support service recharges	9,423	0	0
Depreciation, amortisation and impairment	9,397	0	170,281
Total Expenditure	2,109,086	(55,407)	206,355
Net Expenditure / (Income)	958,726	(43,330)	208,627

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.3 Reconciliation to Subjective Analysis - continued

Group	Not	Reported	Allocation
2009/10 Comparative Data	Included	Below	of
	in CIES	Cost of	Recharges
	£000	Services	£000
Fees, charges and other service income	0	42,949	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	29,356	0
Total Income	0	72,305	0
Employee expenses	(57,464)	(19,203)	3,742
Other service expenses	0	(47,240)	5,681
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(9,423)
Depreciation, amortisation and impairment	0	(18)	0
Interest payments	0	0	0
Gain on disposal of assets	0	0	0
Total Expenditure	(57,464)	(66,461)	0
Net Expenditure / (Income)	(57,464)	5,844	0

Group	Cost of	Corporate	Total
2009/10 Comparative Data	Services	Amounts	£000
	£000	£000	
Fees, charges and other service income	(395,742)	(43,583)	(439,325)
Income from associates and joint ventures	(218,659)	0	(218,659)
Interest and investment income	0	(3,761)	(3,761)
Income from Council Tax	0	(238,628)	(238,628)
Government grants and other contributions	(449,305)	(946,822)	(1,396,127)
Total Income	(1,063,706)	(1,232,794)	(2,296,500)
Employee expenses	603,656	19,203	622,859
Other service expenses	1,044,640	47,547	1,092,187
Expenditure on associates and joint ventures	308,153	0	308,153
Support service recharges	0	0	0
Depreciation, amortisation and impairment	179,660	18	179,678
Interest payments	0	97,879	97,879
Gain on disposal of assets	0	(2,189)	(2,189)
Total Expenditure	2,136,109	162,458	2,298,567
Net Expenditure / (Income)	1,072,403	(1,070,336)	2,067

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.3 Reconciliation to Subjective Analysis - continued

Council	Dept.	Services	Not
2009/10 Comparative Data	Analysis	not in	Reported
	£000	Analysis	to Mgmt.
		£000	£000
Fees, charges and other service income	(337,899)	11,538	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(341,323)	539	0
Total Income	(679,222)	12,077	0
Employee expenses	573,607	(8,048)	38,346
Other service expenses	998,017	(47,359)	0
Support service recharges	9,423	0	0
Depreciation, amortisation and impairment	0	0	170,281
Interest payments	0	0	0
Gain on disposal of assets	0	0	0
Total Expenditure	1,581,047	(55,407)	208,627
Net Expenditure / (Income)	901,825	(43,330)	208,627

Council	Not	Reported	Allocation
2009/10 Comparative Data	Included	Below	of
	in CIES	Cost of	Recharges
	£000	Services	£000
Fees, charges and other service income	0	42,949	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	29,356	0
Total Income	0	72,305	0
Employee expenses	(57,464)	(19,203)	3,742
Other service expenses	0	(47,240)	5,681
Support service recharges	0	0	(9,423)
Depreciation, amortisation and impairment	0	(18)	0
Interest payments	0	0	0
Gain on disposal of assets	0	0	0
Total Expenditure	(57,464)	(66,461)	0
Net Expenditure / (Income)	(57,464)	5,844	0

NOTES TO THE FINANCIAL STATEMENTS

31. Amounts Reported for Resource Allocation Decisions - continued

31.3 Reconciliation to Subjective Analysis - continued

Council 2009/10 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(283,412)	(43,583)	(326,995)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(3,378)	(3,378)
Income from Council Tax	0	(238,628)	(238,628)
Government grants and other contributions	(311,428)	(946,862)	(1,258,290)
Total Income	(594,840)	(1,232,451)	(1,827,291)
Employee expenses	530,980	19,203	550,183
Other service expenses	909,099	47,240	956,339
Support service recharges	0	0	0
Depreciation, amortisation and impairment	170,263	18	170,281
Interest payments	0	85,511	85,511
Gain on disposal of assets	0	(226)	(226)
Total Expenditure	1,610,342	151,746	1,762,088
Net Expenditure / (Income)	1,015,502	(1,080,705)	(65,203)

32. Trading Operations

The Council operates the following significant trading operations under the terms of the Local Government in Scotland Act 2003. The results are included within the Comprehensive Income and Expenditure Statement as shown below:

	2010/11 £000	2009/10 £000
<u>Included in Educational Services</u>		
Edinburgh Catering Services - School and Welfare Catering	(195)	41
Equal Pay included in Exceptional Expend.	426	362
<u>Included in Roads and Transport</u>		
Edinburgh Road Services	946	1,367
<u>Included in Environmental Services</u>		
Open Space Maintenance	30	185
Refuse Collection (including Trade Waste)	(42)	(1,760)
Impact of Employee Statutory Adjustment	n/a	(43)
Total Surplus / (Deficit) Included in Cost of Services	1,165	152
<u>Included in Financing and Investment Income</u>		
BlindCraft	(523)	10
City Fleet Maintenance Services	345	420
Direct Cleaning	(435)	(347)
Edinburgh Building Services	3,945	4,750
Edin. Catering Services - Other Catering	(144)	(22)
Equal Pay included in Exceptional Expend.	806	1,010
Impact of Employee Statutory Adjustment	n/a	23
Total Surplus Included in Financing and Investment Income	3,994	5,844
Total Surplus on Trading Operations	5,159	5,996

NOTES TO THE FINANCIAL STATEMENTS

32. Trading Operations - continued

32.1 Edinburgh Catering Services - School and Welfare Catering

Edinburgh Catering Services - School and Welfare Catering provides catering services to primary, secondary and special schools as well as welfare catering (lunch clubs) for Social Work.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	4,759	5,262	5,266	
(Deficit) / surplus	(195)	41	(601)	(755)

Edinburgh Catering Services - School and Welfare Catering failed to achieve its statutory obligation to break even over the three-year period. The £0.195m deficit achieved in 2010/11 was after meeting costs of £0.426m (2009/10 £0.362m; 2008/09 £0.815m) relating to equal pay claims. Excluding these exceptional items, Edinburgh Catering Services - School and Welfare Catering would have broken even over the three-year period.

32.2 Edinburgh Road Services

Edinburgh Road Services provides repair and maintenance of carriageways, footways and street lighting.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	23,177	23,813	23,291	
Surplus / (deficit)	946	1,367	(1,778)	535

The surplus of £1.367m in 2009/10 was after meeting impairment costs for its Sighthill depot of £0.247m (2008/09 £3.037m). There were no impairment costs in 2010/11.

Edinburgh Road Services achieved its statutory obligation to break even over the three-year period.

32.3 Open Space Maintenance

Open Space Maintenance is responsible for keeping roads, pavements and grassed areas free from litter and dumping. The grounds maintenance section maintains most of the civic amenity green spaces, including public parks and school playing fields. It also provides forestry services for the city's tree stock.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	18,454	18,941	16,968	
Surplus	30	185	306	521

Open Space Maintenance achieved its statutory obligation to break even over the three-year period.

32.4 Refuse Collection (including Trade Waste)

This STO provides a weekly refuse collection for over 227,000 households, with the majority of these properties being served by a containerised waste collection system. Trade waste provides a collection and disposal service to producers of commercial waste throughout the city. In addition the service provides uplifts of bulky household refuse.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	16,213	14,849	15,295	
(Deficit) / surplus	(42)	(1,760)	155	(1,647)

Refuse Collection failed to achieve its statutory obligation to break even over the three-year period.

The on-going industrial dispute has resulted in an increase in costs in 2010/11; however, steps are being taken to improve the service with new working arrangements being implemented. These new arrangements (changes to routing assisted by new routing software and changes to shift patterns) will ensure that the quality of the service and customer satisfaction are maintained, while at the same time reducing costs. This service is currently included in the scope of the Alternative Business Model initiative.

NOTES TO THE FINANCIAL STATEMENTS

32. Trading Operations - continued

32.5 BlindCraft

BlindCraft provided supported employment for blind, visually impaired and other people with disabilities, and produces a range of goods which are sold through various outlets.

BlindCraft received financial support from a number of local authorities, including a subsidy of £1.065m (2009/10 £1.128m; 2008/09 £0.988m) from the Council's Health and Social Care department.

BlindCraft recorded a trading deficit of £0.523m in 2010/11 after the contribution from the Health and Social Care department. The deficit includes costs of £0.485m for redundancy costs in accordance with the Code.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	1,199	1,522	2,003	
(Deficit) / surplus	(523)	10	(134)	(647)

BlindCraft failed to achieve its statutory obligation to break even over the three-year period.

In recent years, BlindCraft has made significant deficits which have been funded by the Council, although the deficit stabilised at £1m per annum, before the contribution from the Health and Social Care department, this level of funding was not sustainable.

In setting its budget for 2010 - 2013, the Council agreed that a saving of £0.7m was required from BlindCraft in 2011/12.

Regular meetings were held with unions and staff to consider how to reduce the funding levels and at its meeting on 18 November 2010, the Council agreed to a trade union request to allow staff to vote on moving towards a 3 day working week as a means to avoid closure and make £0.65m from the targeted £0.7m savings required during 2011/12.

Following a formal period of consultation, a ballot of staff was undertaken and the staff voted not to accept the three-day week proposal. The result of the ballot was reported to Council on 10 February 2011 where members voted to close BlindCraft. A further period of statutory consultation was started to mitigate the number and effects of redundancy on the staff affected. The Council has provided ongoing support for the staff of BlindCraft through the approval of a budget of £0.415m for 2011/12.

32.6 City Fleet Maintenance Services

City Fleet Maintenance Services provides a full range of vehicle and plant maintenance services.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	4,388	4,262	4,252	
Surplus	345	420	330	1,095

City Fleet Maintenance Services achieved its statutory obligation to break even over the three-year period.

32.7 Direct Cleaning

Direct Cleaning provides a daily internal building cleaning service to all departments of the Council. It also undertakes specialist cleaning when required.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	6,506	6,928	7,189	
Deficit	(435)	(347)	(1,024)	(1,806)

Direct Cleaning failed to achieve its statutory obligation to break even over the three-year period. The deficit incurred in 2010/11, however, was after meeting costs of £0.724m (2009/10 £0.966m; 2008/09 £1.552m) relating to equal pay claims. Excluding these exceptional items, Direct Cleaning would have broken even over the three-year period.

NOTES TO THE FINANCIAL STATEMENTS

32. Trading Operations - continued

32.8 Edinburgh Building Services

Edinburgh Building Services is a multi-trade property maintenance trading operation providing a full repairs service to its clients.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	27,849	27,315	26,236	
Surplus	3,945	4,750	2,548	11,243

Edinburgh Building Services achieved its statutory obligation to break even over the three-year period.

32.9 Edinburgh Catering Services - Other Catering

Edinburgh Catering Services - Other Catering provides staff catering and hospitality in five Council buildings.

	2010/11 £000	2009/10 £000	2008/09 £000	Cumulative £000
Turnover	1,296	1,358	1,298	
(Deficit) / Surplus	(144)	(22)	16	(150)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period. The deficit in 2010/11 was after meeting costs of £0.084m (2009/10 £0.055m; 2008/09 £nil) relating to equal pay claims.

Excluding costs relating to equal pay, Edinburgh Catering Services - Other Catering returned a deficit of £0.06m in 2010/11, with a cumulative deficit of £0.011m over the three-year period, excluding costs relating to equal pay claims. The 2010/11 deficit was due to income losses sustained during the prolonged exceptionally bad winter weather. This affected Other Catering through staff absences and hospitality catering through cancelled meetings. It is expected that under normal circumstances, the STO should revert to returning a small surplus.

33. Financial Support and Guarantees

33.1 Loans and guarantees

The Council has made loans to the following organisations.

	£000
Edinburgh Leisure	230
Forth Sector	135

Both of these loans have been made on an interest-free basis. Adjustments have been made under the requirements of IAS 39 as required by the Code.

In addition the Council has approved a potential guarantee against a loan taken out by Festival City Theatres Trust, up to an amount of £0.25m. As at 31 March 2011, the loan had not been taken out by Festival City Theatres Trust.

33.2 Shared Equity Scheme

The Council approved a pilot scheme for a Council-backed shared equity scheme to help buyers purchase homes from PARC (a subsidiary of CEC Holdings Limited) and support the regeneration of Craigmillar. During the year the Council provided assistance to sixteen purchasers, at a cost of £0.484m.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Interest for the period up to the first five years is charged to PARC and thereafter to the purchasers.

NOTES TO THE FINANCIAL STATEMENTS

34. Agency Income and Expenditure

The Council has entered into agency agreements with other local public bodies to provide and receive services, the income and expenditure for which is included in the Comprehensive Income and Expenditure Statement. The main activities were:

	2010/11 £000	2009/10 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	417	643
Educational services for children	1,731	1,523
Residential care for children	148	275
Others		
Police officers	2,641	2,560
Lothian and Borders Police - cab inspection	407	418
Total Expenditure	5,344	5,419
Income		
Receipts in respect of library services:		
Health Boards	(29)	(26)
Scottish Prison Service	(5)	(5)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(689)	(698)
Receipts from other local authorities in respect of:		
Child protection officer	(34)	(34)
Criminal justice services	(352)	(444)
Educating pupils	(680)	(846)
Pentland Hills Regional Park management	(78)	(115)
Residential care for children	(374)	(268)
Revenues	(40)	(59)
Risk Factory	(53)	(52)
Social work undertakings	(2,754)	(2,358)
Total Income	(5,088)	(4,905)

35. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.761m (2009/10 £0.763m).

Lothian Pension Funds are subject to a separate audit fee from 2010/11 onwards. The comparative figure for 2009/10 includes the costs for the audit of Lothian Pension Fund.

36. Grant Income

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Funding		
Credited to taxation and non-specific grant income		
General revenue funding	(579,737)	(562,800)
Non-domestic rates	(188,733)	(197,002)
	(768,470)	(759,802)
Credited to services		
Government grants	(30,744)	(39,508)
Department of Works and Pensions		
- Housing Benefits	(178,990)	(169,590)

NOTES TO THE FINANCIAL STATEMENTS

36. Grant Income - continued

	2010/11 £000	2009/10 £000
Credited to services - continued		
N.H.S. Lothian	(21,366)	(24,287)
Scottish Water	(1,343)	(1,604)
Other Local Authorities	(4,597)	(4,590)
Capital City Partnership	(2,353)	(1,892)
Edinburgh International Conference Centre	(128)	0
Edinburgh Leisure	(95)	(95)
Event Scotland	(138)	(118)
Lothian and Borders Community Justice	(45)	(65)
Lothian and Borders Fire and Rescue Board	(10)	(10)
Lothian and Borders Police	(179)	(65)
Lottery funding	(673)	(55)
Scottish Enterprise	(116)	(217)
SportScotland	(829)	(22)
Winter Festivals (including rental income)	<u>(826)</u>	<u>(956)</u>
	(242,432)	(243,074)
Credited to Council Tax Income		
Department of Works and Pensions		
- Council Tax Benefits	<u>(29,473)</u>	<u>(29,549)</u>
Total	<u><u>(1,040,375)</u></u>	<u><u>(1,032,425)</u></u>
Capital Funding		
Transport Scotland	(90,465)	(100,853)
Scottish Government	(31,561)	(46,079)
International Conference Centre Income Trust	(6,493)	0
Scottish Enterprise	(1,852)	(750)
Scottish Sports Council	(1,417)	(1,504)
Other grants and contributions, including contributions from developers and individuals	(1,528)	(2,297)
Usher Hall Trust	(600)	0
Stevenson College	(267)	0
Lothian Health Board	(250)	(2,694)
Forth Estuary Transport Authority	(247)	(633)
Royal Institute for the Blind	(193)	0
Scottish Futures Trust	(176)	0
Edinburgh World Heritage Trust	(176)	(312)
Lothian and Borders Safety Camera P/ship	(146)	(233)
Edinburgh Leisure	(105)	(249)
Edinburgh University	0	(450)
Lothian Buses	0	(386)
Scottish Arts Council	0	(363)
Lottery funding	0	(429)
SportScotland	<u>0</u>	<u>(472)</u>
Total	<u><u>(135,476)</u></u>	<u><u>(157,704)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

37. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

37.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure

	2010/11 £000	2009/10 £000
• Revenue Expenditure		
Edinburgh Festival Theatres	1,193	829
Edinburgh Leisure Limited		
Revenue funding	9,080	8,838
Other expenditure	94	50
Edinburgh World Heritage Trust	300	487
Lothian and Borders Fire and Rescue Board - requisitions	22,753	28,246
Lothian and Borders Police Board		
Capital grant	2,126	2,370
Requisitions	46,848	55,066
Lothian Buses Limited		
Supported bus services	579	815
Other expenditure	11	0
Lothian Valuation Joint Board - requisitions	3,924	3,806
SESTRAN (South East of Scotland Transport P'ship) - requisitions	95	99
Subsidiaries / Voluntary Organisations	16,837	23,036
tie Limited	0	70
Total Revenue Expenditure	103,840	123,712
• Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(224)	(249)
Rent - car parks	(795)	(1,030)
Edinburgh Festival Theatres	(277)	(150)
Edinburgh Leisure - prudential investment costs	(108)	(95)
Lothian Health Board		
Resource transfers	(20,271)	(19,877)
Other Grants and Fees	(222)	(208)
SESTRAN - various grants and fees	(50)	(12)
tie Limited	(70)	(1,018)
Professional services, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(94)	(251)
Lothian and Borders Fire and Rescue Board	(106)	(48)
Lothian and Borders Police Board	(77)	(94)
Projects Edinburgh Ltd	0	(10)
Other subsidiaries and voluntary organisations	0	(21)
tie Limited	(57)	(42)
Waterfront Edinburgh Limited	(76)	0
Total Revenue Income	(22,427)	(23,105)

NOTES TO THE FINANCIAL STATEMENTS

37. Related Parties - continued

37.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure

	2010/11 £000	2009/10 £000
• Central Support Income		
Forth Estuary Transport Authority	(69)	(114)
Lothian and Borders Fire and Rescue Board	(269)	(315)
Lothian and Borders Police Board	(136)	(161)
Lothian Valuation Joint Board	(54)	(74)
Pension Funds	(684)	(771)
Total Central Support Income	(1,212)	(1,435)
• Interest on Revenue Balances		
Forth Estuary Transport Authority	(11)	(7)
Lothian and Borders Fire and Rescue Board	10	12
Lothian and Borders Police Board	32	57
Lothian Valuation Joint Board	3	1
Pension Funds	25	18
SESTRAN	3	5
Total Interest on Revenue Balances	62	86
• Loans Charges Recovered		
Further Education Colleges (pre 1996 expenditure)	(26)	(60)
Lothian and Borders Fire and Rescue Board	(1,572)	(1,674)
Lothian and Borders Police Board	(3,403)	(3,202)
Total Loans Charges	(5,001)	(4,936)
• Lothian Pension Fund		
Transfer of Contributions to Lothian Pension Fund	59,690	49,343
Pension Strain Costs	4,135	2,662
Total Lothian Pension Fund	63,825	52,005

37.2 Subsidiaries and Other Organisations - Capital Expenditure

• Capital Expenditure		
Edinburgh Leisure	541	1,333
Edinburgh Military Tattoo	2,645	1,175
tie Limited	79,108	118,926
Total Capital Expenditure	82,294	121,434

NOTES TO THE FINANCIAL STATEMENTS

37. Related Parties - continued

37.3 Related Parties - indebtedness

The following represents material amounts due to / (from) the Council, at 31 March 2011, with its related parties.

	2010/11 £000	2009/10 £000
• Capital		
CEC Holdings Limited (EDI Group Ltd)	3,500	4,000
Edinburgh Leisure Limited	0	(271)
Edinburgh Military Tattoo	0	(500)
International Conference Centre Trust	1,213	0
Lothian and Borders Fire Board	8,490	9,638
Lothian and Borders Police Board	26,711	28,523
tie Limited	13,607	18,674
	<u>53,521</u>	<u>60,064</u>
• Revenue		
CEC Holdings Limited (EDI Group Limited)	254	249
CEC Holdings Limited (Parc)	0	608
Department for Work and Pensions	(1,371)	0
Edinburgh Leisure Limited	0	144
Edinburgh Military Tattoo	0	1
Festival City Theatres Trust	400	0
Forth Estuary Transport Authority	2,753	2,872
Lothian and Borders Fire Board	(3,172)	(4,080)
Lothian and Borders Police Board	3,956	(16,930)
Lothian Buses	0	(50)
Lothian Valuation Joint Board	(608)	(669)
Pension Funds	(4,994)	(10,022)
SESTRAN	352	554
Transport Scotland	50,834	(17,121)
	<u>48,404</u>	<u>(44,444)</u>
• Investments held on behalf of, and repayable to:		
CEC Holdings	(73)	(67)
Common Good	(1,566)	(1,556)
Lothian and Borders Fire Board	(20,108)	n/a
Lothian and Borders Police Board	(3,011)	n/a
tie Limited	<u>(25,305)</u>	<u>(27,030)</u>
	<u>(50,063)</u>	<u>(28,653)</u>

NOTES TO THE FINANCIAL STATEMENTS

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2010/11 £000	2009/10 £000
Opening capital financing requirement	1,400,470	1,188,595
Capital Investment		
Property, plant and equipment	256,927	317,930
Assets held for sale	44	189
Intangible assets	418	1,076
Revenue expenditure funded from capital under statute	44,820	49,325
PPP2 schools transferred during the year	<u>0</u>	<u>125,261</u>
	302,209	493,781
Sources of Finance		
Capital receipts	(8,558)	(6,313)
Government grants and other contributions	(206,252)	(212,715)
Loans fund / finance lease repayments	<u>(75,805)</u>	<u>(62,878)</u>
	<u>(290,615)</u>	<u>(281,906)</u>
Closing capital financing requirement	<u><u>1,412,064</u></u>	<u><u>1,400,470</u></u>
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	21,274	21,274
(Decrease) / increase in underlying need to borrow (not supported by government financial assistance)	(5,699)	65,312
Voluntary debt repayment - HRA	(4,000)	0
Assets acquired under finance leases	19	28
Assets acquired under PPP contracts	<u>0</u>	<u>125,261</u>
Increase in capital financing requirement	<u><u>11,594</u></u>	<u><u>211,875</u></u>

NOTES TO THE FINANCIAL STATEMENTS

39. Leases

39.1 Assets Leased in - Finance Leases

The Council has acquired two buildings, and its IT and copying equipment under finance leases. The assets acquired under these leases are included in property, plant and equipment in the Balance Sheet at the following net amounts:

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	26,399	10,354	35,423	13,448
Additions during the year	19	19	159	28
Repayments during the year	(8,889)	(3,135)	(9,183)	(3,122)
Value at 31 March	<u>17,529</u>	<u>7,238</u>	<u>26,399</u>	<u>10,354</u>
Other land and buildings	610	610	712	712
Vehicles, plant, equipment and furniture	<u>16,919</u>	<u>6,628</u>	<u>25,687</u>	<u>9,642</u>
Value at 31 March	<u>17,529</u>	<u>7,238</u>	<u>26,399</u>	<u>10,354</u>

The Council is committed to making minimum lease payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are shown below:

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	8,168	2,995	8,885	3,131
Non-current	9,361	4,243	17,514	7,223
Finance costs payable in future years	<u>640</u>	<u>640</u>	<u>977</u>	<u>977</u>
Minimum lease payments	<u>18,169</u>	<u>7,878</u>	<u>27,376</u>	<u>11,331</u>

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

Minimum Lease Repayments	at 31.03.11		at 31.03.10	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	8,425	3,252	9,225	3,471
Later than one year and not later than five years	9,642	4,524	17,947	7,656
Later than five years	<u>102</u>	<u>102</u>	<u>204</u>	<u>204</u>
	<u>18,169</u>	<u>7,878</u>	<u>27,376</u>	<u>11,331</u>
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	8,168	2,995	8,885	3,131
Later than one year and not later than five years	9,259	4,141	17,310	7,019
Later than five years	<u>102</u>	<u>102</u>	<u>204</u>	<u>204</u>
	<u>17,529</u>	<u>7,238</u>	<u>26,399</u>	<u>10,354</u>

NOTES TO THE FINANCIAL STATEMENTS

39. Leases - continued

39.2 Assets Leased in - Operating Leases

The Group leases in property and vehicles financed under the terms of operating leases. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

The amounts recognised as an expense during the year include £0.421m of contributions paid by employees towards cost of car leasing (2009/10 £0.403m).

Under these operating leases, the Group is committed to paying the following sums, of which £0.621m is recoverable from employees (2009/10 £0.603m):

	2010/11		2009/10	
	Group	Council	Group	Council
Future Repayment Period	£000	£000	£000	£000
Not later than one year	6,351	6,066	7,014	6,518
Later than one year and not later than five years	13,689	13,655	19,031	18,761
Later than five years	7,415	7,192	9,940	9,717
	27,455	26,913	35,985	34,996
Value at 31 March				
Other land and buildings	25,119	24,577	32,952	31,963
Vehicles, plant, equipment and furniture	2,336	2,336	3,033	3,033
	27,455	26,913	35,985	34,996
Recognised as an expense during the year	6,851	6,317	7,822	7,326

39.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arms' length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2010/11	2009/10
	£000	£000
Not later than one year	10,812	11,595
Later than one year and not later than five years	29,496	30,756
Later than five years	150,384	154,912
	190,692	197,263

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.1 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership to either replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a high standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/12	13,528	6,437	16,141	36,106
Payable within two to five years	59,023	27,389	63,200	149,612
Payable within six to ten years	87,724	37,166	74,380	199,270
Payable within eleven to fifteen years	110,407	36,791	66,649	213,847
Payable within sixteen to twenty years	124,671	46,520	58,343	229,534
Payable within twenty one to twenty five years	104,356	47,342	41,945	193,643
Payable within twenty six to thirty years	38,340	18,673	13,532	70,545
	<u>538,049</u>	<u>220,318</u>	<u>334,190</u>	<u>1,092,557</u>

Payments due under the PPP1 scheme have been inflated by 1.11% per annum and those due under the PPP2 scheme have been inflated by 1.67% per annum.

The amounts disclosed as reimbursement of capital expenditure are included in other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate the providers for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2010/11 £000	2009/10 £000
Balance at 1 April	226,848	112,253
Additional capital expenditure during the year	0	125,073
Less: Release of capital contributions and other movements	0	(5,656)
Repayments during the year	(6,530)	(4,822)
Balance at 31 March	<u>220,318</u>	<u>226,848</u>

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.2 Provision of Information Technology services

In 2001 the Council entered into a ten year Public Private Partnership for the provision of information technology services. This contract has now been extended for another five years.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown):-

Future Repayment		Inflationary
Period	£000	Uplift
2011-12	26,402	5.4%
2012-13	27,536	3.5%
2013-14	28,436	3.1%
2014-15	29,184	2.5%
2015-16	29,451	2.5%
	141,009	

The equipment assessed as a finance lease within this contract is included in note 39.1. The above payments include the elements relating to the finance lease for the equipment.

The cost of information technology is included in overheads and is thus allocated to direct services.

40.3 Provision of Parking Enforcement

The Council has entered into a five year contract with National Car Parks for the provision of parking enforcement. A two-year extension to the contract has now been granted for the period to November 2013.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown):-

Future Repayment		Inflationary
Period	£000	Uplift
2011-12	5,870	4.0%
2012-13	6,160	5.0%
2013-14	4,310	5.0%
	16,340	

40.4 Waste Disposal

The Council entered into a twenty year contract with Viridor in 2000 to supply waste to their landfill site in Dunbar. The contract requires the Council to supply an agreed tonnage to the landfill site each calendar year. Fees are subject to review twice a year, based on civil engineering indices.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an increase of 5% per annum):-

Future Repayment	
Period	£000
2011 - 2012	3,236
2012 - 2017	18,776
2017 - 2020	13,673
	35,685

40.5 Supporting People

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £25.135m.

NOTES TO THE FINANCIAL STATEMENTS

41. Termination Benefits

Under certain circumstances, employees leaving the Council may be entitled to a redundancy payment, or other compensation for terminating their employment. In addition, the Council may incur pension strain costs, which are paid to Lothian Pension Fund. The following amounts were provided for or paid to 230 employees during the 2010/11 financial year.

A decision was taken by the Council on 10 February 2011 to close BlindCraft. This will lead to the redundancy of 49 permanent staff. The costs associated with these redundancies are included in the figures below.

	2010/11 £000	2009/10 £000
Redundancy and other payments	4,241	1,108
Pension strain costs (paid or payable to Lothian Pension Fund)	3,232	1,287
Total	<u>7,473</u>	<u>2,395</u>

42. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2010/11 £000	%	2009/10 £000	%
Amount paid to Scottish Government in respect of teachers' pension costs	18,640		18,635	
As a percentage of teachers' pensionable pay		14.90		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2010/11	20,338		25,125	

At 31st March 2011, creditors include £2.229m (2009/10 £2.213m) in respect of teachers' superannuation.

43. Defined Pension Schemes

43.1 Participation in Pension Scheme

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme in 2010/11, the Council paid an employer's contribution of £51.310m (2009/10 £49.343m) into the Lothian Pension Fund, representing 20.6% (2009/10 20.0%) of pensionable pay. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being carried out as at 31 March 2008.

In accordance with the Code of Practice guidance on the application of IAS19, Employee Benefits, the Comprehensive Income and Expenditure Statement recognises the true economic cost of retirement benefits earned by employees in 2010/11, irrespective of when benefits are due to be paid. These costs are based upon an assessment by the Fund's Actuary of the share of fund assets and liabilities attributable to the City of Edinburgh Council at 31 March 2008.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The table below summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement (CIES)	2010/11		% of pay	2009/10		% of pay
	£000	£000		£000	£000	
Cost of services:						
Current service costs	53,243		20.7%	26,815		11.1%
Past service costs	(182,340)		(70.9%)	8,181		3.4%
Settlements and curtailments	<u>687</u>		0.3%	<u>321</u>		0.1%
		(128,410)			35,317	
Financing and investment income:						
Interest cost	108,317		42.1%	90,541		37.4%
Expected return on scheme assets	<u>(103,873)</u>		(40.4%)	<u>(69,095)</u>		(28.5%)
		<u>4,444</u>			<u>21,446</u>	
Total post employee benefit charged to the surplus on provision of services benefits in accordance with the Code		<u><u>(123,966)</u></u>			<u><u>56,763</u></u>	
Other post employment benefit charged to the CIES						
Actuarial (losses) / gains on plan assets	(25,531)			293,067		
Actuarial gains / (losses) on obligation	<u>186,773</u>			<u>(697,195)</u>		
Total actuarial gains and losses charged to the CIES		<u><u>161,242</u></u>			<u><u>(404,128)</u></u>	
Movement in Reserves Statement						
Reversal of net charges made to the surplus on provision of services for post employment benefits in accordance with the Code		<u><u>182,464</u></u>			<u><u>701</u></u>	
Actual amount charged against the General Fund Balance for pensions in the year:						
Employer's contributions payable to the scheme		52,430			51,279	
Contributions in respect of unfunded costs		<u>6,068</u>			<u>6,185</u>	
		<u><u>58,498</u></u>			<u><u>57,464</u></u>	

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £451.266m (2009/10 £612.507m).

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.2 Transactions Relating to Post-Employment Benefits - continued

The amounts charged to the Comprehensive Income and Expenditure Statement are based on employer and employee contributions up to 31 March 2011 and the number of employees, deferred pensioners and pensioners as at 7 January 2011 in order to estimate the position for the year to 31 March 2011.

From October 2006, members retiring are able to elect an additional tax-free lump sum in lieu of part of their pension ("commutation"). Allowance has been made for future retirees to elect to take 50% of the maximum additional tax-free cash up to HM Revenues and Customs limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

43.3 Asset and Liabilities in Relation to Post Employment Benefits

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

	2010/11 £000	2009/10 £000
Defined benefit obligation at 1 April	2,096,893	1,315,114
Current service cost	53,243	26,815
Interest cost	108,317	90,541
Contributions by members	16,072	15,934
Actuarial (gains) / losses	(186,773)	697,195
Past service costs	(182,340)	8,181
Losses on curtailments and settlements	687	321
Estimated unfunded benefits paid	(6,068)	(6,185)
Estimated benefits paid	(56,701)	(51,023)
Defined benefit obligation at 31 March	<u>1,843,330</u>	<u>2,096,893</u>

Reconciliation of the fair value of the scheme assets:

	2010/11 £000	2009/10 £000
Defined benefit obligation at 1 April	1,417,285	1,038,933
Expected return on assets	103,873	69,095
Contributions by members	16,072	15,934
Contributions by the Council	52,430	51,279
Contributions in respect of unfunded benefits	6,068	6,185
Actuarial losses	(25,531)	293,067
Unfunded benefits paid	(6,068)	(6,185)
Benefits paid	(56,701)	(51,023)
Defined benefit obligation at 31 March	<u>1,507,428</u>	<u>1,417,285</u>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2010 for the year to 31 March 2011, or date of joining the fund if later).

Assets have been valued at bid value, as required under IAS19.

The actual return on scheme assets in the year was £78.687m (2009/10 £362.162m)

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.4 Scheme History

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Fair value of employer assets	1,507,428	1,417,285	1,038,933	1,296,168	1,309,896
Present value of defined benefit obligation	(1,843,330)	(2,096,893)	(1,315,114)	(1,394,315)	(1,563,534)
Deficit	(335,902)	(679,608)	(276,181)	(98,147)	(253,638)
Experience gains / (losses) on assets	(25,531)	293,067	(355,405)	(135,790)	7,795
Experience gains / (losses) on liabilities	13,778	4,771	45,059	5,968	(10,244)
Actuarial gains / (losses) on employer assets	(25,531)	293,067	(355,405)	(135,790)	7,795
Actuarial gains / (losses) on obligation	186,773	(697,195)	161,963	284,268	93,899
Actuarial gains / (losses) recognised in Movement in Reserves Statement	161,242	(404,128)	(193,442)	148,478	101,694

The net pension liability of £335.902m exceeds current general fund reserves of £89.634m by £246.268m. The actuarial valuation will consider the appropriate employer's rates and this, together with revenues generated from the investments, will be utilised to meet the fund's commitments.

The total contributions expected to be made to Lothian Pension Fund by the Council in the year to 31 March 2012 are £55.544m.

43.5 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2011 were those from the beginning of the year (i.e. 31 March 2010) and have not been changed during the year. The main assumptions in the calculations are:

	Expected return on assets		As % of plan assets	
	2010/11	2009/10	2010/11	2009/10
Equity investments	7.5%	7.8%	79%	79%
Bonds	4.9%	5.0%	8%	8%
Property	5.5%	5.8%	10%	9%
Cash	4.6%	4.8%	3%	4%
Average future life expectancies at age 65:				
Current pensioners		male	20.8 years	20.8 years
Current pensioners		female	24.1 years	24.1 years
Future pensioners		male	22.3 years	22.3 years
Future pensioners		female	25.7 years	25.7 years
Inflation / pension increase rate			2.8%	3.8%
Salary increase rate			5.1%	5.3%
Expected return on assets			7.0%	7.3%
Discount rate			5.5%	5.5%

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.6 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March.

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
Experience gains and losses on assets	(1.7%)	20.7%	(34.2%)	(10.5%)	0.6%
Experience gains and losses on liabilities	(10.1%)	33.2%	(12.3%)	(20.4%)	(6.0%)

43.7 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Police, Fire and Valuation joint boards are included in unusable reserves, as these are statutory accounts under the Code. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

	2010/11		2009/10	
	Pension Reserve	Pension Reserve (Injuries)	Pension Reserve	Pension Reserve (Injuries)
	£000	£000	£000	£000
Unusable Reserves				
Council	335,902	0	679,608	0
Lothian and Borders Police Board	860,164	43,979	942,937	48,649
Lothian and Borders Fire and Rescue Board	172,489	9,583	212,478	12,187
Lothian Valuation Joint Board	3,056	0	7,228	0
	<u>1,371,611</u>	<u>53,562</u>	<u>1,842,251</u>	<u>60,836</u>
Usable Reserves				
CEC Holdings		1,136		1,168
Festival City Theatres Trust		44		85
Edinburgh Leisure		1,429		1,532
Lothian Buses		8,190		35,774
tie limited		522		2,206
		<u>11,321</u>		<u>40,765</u>

43.8 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £4.135m in 2010/11 (2009/10 £2.662m). The future value of payments, based on employees who have retired on the above grounds amounts to £0.764m (2009/10 £1.653m). Payments for employees who have left the Council since 1 April 2009 require to be paid in full to Lothian Pension Fund at the time of leaving.

43.9 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Director of Finance, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

NOTES TO THE FINANCIAL STATEMENTS

44. Contingent Assets and Liabilities

44.1 Contingent Assets

- The Council has a contingent asset relating to recovery of costs from utility companies for works included within the tram project, which may result in betterment to the infrastructure. It is not possible to estimate precisely when and the amount of monies that may be recovered.

44.2 Contingent Liabilities

- There may be outstanding liability claims against the Council in relation to income received from parking charges and other services. The actual cost of these claims cannot be estimated with reasonable accuracy and consequently, no provisions have been made in the financial statements in respect of them. It is also not possible to estimate precisely when these claims could become due.
- The most recent financial report from Municipal Mutual Insurance indicates that, contrary to previous reports, there may not be a solvent run-off of mesothelioma (asbestos) claims if the outcome of Supreme Court judgement is not favourable. The actual cost and timing of any Council contribution cannot be estimated with reasonable accuracy and consequently no provision has been made in the financial statements in respect of these payments.
- The provision for equal pay claims includes an estimate of the costs for all known staff groups who have, or may have, an equal pay claim against the Council. In addition, the provision includes an estimate of a potential liability as a result of pay protection costs since the introduction of the new scheme to 31 March 2011.
- There may be outstanding liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.

45. Nature and Extent of Risks Arising from Financial Instruments

45.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 10 March 2011 and is available on the Council website.

The key issues within the strategy are:

- The authorised limit for 2011/12 has been set at £1.702bn. This is the maximum limit for external borrowings or other long term liabilities.
- The operational boundary for 2011/12 has been set at £1.562bn. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% of the Council's net debt respectively.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

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

45.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

As it has throughout the 'credit crunch' and the difficulties encountered by banks, both in the UK and globally, over the last three years, the Council has continued to manage its cash investments with an emphasis on managing the risk to which the Council was exposed, while at the same time seeking innovative and secure investment opportunities.

The Council's funds are managed along with those of Lothian Pension Fund, the Forth Estuary Transport Authority and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

As well as lending monies to other local authorities, the Council has purchased UK Government treasury bills. Up to 60% of the Council's investments during the year were in treasury bills. However, towards the end of the year, the rates on offer from other local authorities improved and at 31 March 2011, 44% of the Council's investment were represented by short-term loans to other local authorities; 3% in Lloyds Bank instrument with an explicit UK Government guarantee and a further 7% in a AAAM rated money market fund. All of the monies held on deposit with banks at 31 March 2011 was in call or near call accounts.

The Council has no direct investments with institutions domiciled outwith the UK. However, at 31 March 2011 the Council had £24.309m invested with a UK bank which is the subsidiary of a Spanish banking group and £15.386m held in a 'AAA' money market fund which itself has monies invested outwith the UK.

In March 2010 the Scottish Parliament passed investment regulations governing the investment of surplus funds by Scottish local authorities. Scottish government ministers issued the relevant consent for authorities to invest on 1 April 2010, with a three-month implementation period to adopt the new regulations. The Council approved a new annual investment strategy and treasury policy statement for both the Council and the cash fund at its March 2010 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2011 is contained in the treasury cash fund investment report for quarter one 2011. This is available on request from the Council's treasury section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

The Council's maximum exposure to credit risk to its investments in banks and building societies of £111.0m cannot be assessed generally as the risk or any institution failing to make interest payments of repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment, there was no evidence at 31 March 2011 that this risk was likely to crystallise.

The following analysis summarises the authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

The table (composite defaults from Fitch, Standard and Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial institutions) for the period since at least 1990 - 2009. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

	Amount at 31.03.11 £000	Historical Experience of Default %	Adjustment for Market Conditions at 31.03.11 %	Estimated Maximum Exposure to Default £000	Estimated Maximum Exposure at 31.03.10 £000
	[a]	[b]	[c]	[a] * [c]	
AAA Rated Instruments	6,629	0.000%	0.000%	0	0
Customers	33,306	1.800%	2.350%	783	856
Financial Investments	<u>39,935</u>			<u>783</u>	<u>856</u>

In addition to the deposits outstanding on 31 March 2011, the Council had also committed to placing three deposits, with a total value of £10.263m, with another local authority. These deposits had a start date in April 2011 and have maturity dates between January and June 2012.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council has never had any exposure to Icelandic banks and had no investment in the sector at that time.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.585m (2009/10 £2.018m), trade debtors past due date can be analysed by age as follows:

	2010/11 £000	2009/10 £000
Less than two months	13,325	13,996
Two to four months	6,297	3,401
Four to six months	1,608	1,618
Six months to one year	2,683	4,587
More than one year	9,393	8,118
Total	<u>33,306</u>	<u>31,720</u>

Collateral – During the reporting period the Council held no collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. While this has not been needed for normal cash flow requirements, it was used for tactical temporary borrowing during 2008/09 when the Council considered that interest rates were going to fall and that medium to long-term borrowing would be disadvantageous at that time.

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

45.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. Although the average maturity of the Council's borrowing reduced further during 2010/11, the majority of the Council's debt portfolio remains fixed rate longer term loans. As such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. However, with the increase in new borrowing rates announced in the Government's Comprehensive Spending Review, it is now unlikely that there will be much scope for any substantial debt rescheduling.

The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

	2010/11	2009/10
	£000	£000
Less than one year	(64,401)	(21,705)
Between one and two years	(16,369)	(30,250)
Between two and five years	(123,323)	(85,038)
Between five and ten years	(286,097)	(287,794)
More than ten years	<u>(1,065,140)</u>	<u>(1,027,574)</u>
Financial Liabilities	<u><u>(1,555,330)</u></u>	<u><u>(1,452,361)</u></u>

All trade and other payables are due to be paid in less than one year and trade creditors of £10.302m (2009/10 £6.682m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £16.652m (2009/10 £15.953m) nor net equivalent interest rate (EIR) adjustments of £8.314m (2009/10 £7.535m) to the carrying amounts of market debt shown in the financial liabilities are included.

The Council has no investments, other than £3.5m in EDI loan stock, with a maturity greater than one year. However, the Council had committed to placing a deposit of £2.566m with another local authority which had a start date of 6 April 2011 and a maturity date of 6 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.6 Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

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

	2010/11 £000	2009/10 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(952)	(369)
Impact on Comprehensive Income and Expenditure Statement	(952)	(369)
Increase in government grant receivable for financing costs	0	0
Share of overall impact debited to the HRA	0	0
Decrease in fair value of fixed rate investment assets	81	0
Impact on Movement in Reserves Statement	81	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure Statement or Movement in Reserves Statement)	178,512	157,073

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.6 Market risk - continued

Interest rate risk - continued

The approximate impact of a 1% fall in interest rates would be as shown above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost (note 17.3, page 65). However, it should be noted that it would be unlikely that short term and long term interest rates would move in the same direction by the same amount at the same time.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £23.335m (2009/10 £23.335m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

46. Business Improvement District Scheme

The Council acts as the Billing Authority for Edinburgh's Central Business Improvement District (BID). The Council collects a levy from the business rate payers on behalf of the BID body, Essential Edinburgh.

	2010/11 £000	2009/10 £000
Monies to be recovered from ratepayers at 1 April	137	44
BID Levy Income	943	858
Less: Payments made / due to Essential Edinburgh	(917)	(765)
Monies still to be recovered from ratepayers at 31 March	<u>163</u>	<u>137</u>

The monies raised through the BID are used to fund activities around four key themes, including:

- area promotion - advertising, marketing and events
- clean and attractive area - cleaning teams, street décor, cleanliness surveys
- safe and secure area - CCTV, improved lighting
- accessibility - pedestrian friendly environment.

47. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. At the end of the year this included 51 Scottish charities registered under the Charities and Trustee Investment (Scotland) Act 2005 and 50 other charitable funds, mainly educational endowments.

The funds are of varying size: the smallest has a market value of £6, with the largest valued at £7.8m (as shown in note 47.2). Whilst each fund has specific objectives and conditions, most were gifted into the trust of the Council for provision of prizes and scholarships in particular Council schools or for providing additional pensions for poor or needy citizens of Edinburgh.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.1 Purpose, and financial position, of the largest of the charitable funds

• Trinity Hospital Scheme of Administration

The scheme applies to Trinity College Hospital, John McGibbon, Sir James Steel and the Alexander Mortification.

Trinity College Hospital (Scottish Charity Reg. No. SC018969)

Beneficiaries must have resided in Edinburgh for a minimum of 2 years, be at least 50 years of age, and in decayed circumstances through no fault of their own.

The financial results of the fund are as follows:	31.03.2011	31.03.2010
	£000	£000
Income	(198)	(199)
Expenditure	271	172
Assets	7,862	7,624
Liabilities	(90)	(62)

John McGibbon (Scottish Charity Reg. No. SC018977)

The fund was established for the relief of governesses, teachers and women engaged in business of good character.

The financial results of the fund are as follows:	31.03.2011	31.03.2010
	£000	£000
Income	(34)	(34)
Expenditure	38	40
Assets	1,145	1,104
Liabilities	0	0

Sir James Steel (Scottish Charity Reg. No. SC025067)

The fund was established to assist masons, joiners and other workmen if appropriate.

The financial results of the fund are as follows:	31.03.2011	31.03.2010
	£000	£000
Income	(46)	(48)
Expenditure	43	41
Assets	1,476	1,378
Liabilities	0	0

Alexander Mortification (Scottish Charity Reg. No. SC018949)

Beneficiaries are elected with the following preference:

- (a) those of kindred of Alexander of Knockhill who died in 1696;
- (b) those of the surname Alexander, which may be a female's maiden name;
- (c) other persons which are thought fit.

The financial results of the fund are as follows:	31.03.2011	31.03.2010
	£000	£000
Income	(24)	(24)
Expenditure	17	17
Assets	864	823
Liabilities	0	0

• Surplus Fire Fund (Scottish Charity Reg. No. SC018967)

The purposes of the fund are to offer relief to persons that have suffered as the result of a fire and to recognise meritorious service in connection with fires. In both cases the fire must have occurred in the Edinburgh area.

The financial results of the fund are as follows:	31.03.2011	31.03.2010
	£000	£000
Income	(34)	(34)
Expenditure	35	59
Assets	1,118	1,074
Liabilities	(5)	0

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.1 Purpose, and financial position, of the largest of the charitable funds - continued

- **Jean F. Watson Bequest (Scottish Charity Reg. No. SC018971)**

The purpose of the fund is to purchase works of art by artists who have connections with the city.

The financial results of the fund are as follows:	31.03.2011	31.03.2010
	£000	£000
Income	(23)	(23)
Expenditure	4	6
Assets	1,587	1,530
Liabilities	(6)	0

47.2 The main funds are:

	Scottish Charity Registration Number	31.03.2011 £000	31.03.2010 £000
Scottish Registered Charities			
Trinity College Hospital	SC018969	7,773	7,562
Jean F. Watson	SC018971	1,582	1,530
Sir James Steel	SC025067	1,476	1,378
Surplus Fire Fund	SC018967	1,113	1,074
John McGibbon	SC018977	1,145	1,104
Alexander Mortification	SC018949	864	823
John Watson	SC018972	488	468
City of Edinburgh	SC025067	506	476
Usher Hall Appeal	SC030180	70	667
Sir William Watson	SC018973	391	374
Other Funds	Various	714	728
Total market value		<u>16,122</u>	<u>16,184</u>
Other Funds			
G. Boyd Anderson	n/a	362	342
Other Funds	n/a	<u>273</u>	<u>269</u>
		<u>635</u>	<u>611</u>

The funds do not represent assets of the Council and are not included in the Balance Sheet.

47.3 Financial Position of the Scottish Registered Charity Funds

2009/10 £000	Income and Expenditure Account	2010/11 £000
Income		
(424)	Investment income	(417)
(13)	Other non-investment income	(15)
(437)		(432)
Expenditure		
316	Prizes, awards and other expenses	1,008
74	Administrative expenses	92
390		1,100
(47)	Deficit / (surplus) for the year	668

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.3 Financial Position of the Scottish Registered Charity Funds - continued

2009/10	Balance Sheet		2010/11
£000		£000	£000
	Long-Term Assets		
12,477	Investments		13,039
821	Artworks - Jean Watson Trust		850
552	Heritable property		552
13,850	Total Long-Term Assets		14,441
	Current Assets		
42	Sundry debtors	40	
2,354	Cash and bank	1,741	
2,396			1,781
	Current Liabilities		
(62)	Creditors		(100)
(62)			(100)
16,184	Total Assets less Liabilities		16,122
(13,243)	Capital at 1 April		(16,184)
(47)	Deficit / (surplus) for the year		668
(2,919)	Unrealised gains		(595)
(24)	Capital introduced		(20)
(3)	Transfer from Council unregistered funds		(1)
52	Trusts transferred to external charities		10
(16,184)	Capital at 31 March		(16,122)

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts has been prepared which gives further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Investment and Pensions Division - Level 3.3, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

47.4 Financial Position of Other Funds

2009/10	Income and Expenditure Account		2010/11
£000			£000
	Income		
(19)	Investment income		(17)
(19)			(17)
	Expenditure		
12	Prizes, awards and other expenses		13
2	Administrative expenses		0
14			13
(5)	Surplus for the year		(4)

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.4 Financial Position of Other Funds - continued

2009/10	Balance Sheet		2010/11
£000		£000	£000
	Long-Term Assets		
483	Investments		504
34	Heritable property		34
517	Total Long-Term Assets		538
	Current Assets		
35	Sundry debtors	11	
167	Cash and bank	252	
202			263
	Current Liabilities		
(108)	Balance with City of Edinburgh Council		(166)
(108)			(166)
611	Total Assets less Liabilities		635
(718)	Capital at 1 April		(611)
(5)	Surplus for the year		(4)
(121)	Realised and unrealised gains on investments		(21)
3	Transfer to Council Registered Funds		1
230	Trusts transferred to external charities		0
(611)	Capital at 31 March		(635)

47.5 Transferred Trusts

As part of its ongoing charity reorganisation project, the Council has transferred a number of trusts to external parties during the year:

	Value
	£000
Accident Fund	5
Steuart Family Memorial Trust	3
Other Trusts	2
Total value of transferred trusts	10

On 15 October 2010, the Pensions and Trusts Committee of the Council approved a plan that would see 38 of the poverty related trusts transferred to Elizabeth Finn Care (Scottish Charity Reg. No. SC040987) which would take responsibility of their future administration. The transfers are being progressed under the Charities and Trustee Investment (Scotland) Act 2005. The approval of the Office of the Scottish Charity Regulator for the transfer of most of the assets was received by the end of June 2011. The transfer of assets took place on 11 July 2011.

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to International Financial Reporting Standards

The Council adopted International Financial Reporting Standards (IFRS) for the first time in its financial statements for the year ended 31 March 2011. The financial statements include re-stated comparative statements for the year ended 31 March 2010 and the Balance Sheet also includes the re-stated position at 1 April 2009.

The following notes explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements for the Group and the Council and show how these affect the Comprehensive Income and Expenditure Statement and Balance Sheet.

		(note 48.1)	(note 48.2)	(note 48.3)	
	2009/10 Statements £000	Employee Accrual £000	Govt. Grants £000	Other Changes £000	2009/10 Re-stated £000
GROUP SERVICES					
Education Services	332,371	(169)	578	(6,673)	326,107
Social Work	265,621	1,495	71	(651)	266,536
Housing Revenue Account	19,571	58	(1)	(5,352)	14,276
Other Housing Services	40,098	62	70	-	40,230
Cultural and Related Services	57,328	88	6,677	(189)	63,904
Environmental Services	69,521	(82)	2,115	(386)	71,168
Roads and Transport	25,284	48	14,078	2,119	41,529
Planning and Development	27,406	68	7	(741)	26,740
Police Joint Board Requisition	55,066	-	-	-	55,066
Fire Joint Board Requisition	28,246	-	-	-	28,246
Corporate and Democratic Core	13,605	-	-	-	13,605
Non-Distributed Costs	18,681			(1,033)	17,648
Services to the Public	6,896	68	-	1	6,965
Other Op. Expend. / (Income)	2,024	6	3	701	2,734
Share of Associates	(153)	0	0	58,464	58,311
Exceptional Items	42,569	15	-	(3,246)	39,338
COST OF SERVICES	1,004,134	1,657	23,598	43,014	1,072,403
Other Operating Expenditure	(2,146)	-	-	(43)	(2,189)
Financing and Investment Income					
- Interest Paid	73,039	-	-	1,395	74,434
- Pensions Interest / Expected Return	75,245	-	-	(51,800)	23,445
- Interest Receivable	(3,070)	-	-	(691)	(3,761)
- Dividends Paid	2,395	-	-	(2,395)	-
- Investment Properties	-	-	-	(634)	(634)
- Surplus from Trading Activities	(5,821)	(23)	-	-	(5,844)
- Minority Interest Adjustments	121	-	-	(121)	-
Taxation / Non-Specific Grant Income					
- Council Tax	(238,523)	-	-	(1)	(238,524)
- Community Charge	(104)	-	-	-	(104)
- Non-Domestic Rates	(197,002)	-	-	-	(197,002)
- Non-Ring-Fenced Govt. Grants	(562,800)	-	-	-	(562,800)
- Capital Grants and Contribs.	-	-	(157,704)	40	(157,664)
- Taxation Paid	(397)	-	-	704	307
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES	145,071	1,634	(134,106)	(10,532)	2,067

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

		(note 48.1)	(note 48.2)	(note 48.3)	
	2009/10 Statements £000	Employee Accrual £000	Govt. Grants £000	Other Changes £000	2009/10 Re-stated £000
COUNCIL SERVICES					
Education Services	332,371	(169)	578	(6,673)	326,107
Social Work	265,621	1,495	71	(651)	266,536
Housing Revenue Account	19,571	58	(1)	(5,352)	14,276
Other Housing Services	40,098	62	70	-	40,230
Cultural and Related Services	59,585	88	6,677	(189)	66,161
Environmental Services	69,521	(82)	2,115	(386)	71,168
Roads and Transport	32,667	48	14,078	-	46,793
Planning and Development	28,747	68	7	4	28,826
Police Joint Board Requisition	55,066	-	-	-	55,066
Fire Joint Board Requisition	28,246	-	-	-	28,246
Corporate and Democratic Core	13,605	-	-	-	13,605
Non-Distributed Costs	18,681			(1,033)	17,648
Services to the Public	6,897	68	-	-	6,965
Other Op. Expend. / (Income)	(5,230)	6	3	(242)	(5,463)
Exceptional Items	39,323	15	-	-	39,338
COST OF SERVICES	1,004,769	1,657	23,598	(14,522)	1,015,502
Other Operating Expenditure	1,219	-	-	(1,445)	(226)
Financing and Investment Income					
- Interest Paid	63,850	-	-	215	64,065
- Pensions Interest / Expected Return	21,446	-	-	-	21,446
- Interest Receivable	(1,260)	-	-	(2,118)	(3,378)
- Dividends Received	(2,000)	-	-	2,000	0
- Investment Properties	-	-	-	(634)	(634)
- Surplus from Trading Activities	(5,821)	(23)	-	-	(5,844)
Taxation / Non-Specific Grant Income					
- Council Tax	(238,523)	-	-	(1)	(238,524)
- Community Charge	(104)	-	-	-	(104)
- Non-Domestic Rates	(197,002)	-	-	-	(197,002)
- Non-Ring-Fenced Govt. Grants	(562,800)	-	-	-	(562,800)
- Capital Grants and Contribs.	-	-	(157,704)	-	(157,704)
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES	83,774	1,634	(134,106)	(16,505)	(65,203)

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

Opening 1 April 2009 Balance Sheet	(note 48.1)	(note 48.2)	(note 48.3)	
	Employee	Govt.	Other	1.4.2009
	Accrual	Grants	Changes	Re-stated
GROUP	£000	£000	£000	£000
Intangible Fixed Assets	2,821	-	(1,419)	1,402
Property, Plant and Equipment				
Council Dwellings	1,026,464	-	(516)	1,025,948
Other Land and Buildings	1,389,530	-	59,195	1,448,725
Vehicles, Plant, Equipment	108,016	-	4,893	112,909
Infrastructure Assets	528,145	(810)	5,033	532,368
Community Assets	21,642	-	(7,955)	13,687
Surplus Assets	-	-	12,674	12,674
Assets under Construction	10,665	-	(1)	10,664
Long-Term Assets				
Investment Properties	61,333	-	(53,292)	8,041
Assets Held for Sale	23,462	-	(22,620)	842
Long-Term Investments	5,833	-	20,725	26,558
Deferred Tax	-	-	134	134
Long-Term Debtors	39,756	-	24,305	64,061
Share - Joint Ventures / Assocs.	(2,149)	-	54,842	52,693
Current Assets				
Short-Term Investments	142,314	-	(100,418)	41,896
Assets Held for Sale	-	-	1,837	1,837
Inventories	34,477	-	1	34,478
Short-Term Debtors	203,222	-	(30,121)	173,101
Cash and Cash Equivalents	12,957	-	68,982	81,939
Current Liabilities				
Short-Term Borrowing	(123,227)	-	-	(123,227)
Short-Term Creditors	(242,536)	(27,823)	33,940	(218,917)
Provisions	(26,540)	-	(5,042)	(31,582)
Bank Overdraft	(31,437)	-	31,437	-
Long-Term Liabilities				
Long-Term Borrowing	(1,106,862)	-	-	(1,106,862)
Other Long-Term Liabilities	(140,710)	-	8,379	(132,331)
Deferred Tax	-	-	(15,507)	(15,507)
Net Liabilities of Associates	(671,931)	-	(54,135)	(726,066)
Government Grants Deferred	(331,178)	-	331,178	-
Long-Term Liabilities (Pensions)	(283,429)	-	(117)	(283,546)
Net Assets	650,638	(27,823)	364,308	1,005,919
Unusable Reserves				
Revaluation Reserve	(560,134)	-	56,523	(503,611)
Capital Adjustment Account	(1,117,772)	-	107,715	(1,340,425)
Financial Instruments Adj. Acc.	57,748	-	(115)	57,633
Pensions Reserve	1,034,517	-	(758,336)	276,181
Pensions Reserve (Injuries)	21,565	-	(21,565)	-
Employee Statutory Adj. Acc.	-	27,823	-	27,823
Group Reserves	-	-	640,693	640,693
Usable Reserves				
Capital Grants Unapplied Acc.	-	-	(33,940)	(33,940)
Capital Fund	(22,941)	-	-	(22,941)
Renewal and Repairs Fund	(10,330)	-	-	(10,330)
General Fund	(59,575)	-	-	(59,575)
Group Reserves	11,992	-	(43,711)	(31,719)
Minority Interest	(5,708)	-	-	(5,708)
Total Reserves	(650,638)	27,823	(364,308)	(1,005,919)

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

Opening 1 April 2009 Balance Sheet

		(note 48.1)	(note 48.2)	(note 48.3)	
	2008/09 G.A.A.P. £000	Employee Accrual £000	Govt. Grants £000	Other Changes £000	1.4.2009 Re-stated £000
COUNCIL					
Intangible Fixed Assets	2,821	-	-	(1,419)	1,402
Property, Plant and Equipment					
Council Dwellings	1,026,464	-	-	(516)	1,025,948
Other Land and Buildings	1,340,140	-	-	5,500	1,345,640
Vehicles, Plant, Equipment	37,645	-	-	4,721	42,366
Infrastructure Assets	528,219	-	(810)	-	527,409
Community Assets	21,642	-	-	(7,955)	13,687
Surplus Assets	-	-	-	12,674	12,674
Assets under Construction	10,285	-	-	-	10,285
Long-Term Assets					
Investment Properties	1,791	-	-	-	1,791
Assets Held for Sale	23,463	-	-	(22,621)	842
Long-Term Investments	43,374	-	-	-	43,374
Long-Term Debtors	52,615	-	-	11,446	64,061
Current Assets					
Short-Term Investments	142,035	-	-	(100,418)	41,617
Assets Held for Sale	-	-	-	1,837	1,837
Inventories	2,122	-	-	-	2,122
Short-Term Debtors	153,579	-	-	(11,447)	142,132
Cash and Cash Equivalents	7,197	-	-	75,202	82,399
Current Liabilities					
Short-Term Borrowing	(64,742)	-	-	-	(64,742)
Short-Term Creditors	(174,932)	(27,823)	33,940	(1,373)	(170,188)
Provisions	(26,540)	-	-	-	(26,540)
Bank Overdraft	(25,217)	-	-	25,217	-
Long-Term Liabilities					
Long-Term Borrowing	(1,100,284)	-	-	-	(1,100,284)
Other Long-Term Liabilities	(108,303)	-	-	(4,163)	(112,466)
Government Grants Deferred	(331,178)	-	331,178	-	-
Long-Term Liabilities (Pensions)	(276,181)	-	-	-	(276,181)
Net Assets	1,286,015	(27,823)	364,308	(13,315)	1,609,185
Unusable Reserves					
Revaluation Reserve	(515,365)	-	-	11,754	(503,611)
Capital Adjustment Account	(1,011,618)	-	(330,368)	1,561	(1,340,425)
Financial Instruments Adj. Acc.	57,633	-	-	-	57,633
Pensions Reserve	276,181	-	-	-	276,181
Employee Statutory Adj. Acc.	-	27,823	-	-	27,823
Usable Reserves					
Capital Grants Unapplied Acc.	-	-	(33,940)	-	(33,940)
Capital Fund	(22,941)	-	-	-	(22,941)
Renewal and Repairs Fund	(10,330)	-	-	-	(10,330)
General Fund	(59,575)	-	-	-	(59,575)
Total Reserves	(1,286,015)	27,823	(364,308)	13,315	(1,609,185)

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

31 March 2010 Balance Sheet

	2009/10 Statements £000	(note 48.1) Employee Accrual £000	(note 48.2) Govt. Grants £000	(note 48.3) Other Changes £000	2009/10 Re-stated £000
GROUP					
Intangible Fixed Assets	3,739	-	-	(1,419)	2,320
Property, Plant and Equipment					
Council Dwellings	1,006,542	-	-	(837)	1,005,705
Other Land and Buildings	1,652,385	-	-	781	1,653,166
Vehicles, Plant, Equipment	107,645	-	-	3,549	111,194
Infrastructure Assets	629,419	-	-	-	629,419
Community Assets	22,988	-	-	(8,323)	14,665
Surplus Assets	-	-	-	19,706	19,706
Assets under Construction	40,350	-	-	-	40,350
Long-Term Assets					
Investment Properties	2,305	-	-	6,172	8,477
Assets Held for Sale	26,501	-	-	(23,689)	2,812
Long-Term Investments	5,768	-	-	236	6,004
Investments in Associates	-	-	-	48,242	48,242
Deferred Tax	-	-	-	327	327
Long-Term Debtors	55,709	-	-	(41)	55,668
Current Assets					
Short-Term Investments	162,091	-	-	(149,898)	12,193
Assets Held for Sale	-	-	-	3,200	3,200
Inventories	25,081	-	-	-	25,081
Short-Term Debtors	202,026	-	-	(21)	202,005
Cash and Cash Equivalents	19,666	-	-	116,142	135,808
Current Liabilities					
Short-Term Borrowing	(28,029)	-	-	-	(28,029)
Short-Term Creditors	(248,709)	(29,457)	26,071	(1,316)	(253,411)
Provisions	(50,668)	-	-	(2,183)	(52,851)
Bank Overdraft	(33,375)	-	-	33,375	-
Long-Term Liabilities					
Long-Term Borrowing	(1,219,357)	-	-	3,177	(1,216,180)
Other Long-Term Liabilities	(255,997)	-	-	8,947	(247,050)
Deferred Tax	-	-	-	(16,831)	(16,831)
Net Liabilities of Associates	(1,086,727)	-	-	(66,881)	(1,153,608)
Government Grants Deferred	(472,342)	-	472,342	-	-
Long-Term Liabilities (Pensions)	(722,076)	-	-	(212)	(722,288)
Net Assets	(155,065)	(29,457)	498,413	(27,797)	286,094
Unusable Reserves					
Revaluation Reserve	(783,784)	-	-	49,520	(734,264)
Capital Adjustment Account	(879,454)	-	(472,342)	100,412	(1,251,384)
Financial Instruments Adj. Acc.	57,028	-	-	(180)	56,848
Pensions Reserve	1,840,619	-	-	(1,161,011)	679,608
Pensions Reserve (Injuries)	29,873	-	-	(29,873)	-
Employee Statutory Adj. Acc.	-	29,457	-	-	29,457
Group Reserves	-	-	-	1,059,868	1,059,868
Usable Reserves					
Capital Grants Unapplied Acc.	(1,136)	-	(26,071)	-	(27,207)
Capital Fund	(22,467)	-	-	-	(22,467)
Renewal and Repairs Fund	(13,779)	-	-	-	(13,779)
General Fund	(73,113)	-	-	-	(73,113)
Group Reserves	4,134	-	-	8,808	12,942
Minority Interest	(2,856)	-	-	253	(2,603)
Total Reserves	155,065	29,457	(498,413)	27,797	(286,094)

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued 31 March 2010 Balance Sheet

		(note 48.1)	(note 48.2)	(note 48.3)	
	2009/10 Statements £000	Employee Accrual £000	Govt. Grants £000	Other Changes £000	2009/10 Re-stated £000
COUNCIL					
Intangible Fixed Assets	3,739	-	-	(1,419)	2,320
Property, Plant and Equipment					
Council Dwellings	1,006,542	-	-	(837)	1,005,705
Other Land and Buildings	1,603,569	-	-	1,137	1,604,706
Vehicles, Plant, Equipment	36,004	-	-	3,479	39,483
Infrastructure Assets	626,639	-	-	-	626,639
Community Assets	22,988	-	-	(8,323)	14,665
Surplus Assets	-	-	-	19,706	19,706
Assets under Construction	39,911	-	-	-	39,911
Long-Term Assets					
Investment Properties	2,305	-	-	(78)	2,227
Assets Held for Sale	26,501	-	-	(23,689)	2,812
Long-Term Investments	23,335	-	-	-	23,335
Long-Term Debtors	59,709	-	-	-	59,709
Current Assets					
Short-Term Investments	161,862	-	-	(149,669)	12,193
Assets Held for Sale	-	-	-	3,200	3,200
Inventories	1,870	-	-	-	1,870
Short-Term Debtors	158,134	-	-	-	158,134
Cash and Cash Equivalents	619	-	-	116,765	117,384
Current Liabilities					
Short-Term Borrowing	(28,029)	-	-	-	(28,029)
Short-Term Creditors	(173,275)	(29,457)	26,071	(1,441)	(178,102)
Provisions	(50,668)	-	-	-	(50,668)
Bank Overdraft	(32,904)	-	-	32,904	-
Long-Term Liabilities					
Long-Term Borrowing	(1,213,186)	-	-	-	(1,213,186)
Other Long-Term Liabilities	(225,355)	-	-	(2,750)	(228,105)
Government Grants Deferred	(472,342)	-	472,342	-	-
Long-Term Liabilities (Pensions)	(679,608)	-	-	-	(679,608)
Net Assets	898,360	(29,457)	498,413	(11,015)	1,356,301
Unusable Reserves					
Revaluation Reserve	(745,152)	-	-	10,888	(734,264)
Capital Adjustment Account	(779,169)	-	(472,342)	127	(1,251,384)
Financial Instruments Adj. Acc.	56,848	-	-	-	56,848
Pensions Reserve	679,608	-	-	-	679,608
Employee Statutory Adj. Acc.	-	29,457	-	-	29,457
Usable Reserves					
Capital Grants Unapplied Acc.	(1,136)	-	(26,071)	-	(27,207)
Capital Fund	(22,467)	-	-	-	(22,467)
Renewal and Repairs Fund	(13,779)	-	-	-	(13,779)
General Fund	(73,113)	-	-	-	(73,113)
Total Reserves	(898,360)	29,457	(498,413)	11,015	(1,356,301)

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

48.1 Employee Accrual

The employee accrual relates to short-term accumulating absences. These are benefits that employees receive as part of their contract of employment, entitlement to which is build up as they provide services to the Council. For the Council these relate to holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays requires to be recognised. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

Consideration was also given to the costs of flexi-time that employees covered by the scheme had accrued by 31 March. The costs relating to accrued flexi-time were not considered material and thus no adjustment was made to the Financial Statements.

The government has issued regulations that mean that Councils are only required to fund holiday pay at the time the holidays are used, rather than when employees have earned the entitlement to holidays. The total cost for accrued leave is therefore recognised in the employee statutory adjustment account, an unusable reserve shown on the Balance Sheet.

The impact of accounting, under IAS 19 Employee Benefits, for the costs of short-term accumulating absences on the Comprehensive Income and Expenditure Statement and Balance Sheet can be seen on pages 117-122.

48.2 Government Grants

Under the Code (IAS 20 Accounting for Government Grants), capital grants and contributions are recognised as income when they become receivable. Previously these were held in a government grants deferred account and written down, through the Income and Expenditure Statement, over the life of the assets which they were used to fund.

The impact of accounting for the capital grants and contributions on the Comprehensive Income and Expenditure Statement and Balance Sheet can be seen on pages 117-122.

- The balance on the government grants deferred account at 31 March 2009 was transferred to the capital adjustment account in the opening 1 April 2009 Balance Sheet.
- The amount of government grants deferred previously recognised as income in the Comprehensive Income and Expenditure Statement has been removed, as shown on pages 117 and 118.
- Capital grants and contributions are now recognised in the Comprehensive Income and Expenditure Statement as income.
- Grants and contributions were received in 2008/09 and 2009/10 that had not been used were previously included in creditors. These amounts are now included in the capital grants unapplied account, a usable reserve.

48.3 Other Changes

Leases

The Council's leases were reviewed, under IAS 17 Leases, to determine whether they were appropriately classified as finance or operating leases. This review identified a number of leases that required to be re-classified as finance leases, including leased-in property, vehicles, bins and copying equipment. Accounting for these assets as finance leases has resulted in the following changes in the financial statements.

	2009/10	
	Group £000	Council £000
Comprehensive Income and Expenditure Statement		
Cultural and related services	27	27
Other operating expenditure / (income)	(215)	(215)
Net Cost of Services	(188)	(188)
Interest paid	215	215
Surplus on Provision of Services	27	27

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

48.3 Other Changes - continued

Leases - continued

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Property, Plant and Equipment				
Other land and buildings	1,222	1,222	1,249	1,249
Vehicles, plant, furniture and equipment	3,479	3,479	4,721	4,721
Current Liabilities				
Short-term creditors	(1,442)	(1,442)	(1,373)	(1,373)
Long-term Liabilities				
Other long-term liabilities	(2,750)	(2,750)	(4,163)	(4,163)
Unusable Reserves				
Revaluation reserve	(232)	(232)	(232)	(232)
Capital adjustment account	(277)	(277)	(202)	(202)

Other Asset Changes

Under IFRS, the distinction between price losses and consumption losses no longer exists. All downward valuations are now treated as general losses with any existing Revaluation Reserve (RR) balance being reduced first and any excess over and above this being charged to the Comprehensive Income and Expenditure Statement (CIES). Previously, where a downward valuation was classified as consumption loss, the whole amount of loss in value would be charged to the CIES regardless of RR balance held on this asset. In restating to IFRS, this has had the affect of reducing the impairment charge to the CIES as RR balances on previous consumption loss assets have been reduced first which previously was not allowed under the Code.

Under IFRS, investment property gains and losses are charged directly to the CIES, by-passing the revaluation reserve altogether. This has had the affect of crediting the CIES with gains which previously would have gone to the RR under the Code. In contrast, losses are now charged wholly to the CIES whereas previously they would have been subsumed first by any RR balance held on the asset with the excess over and above this being charged to the CIES.

As part of the IFRS re-statement, the Council voluntarily re-stated community assets as a number of assets had been categorised and valued incorrectly in the past. Re-classification meant that some assets moved from a non-depreciable category to a depreciable one. This led to an increased depreciation charge in the CIES account for the restated IFRS version.

	2009/10	
	Group £000	Council £000
Comprehensive Income and Expenditure Statement		
Education services	(6,673)	(6,673)
Social work	(651)	(651)
Housing revenue account	(5,352)	(5,352)
Cultural and related services	(216)	(216)
Environmental services	(387)	(387)
Planning and development	3	3
Non-distributed costs	(1,033)	(1,033)
Other operating expenditure / (income)	(29)	(29)
Net Cost of Services	(14,338)	(14,338)
Financing and Investment Income		
Investment properties	(635)	(635)
Surplus on Provision of Services	(14,973)	(14,973)

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

48.3 Other Changes - continued

Other Asset Changes - continued

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Property, Plant and Equipment				
Council dwellings	500	500	500	500
Other land and buildings	7,403	1,399	3,877	3,301
Infrastructure assets	0	0	5,033	0
Community assets	(8,323)	(8,323)	(7,954)	(7,954)
Surplus assets	7,032	7,032	0	0
Long-term Assets				
Investment properties	(78)	(78)	0	0
Unusable Reserves				
Revaluation reserve	(8,969)	(846)	(2,681)	2,928
Capital adjustment account	316	316	1,225	1,225
Usable reserves				
Group reserves	2,119	0	0	0

Other Changes

Other changes affecting the Balance Sheet were:

- A number of debtors were re-classified from current debtors to long-term debtors in 2008-09. The impact of this change was accounted for in the audited 2009-10 Financial Statements.

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Long-term Assets				
Debtors	0	0	11,446	11,446
Current Assets				
Debtors	0	0	(11,446)	(11,446)

- Bank overdrafts and investments maturing within three months of the balance sheet were re-classified as 'cash and cash equivalents' (IAS 7 Statement of Cash Flows).

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Current Assets				
Short-term investments	(149,669)	(149,669)	(100,418)	(100,418)
Cash and cash equivalents	116,294	116,765	68,981	75,201
Current Liabilities				
Bank overdraft	33,375	32,904	31,437	25,217

- Assets reclassified as available for sale, under IFRS5 Non-current Assets Held for Sale, have been re-categorised and revalued.

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Property, Plant and Equipment				
Council dwellings	(1,337)	(1,337)	(1,016)	(1,016)
Other land and buildings	(3,003)	(3,003)	(571)	(571)
Surplus assets	12,674	12,674	12,674	12,674
Long-term Assets				
Assets held for sale	(23,689)	(23,689)	(22,620)	(22,620)
Current Assets				
Assets held for sale	3,200	3,200	1,837	1,837
Unusable Reserves				
Revaluation reserve	11,935	11,935	9,056	9,056
Capital adjustment account	220	220	640	640

NOTES TO THE FINANCIAL STATEMENTS

48. Prior Period Adjustments and Transition to IFRS - continued

48.3 Other Changes - continued

Other Asset Changes - continued

- Reclassification of investment properties (IAS 40 Investment Property).

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Property, Plant and Equipment				
Other land and buildings	(6,250)	0	53,292	0
Long-term Assets				
Investment properties	6,250	0	(53,292)	0

- Group reserves had previously been consolidated on a line-by-line basis, thus similar reserves were grouped. However, under the revised presentation, group reserves are categorised as unusable group reserves and group reserves.

	31 March 2010		1 April 2009	
	Group £000	Council £000	Group £000	Council £000
Balance Sheet				
Unusable Reserves				
Revaluation reserve	38,662	0	23,521	0
Capital adjustment account	100,255	0	54,181	0
Financial instrument account	(180)	0	(115)	0
Pensions reserve	(1,161,011)	0	(758,336)	0
Pensions reserve - injuries	(29,873)	0	(21,565)	0
Group reserves	1,052,147	0	702,314	0

The impact of accounting for these other changes on the Comprehensive Income and Expenditure Statement and Balance Sheet can be seen on pages 117-122.

49. Exceptional Expenditure

Exceptional expenditure comprises the following amounts:

	2010/11		2009/10	
	Group £000	Council £000	Group £000	Council £000
IAS 19 - Retirement Benefits - Past Service Costs	(183,226)	(183,226)	0	0
Equal pay settlements and implementation of single status	20,925	20,925	39,338	39,338
	<u>(162,301)</u>	<u>(162,301)</u>	<u>39,338</u>	<u>39,338</u>

IAS 19 - Retirement Benefits

The Chancellor of the Exchequer announced in his emergency budget on 22 June 2010 that the consumer price index rather than the retail price index would be the basis for future public sector pension increases.

The impact of this change on the past services costs shown under IAS19 was a credit of £183.226m, of which £3.612m relates to the Housing Revenue Account. Due to the materiality of the impact of this one-off change, this has been included as 'negative expenditure' within exceptional expenditure in the Comprehensive Income and Expenditure Statement.

Modernising Pay

Exceptional expenditure includes payments and provisions of £20.925m relating to equal pay settlements and costs associated with implementing single status.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2011

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

2009/10			
£000	EXPENDITURE	£000	£000
27,849	Repairs and maintenance	27,248	
18,295	Supervision and management	17,652	
48,046	Depreciation and impairment of non-current assets	36,147	
3,866	Other expenditure	4,309	
<u>98,056</u>			85,356
	INCOME		
(69,041)	Dwelling rents	(71,543)	
(556)	Non-Dwelling rents (gross)	(639)	
(14,183)	Other income	(14,931)	
<u>(83,780)</u>			(87,113)
0	Exceptional Items - Past Service Costs under IAS19		<u>(3,612)</u>
14,276	Net cost of HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(5,369)
205	HRA share of corporate and democratic core		136
364	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		235
<u>14,845</u>	Net expenditure for HRA Services		<u>(4,998)</u>
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
505	Loss on sale of HRA fixed assets	863	
17,337	Interest payable and similar charges	18,139	
(25)	Amortisation of premiums and discounts	0	
(77)	Interest and investment income	(102)	
413	Pensions interest cost and expected return on pension assets	88	
<u>18,153</u>			18,988
(539)	Non-Specific Grant Income		<u>(1,158)</u>
<u>32,459</u>	Deficit for the year on HRA services		<u>12,832</u>

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2009/10		£000
0	Balance on the HRA at the end of the previous year	0
32,459	Deficit for the year on the HRA Income and Exp Account	12,832
(35,880)	Adjustments between accounting basis and funding basis under statute	(14,446)
(3,421)	Net increase before transfers to reserves	(1,614)
3,421	Contribution to renewal and repairs fund, via the General Fund	1,614
0	Balance on the HRA at the end of the current year	0

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
(48,046)	Charges for depreciation and impairment of non-current assets	(36,147)
539	Capital grants and contributions applied	1,158
	Insertion of items not debited or credited to the Income and Expenditure Statement	
12,249	Statutory provision for the financing of capital investment	17,483
	Adjustments primarily involving the Capital Receipts Reserve	
(505)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(863)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
188	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	289
	Adjustments primarily involving the Pensions Reserve	
(787)	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	3,113
540	Employer's pension contributions and direct payments to pensioners payable in the year	480
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(58)	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	41
(35,880)		(14,446)

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2011 are as follows:

Types of Houses	2011		(re-stated) 2010	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	310	2,802.00	309	2,651.04
2 Apartment	5,698	3,146.00	5,817	2,976.52
3 Apartment	10,735	3,646.00	10,977	3,448.66
4 Apartment	3,579	4,198.00	3,608	3,969.06
5 Apartment	550	4,515.00	553	4,267.82
6 Apartment	10	4,548.00	14	4,122.63
7 Apartment	3	4,403.00	4	4,020.72
8 Apartment	2	4,403.00	2	4,165.89
Mid-market rent dwellings				
3 Apartment	12	6,115.87	12	5,935.00
4 Apartment	7	6,783.66	7	6,583.06
	<u>20,906</u>		<u>21,303</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Balance Sheet was £1.880m (2009/10 £2.136m) against which a provision amounting to £1.192m (2009/10 £1.115m), has been created in respect of non collectable debts.
- Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.
- The total value of uncollectable void rents for main provision properties was £0.444m (2009/10 £0.497m). This has been netted against rental income.
- The Chancellor of the Exchequer announced in his emergency budget on 22 June 2010 that the consumer price index rather than the retail price index would be the basis for future public sector pension increases.

The impact of this change on the past services costs shown under IAS19 was a credit of £3.612m. Due to the materiality of the impact of this one-off change, this has been included within exceptional expenditure in the Housing Revenue Account Income and Expenditure Statement.

COUNCIL TAX INCOME ACCOUNT

for the year ended 31 March 2011

2009/10 £000		£000	£000
(286,767)	Gross council tax levied and contributions in lieu		(288,786)
47,750	Less: - Exemptions and other discounts	49,423	
8,813	- Provision for bad debts	8,825	
(335)	- Net cost of benefits	(351)	
3,141	- Other reductions	3,198	
<u>59,369</u>			<u>61,095</u>
(227,398)			(227,691)
(11,125)	Previous years' adjustments		1,207
<u>(238,523)</u>	Total transferred to General Fund		<u>(226,484)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 93.1% (2009/10 92.8%).

Each household or occupied dwelling is allocated to a council tax band by the Assessor. The charge per council tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A council tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is empty or a second home. For council tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in council tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

The 2009/10 previous years' adjustments include additional income as a result of a review of the bad debt provision.

Calculation of the Council Tax Base 2010/11

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	23,127	105	(2,961)	(3,434)	16,837	6/9	11,225	£779.33
B £27,001 - £35,000	46,084	48	(3,278)	(6,889)	35,965	7/9	27,973	£909.22
C £35,001 - £45,000	42,743	(31)	(3,234)	(5,324)	34,154	8/9	30,359	£1,039.11
D £45,001 - £58,000	36,113	43	(3,001)	(4,089)	29,066	9/9	29,066	£1,169.00
E £58,001 - £80,000	38,267	2	(3,448)	(3,552)	31,269	11/9	38,218	£1,428.78
F £80,001 - £106,000	23,230	(34)	(1,218)	(1,934)	20,044	13/9	28,952	£1,688.56
G £106,001 - £212,000	19,902	(101)	(552)	(1,197)	18,052	15/9	30,087	£1,948.33
H Over £212,000	3,602	(32)	(144)	(181)	3,245	18/9	6,490	£2,338.00
Total							202,370	
Add: Contributions in Lieu							550	
Less: Provision for Non-Payment							<u>7,508</u>	
Council Tax Base							<u>195,412</u>	

NON-DOMESTIC RATES INCOME ACCOUNT

for the year ended 31 March 2011

2009/10 £000		£000	£000
(373,646)	Gross rates levied and contributions in lieu		(374,401)
71,163	Less: - Reliefs and other deductions	75,555	
165	- Payment of interest	50	
3,215	- Provision for bad and doubtful debts	3,509	
<u>74,543</u>			<u>79,114</u>
(299,103)			(295,287)
6,210	Previous years' adjustments		7,867
<u>(292,893)</u>	Net Non-Domestic Rates Income		<u>(287,420)</u>
	Allocated to:		
(293,238)	Contribution to National Non-Domestic Rates Pool		(287,759)
345	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		339
<u>(292,893)</u>			<u>(287,420)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2010

	Number	Rateable Value £000
Shops, offices and other commercial subjects	12,935	621,548
Industrial and freight transport	2,682	78,559
Telecommunications	10	16
Public service subjects	345	47,347
Miscellaneous	2,754	142,869
	<u>18,726</u>	<u>890,339</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £287.759m (2009/10 £293.238m) is the non-domestic rates contributed by the Council through the pooling arrangements for government grant purposes. The amount distributed to the Council under these pooling arrangements was £188.733m (2009/10 £197.002m). Thus the Council made a net contribution of £99.026m (2009/10 £96.236m).

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 40.7p per £ in 2010/11 (2009/10 48.1p per £).

Properties with a rateable value greater than £35,000 (2009/10 £29,000) had their rate charges calculated using the poundage of 41.4p per £ (2009/10 48.5p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

	2010/11	2009/10
100% Relief	£10,000	£8,000
50% Relief	£12,000	£10,000
25% Relief	£18,000	£15,000
Upper limit for combined rateable value	£25,000	£15,000

COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which in the bona fide judgement of the Town Council is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "... have regard to the interests of all the inhabitants" of the area.

The Fit For Future reserve represents funds set aside from certain Common Good properties to assist in the funding of the Fit For Future office accommodation project.

The market value of investments at 31 March 2011 was £1.566m (2010 £1.556m).

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2010/11 Movements				
Balance at 31 March 2010	<u>(1,637)</u>	<u>(14,146)</u>	<u>(3,321)</u>	<u>(19,104)</u>
Movement in reserves during 2010/11				
Deficit on the provision of services	411	0	0	411
Other Comprehensive Income and Expenditure	<u>0</u>	<u>(64)</u>	<u>(1,010)</u>	<u>(1,074)</u>
Total Comprehensive Income and Expenditure	411	(64)	(1,010)	(663)
Adjustments between accounting basis and funding basis under regulations:				
Depreciation and impairment of non-current assets	<u>(404)</u>	<u>360</u>	<u>44</u>	<u>0</u>
Net increase / decrease before transfers to earmarked reserves	7	296	(966)	(663)
Transfer to / from earmarked reserves	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / decrease in year	<u>7</u>	<u>296</u>	<u>(966)</u>	<u>(663)</u>
Balance at 31 March 2011	<u><u>(1,630)</u></u>	<u><u>(13,850)</u></u>	<u><u>(4,287)</u></u>	<u><u>(19,767)</u></u>

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Fit for Future Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2009/10 Comparative Movements					
Balance at 31 March 2009	<u>(1,636)</u>	<u>(231)</u>	<u>(14,609)</u>	<u>(3,153)</u>	<u>(19,629)</u>
Movement in reserves during 2009/10					
Deficit on the provision of services	716	0	0	0	716
Other Comprehensive Income and and Expenditure	0	0	0	(191)	(191)
Total Comprehensive Income and Expenditure	<u>716</u>	<u>0</u>	<u>0</u>	<u>(191)</u>	<u>525</u>
Adjustments between accounting basis and funding basis under regulations:					
Depreciation and impairment of non- current assets	(486)	0	463	23	0
Net increase / decrease before transfers to earmarked reserves	<u>230</u>	<u>0</u>	<u>463</u>	<u>(168)</u>	<u>525</u>
Transfer to / from earmarked reserves	(231)	231	0	0	0
Increase / decrease in year	<u>(1)</u>	<u>231</u>	<u>463</u>	<u>(168)</u>	<u>525</u>
Balance at 31 March 2010	<u><u>(1,637)</u></u>	<u><u>0</u></u>	<u><u>(14,146)</u></u>	<u><u>(3,321)</u></u>	<u><u>(19,104)</u></u>

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10 £000		2010/11 £000	2010/11 £000
<u>732</u>	Common Good Fund	<u>421</u>	
732	COST OF SERVICES	421	
	Financing and Investment Income		
<u>(16)</u>	Interest and investment income	<u>(10)</u>	
<u>716</u>	DEFICIT ON PROVISION OF SERVICES		411
	(191) Surplus on revaluation of non-current assets	(1,010)	
<u>0</u>	Other unrealised gains	<u>(64)</u>	
<u>(191)</u>	Other Comprehensive Income and Expenditure		<u>(1,074)</u>
<u><u>525</u></u>	TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE		<u><u>(663)</u></u>

COMMON GOOD FUND - BALANCE SHEET

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	£000
16,336	16,319	Other Land and Buildings	16,923	
1,233	958	Community Assets	1,026	
214	211	Surplus Assets	208	
<u>17,783</u>	<u>17,488</u>	Property, Plant and Equipment		18,157
1	1	Long-term Investments	1	
<u>1</u>	<u>1</u>	Long-term Assets		1
392	407	Short-Term Investments	193	
247	0	Short-Term Debtors	0	
<u>1,468</u>	<u>1,208</u>	Cash and Cash Equivalents	<u>1,416</u>	
<u>2,107</u>	<u>1,615</u>	Current Assets		1,609
(262)	0	Short-Term Creditors	0	
<u>(262)</u>	<u>0</u>	Current Liabilities		<u>0</u>
<u>19,629</u>	<u>19,104</u>	Net Assets		<u>19,767</u>
(3,153)	(3,321)	Revaluation Reserve	(4,287)	
<u>(14,609)</u>	<u>(14,146)</u>	Capital Adjustment Account	<u>(13,850)</u>	
<u>(17,762)</u>	<u>(17,467)</u>	Unusable Reserves		(18,137)
(1,636)	(1,637)	Common Good Fund	(1,630)	
(231)	0	Fit for Future Earmarked Fund	0	
<u>(1,867)</u>	<u>(1,637)</u>	Usable Reserves		<u>(1,630)</u>
<u>(19,629)</u>	<u>(19,104)</u>	Total Reserves		<u>(19,767)</u>

The unaudited accounts were issued on 22 June 2011 and signed by D. McGougan, former Director of Finance. The audited accounts were issued on 30 September 2011.

KAREN KELLY, CPFA
Acting Director of Finance
30 September 2011

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment

1.1 Movements on Balances

	Other Land and Buildings £000	Community Assets £000	Surplus Assets £000	Total £000
Cost or Valuation				
At 1 April 2010	16,394	958	214	17,566
Additions	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	989	5	0	994
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(145)	0	0	(145)
Derecognition - disposals	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other movements in cost or valuation	0	63	0	63
At 31 March 2011	17,238	1,026	214	18,478
Accumulated Depreciation				
At 1 April 2010	(75)	0	(3)	(78)
Depreciation charge	(259)	0	(3)	(262)
Depreciation charge written out to Revaluation Reserve	16	0	0	16
Depreciation written out to the Surplus on the Provision of Services	3	0	0	3
Derecognition - disposals	0	0	0	0
Other movements in cost or valuation	0	0	0	0
As at 31 March 2011	(315)	0	(6)	(321)
Net book value at 31 March 2010	16,319	958	211	17,488
Net book value at 31 March 2011	16,923	1,026	208	18,157

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment

1.1 Movements on Balances

	Other Land and Buildings £000	Community Assets £000	Surplus Assets £000	Total £000
Cost or Valuation				
At 1 April 2009	16,336	1,233	214	17,783
Additions	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	(275)	0	(420)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	203	0	0	203
Derecognition - disposals	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other movements in cost or valuation	0	0	0	0
At 31 March 2010	16,394	958	214	17,566
Accumulated Depreciation				
At 1 April 2009	0	0	0	0
Depreciation charge	(180)	0	(3)	(183)
Depreciation charge written out to Revaluation Reserve	83	0	0	83
Depreciation written out to the Surplus on the Provision of Services	22	0	0	22
Derecognition - disposals	0	0	0	0
Other movements in cost or valuation	0	0	0	0
As at 31 March 2010	(75)	0	(3)	(78)
Net book value at 31 March 2009	16,336	1,233	214	17,783
Net book value at 31 March 2010	16,319	958	211	17,488

1.2 Information on Assets Held

The number of fixed assets owned by the Common Good Fund at 31 March 2011 includes:

Community Assets:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	17

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 132).

3. Unusable Reserves

3.1 Revaluation Reserve

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

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

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	£000	2010/11 £000	£000	2009/10 £000
Balance at 1 April		(3,321)		(3,153)
Upward revaluation of assets	(1,031)		(285)	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	21		94	
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service		(1,010)		(191)
Difference between fair value depreciation and historical cost depreciation	44		23	
Amount written off to the capital adjustment account		44		23
Balance at 31 March		(4,287)		(3,321)

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

3. Unusable Reserves - continued

3.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2010/11	2009/10
	£000	£000
Balance at 1 April	(14,146)	(14,609)
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation of non-current assets	262	183
Revaluation losses on property, plant and equipment	142	303
	<u>404</u>	<u>486</u>
Adjusting amounts written out of the revaluation reserve	(44)	(23)
	<u>360</u>	<u>463</u>
Net written out amount of the costs of non-current assets consumed in the year		
<u>Capital financing applied in the year:</u>		
Movements in the market value of Long Term Investments debited to the CIES	(1)	0
Other unrealised losses debited to the CIES	<u>(63)</u>	<u>0</u>
Balance at 31 March	<u><u>(13,850)</u></u>	<u><u>(14,146)</u></u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities, elected members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the CIPFA / SOLACE framework Delivering Good Governance in Local Government. This statement explains how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements. It also includes a statement on internal financial control.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included at page 35 of the Accounts.

The Group's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads the community. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and available for inspection. The rest of the Group observes the principles of the Code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Chief Internal Auditor reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. The framework meets the principles of effective governance.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

These arrangements include:

- identifying the Council's objectives in the Single Outcome Agreement;
- monitoring of the achievement of objectives by the Council and senior officers;
- a systematic approach to monitoring service performance at elected member, senior officer and board and project level;
- reporting performance regularly to Council committees and/or boards of directors;
- describing the role of the Council and committees in Standing Orders, which also set out the decision-making powers delegated to officers;
- Financial Regulations (or equivalent) that specify the controls over budgeting, income, expenditure and financial performance;
- the Council's Monitoring Officer who ensures compliance with laws and regulations;
- an Audit Committee whose core functions comply with CIPFA standards;
- comprehensive budget and expenditure monitoring systems;
- targets against which financial and operational performance can be assessed;
- clearly defined capital expenditure guidelines;
- formal project management disciplines;
- a Code of Guidance for the governance of Council-owned companies; and
- Codes of conduct for both elected members and officers.

ANNUAL GOVERNANCE STATEMENT

A significant part of the governance framework is the system of internal control, which is based on an ongoing process to identify and prioritise risks to the achievement of the Group's objectives. While the system is designed to enable the Council as the lead organisation in the Group to manage risk effectively, it cannot eliminate all risk of failure to implement policies and achieve objectives. Therefore, it provides a reasonable, but not absolute, assurance of effectiveness.

Determining the Authority's purpose, its vision for the local area and intended outcomes for the Community

The Edinburgh Single Outcome Agreement (SOA) 2009-12, which was submitted to the Scottish Government in May 2009, provides a statement of the context in which the Council and its partners are working.

It sets out the strategic priorities for 2009-12 as:

- developing the city and regional economy, including transport and housing, and mitigating the impact of the economic downturn;
- environmental sustainability, including action on climate change, waste, and the city's cleanliness;
- health, wellbeing and social inclusion, including care and support services, improving health, and tackling deprivation and inequality;
- services for children, including supporting early years development and educational excellence, and protecting vulnerable children;
- working in partnership to improve community safety and the quality of life in our communities.

Appropriate outcomes have been identified and are monitored using indicators and targets that have been developed by the Council and its partners. Regular reports are made to the Council, its partners, the public and the Scottish Government. Accountability for the outcomes has been clearly specified and the Council follows the Scottish Government's advice on SOA governance matters.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Chief Internal Auditor has reviewed the effectiveness of the Code and reported the results to the Audit Committee.

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit and complies with the ISO 9001/2008 quality standard. The Section undertakes an annual work programme based on an agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported directly to the Head of Financial Services but had free access to the Chief Executive, all directors and elected members, and reported to the Audit Committee in his own name.

The Chief Internal Auditor has provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- departmental directors' certified assurances;
- Council officers' management activities;
- Internal Audit's review work;
- Audit Scotland's review work leading to its Annual Audit Report;
- risk management procedures;
- reports by external, statutory inspection agencies.;
- assurances provided by the Chief Executives / Directors of Finance of group companies.

ANNUAL GOVERNANCE STATEMENT

In compliance with standard accounting practice, the Acting Director of Finance has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2011. It is the Acting Director of Finance's opinion that reasonable assurance can be placed upon its effectiveness.

Each service director has reviewed the arrangements in his / her department and certified their effectiveness to the Chief Executive. Assurances have been sought and received from organisations included within the group. Reliance has also been placed on each organisation's most recent audited accounts together with Council officers detailed knowledge of these organisations as a consequence of their continued involvement with these companies.

These reviews have identified actions that will be taken to continue improvement in the following activities:

By the Council:

- the scrutiny function of the Council Committees;
- the mitigation of risks during a time of change of structures and service delivery;
- the delivery of a robust procurement strategy and implementation of processes to meet the strategy;
- the control framework within a customer centred statutory repairs system;
- a review of processes to ensure accounts are raised timeously for services provided by the Council;
- implementation of action plans agreed with external inspection agencies; and
- the review of alternative service delivery methods with appropriate review points during the process.

By the Group:

- governance arrangements and management of the tram project and other major infrastructure works;
- long term financial planning and the links to outcomes;
- mitigation of the effects of the economic downturn; and
- completion of group restructuring including governance arrangements and revised processes for company administration including filing of accounts.

Post year end governance developments

Since 31 March 2011, the following developments have occurred which will impact on future governance arrangements:

- The Council's Corporate Services and Finance departments will be merged under a new Director of Corporate Governance who takes up post from September 2011. This restructuring follows the retirement of the Directors of Finance and Corporate Services.
- Governance and project management arrangements for the tram project are being revised. A reduction in tie Limited staff is planned over the period to November 2011. The Boards of Transport Edinburgh Limited and tie Limited have been reduced to statutory minimums.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group complies with the Local Code of Corporate Governance in all significant respects.

SUE BRUCE
Chief Executive
30 September 2011

JENNY DAWE
Council Leader
30 September 2011

KAREN KELLY
Acting Director of Finance
30 September 2011

REMUNERATION REPORT

The Council is required, under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration is over £150,000 per annum. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 per annum.

All information disclosed in the tables on pages 143 to 146 and 148 to 150 in this remuneration report has been audited by Audit Scotland. The other sections of the remuneration report have been reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration Arrangements

Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory non-departmental public body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010/11, the salary for the Leader of the City of Edinburgh Council was £48,704. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to the Civic Head (the Lord Provost). For 2010/11 this was £36,528. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of senior councillors shall not exceed £633,144. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salary within these maximum limits. The Council's policy is summarised below:

	Number of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Leisure, Economic Development, Education, Children and Families, Finance and Resources, Health, Social Care and Housing, Planning, Regulatory and Transport, Infrastructure and Environment Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Audit Committee	1	50%
Vice-Conveners of Culture and Leisure, Economic Development, Education, Children and Families, Finance and Resources, Health, Social Care and Housing and Transport, Infrastructure and Environment Committees	6	45%
Vice-Conveners of Planning and Regulatory	2	40%
Opposition Group Leaders - Labour and Conservative	2	50%
Opposition Group Leaders - Green	1	40%

REMUNERATION REPORT

Councillors - continued

In addition, the Council remunerates the Conveners and Vice Conveners of the Joint Boards. The Council has an arrangement with the Joint Boards to reimburse the Council for the additional costs for councillors that arise from them being a Convenor or Vice Convenor of the Joint Boards.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of the City of Edinburgh Council for the period 2008 to 2011. Scottish Chief Executives agreed on a voluntary basis and by means of a collective agreement to forego the pay increase for 1 April 2010.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Corporate Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether an annual pay increase is to be applied, and at what level, for Chief Executive and Chief Officer posts is made by the Scottish Joint Negotiating Committee (SJNC) for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care is a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employ the post holder directly.

The Council has no direct role in determining the remuneration policies for its companies.

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies.

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2010-11 £	Total Remun. 2009-10 £
Council's Leader, Civic Head and Senior Councillors					
J. Dawe, Leader of the Council	48,704	20	1,547	50,271	50,265
G. Grubb, Lord Provost	36,528	0	1,039	37,567	36,940
S. Cardownie, Depute Leader of the Council	36,528	126	589	37,243	37,641
R. Munn, Depute Convenor	24,352	0	834	25,186	25,127
T. Buchanan, Convenor Economic Development	31,658	25	1,693	33,376	36,103
D. Brock, Convenor Culture and Leisure	31,658	19	886	32,563	33,025
M. MacLaren, Convenor Education, Children and Families	31,658	13	437	32,108	32,255
G. Mackenzie, Convenor Transport, Infrastructure and Environment	31,658	27	562	32,247	32,805
P. Edie, Convenor Health, Social Care and Housing	31,658	0	871	32,529	32,111
J. Lowrie, Convenor Planning	31,658	25	32	31,715	31,835
C. Keir, Convenor Regulatory	31,658	0	339	31,997	31,982
P. Wheeler, Convenor Finance and Resources and Convenor of FETA Board	31,658	110	293	32,061	33,055

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2010-11 £	Total Remun. 2009-10 £
Council's Leader, Civic Head and Senior Councillors (cont'd)					
A. Jackson, Convener Audit	24,352	0	0	24,352	24,591
M. Thomas, Convener Licensing Board	29,222	0	705	29,927	30,237
N. Elliott-Cannon, Vice Convener Finance and Resources	21,917	0	540	22,457	22,457
T. McKay, Vice Convener Economic Development	21,917	36	886	22,839	22,745
D. Beckett, Vice Convener Education, Children and Families	21,917	6	357	22,280	22,570
N. Work, Vice Convener Health, Social Care and Housing	21,917	0	1,792	23,709	22,759
R. Cairns, Vice Convener Culture and Leisure	21,917	0	255	22,172	22,191
R. Aldridge, Vice Convener Transport, Infrastructure and Environment	21,917	0	773	22,690	22,913
S. McIvor, Vice Convener Planning and Convener of Lothian Valuation Joint Board (Note 3.)	20,294	154	23	20,471	21,506
L. Lang, Vice Convener Regulatory	19,482	99	137	19,718	19,563
J. Balfour, Opposition Group Leader (Conservative) (2010/11)	23,774	0	499	24,273	n/a
A. Burns, Opposition Group Leader (Labour)	24,352	0	0	24,352	24,352
A. Johnstone, Opposition Group Leader (Green) (2009/10)	n/a	n/a	n/a	n/a	17,045
S. Burgess, Opposition Group Leader (Green) (2010/11)	19,482	0	540	20,022	n/a
Councillors					
I. Whyte, Opposition Group Leader (Conservative) (2009/10) Convener Lothian and Borders Police Board (Note 1.)	36,528	620	817	37,965	39,682
M Bridgman, Convener Lothian and Borders Fire and Rescue Board (Note 2.)	36,528	0	1,845	38,373	38,680
	<u>764,892</u>	<u>1,280</u>	<u>18,291</u>	<u>784,463</u>	<u>764,435</u>

Notes:

1. The amount recharged to Lothian and Borders Police Board in 2010/11 was £17,136 (2009/10 £16,065).
2. The amount recharged to Lothian and Borders Fire and Rescue Board in 2010/11 was £28,561 (2009/10 £26,777).
3. The amount recharged to Lothian Valuation Joint Board in 2010/11 was £5,714 (2009/10 £5,357).

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Councillors - continued

Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown on the previous page):

	2010/11 £	2009/10 £
Salaries	1,263,315	1,258,336
Expenses		
Claimed by councillors	3,787	4,415
Paid directly by the Council	29,519	41,545
Total	1,296,621	1,304,296

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2010-11 £	Total Remun. 2009-10 £
Council's Senior Officers					
S. Bruce, Chief Executive (from 1 January 2011) (full year equivalent)	39,638 158,553	0	0	39,638	n/a
T. Aitchison, Chief Executive (until 31 December 2010)	127,888	0	0	127,888	158,580
G. Tee, Director Children and Families	140,676	0	0	140,676	137,244
D. Anderson, Director City Development	123,525	0	0	123,525	120,513
J. Inch, Director Corporate Services	123,525	0	0	123,525	120,513
D. McGougan, Director Finance	123,525	0	0	123,525	120,513
P. Gabbittas, Director Health and Social Care	61,036	0	1,242	62,278	62,157
M. Turley, Director Services for Communities	123,525	0	0	123,525	120,513
M. Miller, Chief Social Work Officer	97,133	0	0	97,133	93,726
Total	960,471	0	1,242	961,713	933,759

T. Aitchison retired from the Council in December 2010. S. Bruce joined the Council as Chief Executive in January 2011. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. T. Aitchison received an additional sum of £15,300 in 2010/11 (2009/10 £28,925) for returning officer duties.

P. Gabbittas is employed by NHS Lothian and 50% of his salary costs are recharged to the Council. The above figures therefore show the Council's share.

REMUNERATION REPORT

Remuneration Paid - continued

Council Subsidiary Companies

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies and Lothian Buses are for the year ended 31 December 2010.

Information is not required in respect of Lothian Buses for the year ended 31 December 2009 (2009/10) in accordance with the regulations, as the regulations apply to accounting periods beginning on or after 1 April 2010.

Council's Subsidiary Companies	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Compensation for Loss of Office £	Total Remun. 2010-11 £	Total Remun. 2009-10 £
E. Adair, Operations and Finance Director, EDI Group	101,576	0	1,684	0	103,260	104,110
H. Rissmann, Chief Executive, EICC	127,480	18,205	0	0	145,685	143,373
I Coupar, Marketing Director, Lothian Buses	101,040	0	1,635	130,340	233,015	n/a
I Craig, Managing Director, Lothian Buses	157,314	0	1,214	0	158,528	n/a
S. Bell, Project Director, tie Limited	158,875	0	0	0	158,875	158,845
R. Jeffrey, Chief Executive, tie Limited	150,000	0	0	0	150,000	140,192
Total	796,285	18,205	4,533	130,340	949,363	546,520

Other benefits paid relate to healthcare and telephone provision.

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including retirement costs) are shown below.

	2010/11	2009/10
£50,000 - £54,999	156	164
£55,000 - £59,999	105	60
£60,000 - £64,999	37	29
£65,000 - £69,999	35	21
£70,000 - £74,999	26	25
£75,000 - £79,999	13	11
£80,000 - £84,999	7	2
£85,000 - £89,999	3	7
£90,000 - £94,999	5	6
£95,000 - £99,999	15	10
£100,000 - £104,999	2	1
£105,000 - £109,999	1	1
£110,000 - £114,999	2	0
£115,000 - £119,999	0	0
£120,000 - £124,999	4	4
£125,000 - £129,999	1	0
£130,000 - £134,999	0	0
£135,000 - £139,999	1	1
£140,000 - £144,999	1	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	1
Total Number of Employees	414	343

REMUNERATION REPORT

Pension Rights

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

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

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

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

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

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

Whole Time Pay	Contribution rate 2010/11	Contribution rate 2009/10
On earnings up to and including £18,000	5.50%	5.50%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.50%	8.50%
On earnings above £30,000 and up to £40,000	9.50%	9.50%
On earnings above £40,000	12.00%	12.00%

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

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

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

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

REMUNERATION REPORT

Pension Benefits

Council's Leader, Civic Head and Senior Councillors

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

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.11 £	For year to 31.03.10 £		As at 31.03.11 £000	Difference from 31.03.10 £000
J. Dawe, Leader of the Council	10,033	9,649	Pension	3	1
			Lump Sum	4	0
R. Munn, Depute Convener	5,016	4,867	Pension	1	0
			Lump Sum	2	0
T. Buchanan, Convener Economic Development	6,522	6,294	Pension	2	1
			Lump Sum	2	0
M. MacLaren, Convener Education, Children and Families	6,522	6,294	Pension	2	1
			Lump Sum	2	0
G. Mackenzie, Convener Transport, Infrastructure and Environment	6,522	6,371	Pension	2	1
			Lump Sum	2	0
P. Edie, Convener Health, Social Care and Housing	6,522	6,294	Pension	2	1
			Lump Sum	2	0
J. Lowrie, Convener Planning	6,522	6,326	Pension	3	1
			Lump Sum	3	0
C. Keir, Convener Regulatory	6,522	6,274	Pension	2	1
			Lump Sum	2	0
P. Wheeler, Convener Finance and Resources and Convener of FETA Board	6,522	6,294	Pension	2	1
			Lump Sum	3	0
N. Elliott-Cannon, Vice Convener Finance and Resources	4,515	4,281	Pension	1	0
			Lump Sum	2	0
T. McKay, Vice Convener Economic Development	4,515	4,332	Pension	1	0
			Lump Sum	2	0
D. Beckett, Vice Convener Education, Children and Families	4,515	4,281	Pension	1	0
			Lump Sum	2	0
N. Work, Vice Convener Health, Social Care and Housing	4,515	4,281	Pension	1	0
			Lump Sum	2	0
R. Cairns, Vice Convener Culture and Leisure	4,367	4,281	Pension	1	1
			Lump Sum	2	0
R. Aldridge, Vice Convener Transport, Infrastructure and Env.	4,367	4,377	Pension	1	0
			Lump Sum	2	0
S. McIvor, Vice Convener Planning and Convener of Lothian Valuation Joint Board	4,181	4,047	Pension	1	0
			Lump Sum	2	0
L. Lang, Vice Convener Regulatory	4,013	3,434	Pension	1	0
			Lump Sum	1	0

REMUNERATION REPORT

Pension Benefits - continued

Council's Leader, Civic Head and Senior Councillors - continued

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.11 £	For year to 31.03.10 £		As at 31.03.11 £000	Difference from 31.03.10 £000
A. Burns, Opposition Group Leader (Labour)	5,016	4,252	Pension	1	0
			Lump Sum	2	0
I. Whyte, Convener Lothian and Borders Police Board	7,525	7,306	Pension	2	1
			Lump Sum	3	0
M. Bridgman, Convener Lothian and Borders Fire and Rescue Board	7,525	7,306	Pension	2	1
			Lump Sum	2	0
			Pension	32	11
Total	115,757	110,841	Lump Sum	44	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Senior Employees

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

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.11 £	For year to 31.03.10 £		As at 31.03.11 £000	Difference from 31.03.10 £000
S. Bruce, Chief Executive (from 1 January 2011)	8,045	n/a	Pension	68	n/a
			Lump Sum	187	n/a
T. Aitchison, Chief Executive (including returning officer role) (until 31 December 2010)	36,829	31,711	Pension	75	2
			Lump Sum	210	0
G. Tee, Director Children and Families	28,979	27,449	Pension	64	4
			Lump Sum	178	4
D. Anderson, Director City Development	25,446	24,103	Pension	6	2
			Lump Sum	5	0
J. Inch, Director Corporate Services	25,446	24,103	Pension	59	3
			Lump Sum	164	4
D. McGougan, Director Finance	25,446	24,967	Pension	62	4
			Lump Sum	175	4
P. Gabbittas, Director Health and Social Care (Council proportion)	8,240	8,240	Pension	20	1
			Lump Sum	60	2
M. Turley, Director Services for Communities	25,446	24,103	Pension	47	3
			Lump Sum	128	3
M. Miller, Chief Social Work Officer	20,009	18,745	Pension	29	3
			Lump Sum	78	3
			Pension	430	22
Total	203,886	183,421	Lump Sum	1,185	20

REMUNERATION REPORT

Pension Benefits - continued

Senior Employees - continued

All senior employees shown in the previous table, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas is a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2011 are shown below, together with the contribution made to each senior employees' pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.11 £	For year to 31.03.10 £		As at 31.03.11 £000	Difference from 31.03.10 £000
E. Adair, Operations and Finance Director, EDI Group	18,903	18,248	Pension	16	2
			Lump Sum	40	0
H. Rissmann, Chief Executive, EICC	16,199	14,711	Pension	n/a	n/a
			Lump Sum	n/a	n/a
I Coupar, Marketing Director, Lothian Buses	18,270	24,250	Pension	17	3
			Lump Sum	36	0
I. Craig, Managing Director, Lothian Buses	37,755	36,378	Pension	10	3
			Lump Sum	16	1
S. Bell, Project Director, tie Limited	32,480	29,863	Pension	10	3
			Lump Sum	15	0
R. Jeffrey, Chief Executive, tie Limited	30,666	26,356	Pension	6	4
			Lump Sum	0	0
			Pension	59	15
Total	154,273	149,806	Lump Sum	107	1

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown are for the year ended 31 December 2010 and 31 December 2009 respectively.

The individuals shown in the above table, except H. Rissman, are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

SUE BRUCE
Chief Executive
30 September 2011

KAREN KELLY
Director of Finance
30 September 2011

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of City of Edinburgh Council and the Accounts Commission for Scotland

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

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

Respective responsibilities of the Acting Director of Finance and auditor

As explained more fully in the Statement of Responsibilities set out on page 12, the Acting Director of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

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

INDEPENDENT AUDITOR'S REPORT

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

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

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

Failure to achieve a prescribed financial objective

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

- Catering Services – School and Welfare Catering
- Refuse Collection (including Trade Waste)
- BlindCraft
- Direct Cleaning
- Catering Services – Other Catering.

Gillian Woolman FCA
Assistant Director of Audit
Audit Scotland – Audit Services
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

30 September 2011