EAST RENFREWSHIRE COUNCIL

AUDITED ANNUAL ACCOUNTS

2012/2013

East Renfrewshire Council

Contents

Contents (cont'd)

Explanatory Foreword

ANNUAL ACCOUNTS

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which are intended to present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2013.

The Accounts are subject to statutory audit and incorporate the information required by the Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements which follow show the Council's main sources of funding and provide an account of expenditure on service activities.

The accounts identify two major categories of expenditure. Revenue spending covers the day to day operational expenditure for each service while capital spending covers expenditure on the acquisition, construction and improvement of assets which are required to provide services where the benefits will be derived over a number of years.

The purpose of this statement is to draw together all the figures shown in the accounts and to provide an explanation of the financial performance of the Council during the year 2012/13.

Statement of Remuneration
This statement provides information on the remuneration and pension benefits for the senior officers and members of East Renfrewshire Council.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purpose. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement
This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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

Explanatory Foreword (cont'd)

Cash Flow Statement

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

Accounting Policies

Note 1 lists the Accounting Policies that set out the basis on which the Accounts have been prepared.

Housing Revenue Account Income & Expenditure Account

The Housing Revenue Account's Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rent and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in year, on the basis on which rents are raised is shown in the movement on the Housing Revenue Account Statement.

REVENUE BUDGET PERFORMANCE

General Fund

Net expenditure on General Fund Services is met from Government Grants and Council Tax. Government Grants include an amount in respect of income from business rates. In 2012/13 Government Grants accounted for 80% of the Council's external funding while the remaining 20% came from Council Tax. The in year collection rate for Council Tax was 97.62% (2011/12 97.2%)

For a summary of the General Fund please see the Movement in Reserves Statement.

General Fund Revenue Balance

The General Fund Balance at the end of the year is £13.533m The opening balance of £13.810m has been decreased by an overall deficit of £0.277m.

Within the General Fund balance an amount of £1.154m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £2.136m has been earmarked as a Modernisation Fund. Further amounts of £0.649m and £0.676m have also been earmarked for the Whitelees Wind Farm and commuted sums, please see note 8 for further information.

In closing the accounts £0.399m has been attributed to the Unspent Grants reserve. This is to earmark amounts paid in grant to the Council, where the paying agency permits the amount in excess of expenditure incurred to be carried forward for use on particular projects.

BUDGET MONITORING

The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available as required. Elected members consider revenue monitoring reports and detailed variance information at Cabinet six times per year with the latter three reports providing year end forecasts. Financial and physical progress on each capital project is also reported to Cabinet five times per year. Copies of these reports are available on the Council's website, www.eastrenfrewshire.gov.uk.

Budget Performance

The overall deficit of £0.277m can be analysed as follows:

		Actual £'000	Approved Budget £'000	Over/ (Under) Spend £'000
Net cost of services	216,043			
Capital charges	(22,163)	193,880	206,820	(12,940)
Investment Income		(913)	(200)	(713)
Capital financing costs		11,614	13,634	(2,020)
Other		10,166	-	10,166
Contributions to reserves		9,119	740	8,379
To be met by govt. grants and local taxation		223,866	220,994	2,872
Aggregate External Finance		(179,064)	(177,020)	(2,044)
Council Tax		(44,525)	(43,974)	(551)
Total Funding		(223,589)	(220,994)	(2,595)
DEFICIT FOR THE YEAR		277	0	277

Housing Revenue

The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balance are shown on pages 94 and 95. These accounts deal with transactions in respect of managing the Council's housing stock. The opening balance of £1,010k has been decreased by an operational deficit of £88k to give a year-end balance of £922k.

FUND BALANCES

Fund balances are shown on the Balance Sheet and further information is provided in the notes attached thereto.

The level of funds is adjusted annually to take account of the following factors: -

(i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure which may arise. The Council's aim is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. In 2012/13 this was 3.5% (2011/12 3.90%)
(ii) To earmark funding to equalise future PFI/PPP payments.
(iii) To earmark funding to enable the upfront investment required to drive forward the Public Service Excellence Programme.
(iv) To provide insurance voluntary excess costs.
(v) To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.
(vi) To make provision for anticipated future capital liabilities.

PRIVATE FINANCE INITIATIVE/PUBLIC PRIVATE PARTNERSHIP

The Council has two Private Finance Initiative contracts. The first contract, signed on 20 April 2000, is for the provision of school facilities for a period of 25 years ending July 2026 and the second contract, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for a period of 30 years ending April 2035. On 10 December 2004 the Council also signed a 25-year Public Private Partnership contract for the provision of further new and extended school facilities for a period of 25 years ending July 2031. Details of all 3 projects are provided in note 35 to the core financial statements.

PENSION LIABILITY

The common position for employers participating in the Strathclyde Pension Fund is that the IAS19 calculation, based on a snapshot valuation as at 31 March 2013, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £104.357m, details of which can be found in note 39 to the core financial statements. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2013. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The discount factor as at 31 March 2013 was 4.5%. This year has seen an increase in pension liabilities to £432.2m (2011/12 £364.5m) which is principally because the financial assumptions at 31 March 2013 are less favourable than they were at 31 March 2012.

This increase in liabilities, reduced by an increase in asset values (£327.8m, 2011/12 £283.8m), has resulted in a net increase in the overall pension liability of £23.7m.

Employer contributions are based on the longer-term funding valuation as at 31st March 2011. The accounting policies adopted in the accounts reflect the full implementation of IAS19.

CAPITAL BUDGET PERFORMANCE

The Council invested £31.878m in its General Services and Housing Capital Programmes details of which are provided in note 33 to the core financial statements. This net expenditure was less than the capital budget for the year. Capital expenditure was funded by receipts from sale of assets of £0.904m, contributions from revenue and reserves of £6.038m, PPP lifecycle costs £0.672m, miscellaneous income of £0.421m and grants of £16.049m leaving a balance of £7.794m to be funded by borrowing. The Council has various available sources of borrowing to fund capital expenditure, the most significant of which is the Public Works Loans Board. The financing charges impacting on the Council Tax were £11.614m (2011/12 £11.201m) and on rents were £3.095m (2011/12 £2.725m)

SIGNIFICANT TRADING OPERATIONS

The Local Government Scotland Act 2003 sets out the requirements for statutory trading accounts to be maintained for "significant" trading operations only. The Council after adopting the CIPFA/LASAAC criteria concluded that there are no services that can be classified as a significant trading operation. Further guidance is provided in note 28 to the core financial statements.

REVIEW

With the exception of the Community Health and Care Partnership the Council's General Fund services have again been managed within their operational budget. In total General Fund departments' outturn spend was within budget with Directors taking early action in applying savings measures during 2012/13. The favourable outturn results from prudent management of staffing levels and non-filling of vacancies during the year, progression and early implementation of service reviews and staffing restructures and maximisation of income receivable. The Council had budgeted to increase reserves by £0.740 million in 2012/13. However, as a result of effective financial management, transfers totalling £9.119 million have been made to key earmarked reserves. This will assist the Council in taking forward appropriate measures to address the significant financial difficulties and uncertainties in coming years. In particular, this will assist the Council in taking forward necessary one-off transformation investment designed to generate ongoing revenue financial savings.

In the course of the year, investment in Education has continued with the main construction phase of the new build replacement Eastwood High School, along with improvement work at both Giffnock and Springhill and Auchenback Primaries. Initial work has also progressed to allow for the provision of under 3s at Glen Family Centre, with further work planned during 2013/14.

Investment has also been made to convert the former janitor's house at Uplawmoor Primary School to provide an IT library and meeting room, and PE accommodation has been upgraded at Woodfarm High School.

The Council's Community Health and Care partnership has continued to devote additional resources to ensure that frontline social care services for older people in East Renfrewshire have kept pace with growing demand, with particular impact on improving rehabilitation and dementia services. The service has also continued to invest in supporting young people within the community with complex disabilities to live more independently.

Explanatory Foreword (cont'd)

Contributions have also been made towards an improvement plan for community facilities across the Council and, along with a successful Heritage Lottery Fund bid, restoration and upgrading works at Rouken Glen Park.

A list of sports projects has also been financed allowing for many of the Council's facilities to be upgraded and improved.

In addition, recognising the problems created by adverse weather, further investment was made in roads.

GROUP ACCOUNTS

The Council is represented on the Boards of the following 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. The Council has not paid any consideration for its interests and thus there is no goodwill involved.

The inclusion of these entities in the Council's Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of trust fund balances and the liabilities and assets carried by the entities, listed below, the Group Balance Sheet decreases the Council's net worth by £145.677m. Full details of these interests are listed within the notes to the Group Accounts.

Strathclyde Joint Police Board
Strathclyde Joint Fire Board
Strathclyde Partnership for Transport
Strathclyde Concessionary Travel Scheme
Renfrewshire Valuation Joint Board.

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FINANCIAL OUTLOOK

In common with all other organisations, the Council has been affected by the deterioration in economic conditions. The Council has continued to apply its economic downturn action plan to minimise the impact on the local community. The slow down in capital receipts continued, however maintaining a prudent level of Capital Reserve has enabled the Council to continue significant investment. The Council's General Fund Capital Plan for the next 8 years delivers significant investment in schools, a new health and care centre, roads investment etc. This has been enabled through the Council's prudent use of its resources. Similarly, the Housing Capital Plan for the next 5-years progresses significant investment to ensure delivery of the Scottish Housing Quality Standard.

Council resources are expected to remain constrained in the medium term. Central government grant shows a cash reduction for 2013/14 with a near cash standstill for the year following that. Forecasts of grant for the years beyond, show continuing constraints on funding levels. Further, a condition of receiving the government grant is that the level of Council Tax is frozen. Forecasts are that these funding restrictions are not one-off but will continue for a number of years ahead. To ensure delivery of balanced budgets, this requires the Council to identify and implement savings measures to meet the spending and demand pressures it faces.

The Council has approached these difficulties as a part of a longer term financial strategy. This strategy was underpinned by approval of a Financial Policy at the Council meeting in June 2012 and is characterised through a number of factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserve levels and put in place actions designed to ensure that these are at a level to assist the Council in addressing future financial difficulties.

The 2012/13 budget was the final year of a previously approved multi-year budget. Following the success of this approach, the Council undertook extensive community engagement in setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2013/14 and an

Explanatory Foreword (cont'd)

indicative budget for 2014/15 were approved by Council in February 2013. The Council continues to actively seek out efficiencies in service delivery with around 70% of the approved savings measures for the financial years 2013/14 and 2014/15 being categorised as efficiencies.

In recognising the competing pressures of future restraints in funding levels and increasing demand, the Council has proactively identified resources from within its grant settlement to progress preventative spend with the aim of tackling future demand pressures. Total resources identified for the 3 financial years 2012/13 to 2014/15 amount to £2.805 million.

As a consequence of the Council's programme of efficiency reviews 35 employees took the option of voluntary redundancy or other packages offered to them in 2012/13. This resulted in non recurring expenditure of £0.5m.

The Council has put arrangements in place in response to the Welfare Reform Act 2012 to try to mitigate adverse impacts on residents, Council income and the wider economy within East Renfrewshire from the effects of welfare reforms. A group of senior officers and Community Planning partners have undertaken a number of areas of work and have reported to both CMT and Cabinet on a regular basis regarding estimated financial and other impacts, and the Cabinet has agreed plans to manage the reforms.

ICELANDIC BANKS

The Council had £1m invested in the Heritable Bank, a UK based subsidiary of the Icelandic bank, Landsbanki. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst and Young outlined that the return to the creditors was projected to be 88p in the £ by the beginning of 2014. As at 31 March 2013 the Council has received 13 payments totalling £812,311.70. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic investments and the Council is participating in those deliberations. Close contact has also been maintained with the Scottish Government and COSLA to ensure that all possible steps are being taken to recover the Council's investment.

ACKNOWLEDGEMENT

I wish to record my thanks to staff in all departments for their co-operation in producing the Annual Accounts in accordance with the prescribed timescale. In particular the efforts of my own Finance Department staff are gratefully acknowledged.

Norie Williamson FCCA CPFA
Director of Finance

Date 26th September 2013

Statement Of Responsibilities For The Statement Of Accounts

PURPOSE

This statement sets out the Council's responsibilities and those of the Director of Finance.

The Authority's Responsibilities

The Authority is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.

The Authority also has to manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.

The Authority has to approve the audited Statement of Accounts within two months of receiving the audit certificate.

The Director of Finance's Responsibilities

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

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.

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;

I certify that this Statement of accounts shows a true and fair view of the financial position of East Renfrewshire Council as at 31 March 2013 and its income and expenditure for that year

Norie Williamson FCCA CPFA
Director of Finance

Date 26th September 2013

Annual Governance Statement 2012/13

East Renfrewshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of East Renfrewshire Council's affairs and the stewardship of the resources at its disposal. To this end, the Council adopted a Code of Corporate Governance which was updated in June 2013 and is consistent with the principles and requirements of the CIPFA/ SOLACE guidance for Scottish local authorities *"Delivering Good Governance in Local Government".*

The Code is built around six governance principles:
• Focusing on the purpose of the authority and outcomes for the community
• Members and officers working together to achieve a common purpose
• Promoting values for the authority and demonstrating the values of good governance
• Taking informed and transparent decisions
• Developing the capacity and capability of members and officers to be effective
• Engaging with local people and other stakeholders

The Code of Corporate Governance was reviewed in 2013 by the Council's Corporate Management Team. This produced a number of improvement actions which have been taken forward over the course of the year. A revised Code of Corporate Governance for 2013/14 and update on the 2012/13 action plan was considered by the Audit Committee on 27 June 2013.

A copy of the Code is on our website at http://www.eastrenfrewshire.gov.uk/corporategovernance or can be obtained from the Policy and Improvement Unit, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3660).

This statement explains how East Renfrewshire Council has complied with the code and also meets the Code of Practice on Local Authority Accounting in the UK 2012/13 based on International Financial Reporting Standards which details the requirements for a Statement of Internal Financial Control.

During 2012/13, East Renfrewshire Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Renfrewshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Regular reviews of information and systems within this framework are undertaken by council managers.

The system includes:
- Clearly defined vision within the Corporate Statement (updated 2012) which is well communicated to all staff and Elected Members.

- Sound financial management arrangements which comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- Clear roles and responsibilities of the Corporate Management Team and Elected Members with delegation arrangements well defined.
- Providing an Audit Committee which provides an effective and detailed level of scrutiny across the Council,
- High standards of budgeting, monitoring and reporting,
- Regular reviews of periodic and annual financial reports which indicate both financial performance and actual expenditure against the forecasts,
- Objectives and targets: realistic and achievable, matched to financial and other resources, explicitly translated into clear responsibilities for implementation,
- Clearly defined capital expenditure guidelines,
- Matching of asset base to Council objectives in terms of suitability and sustainability, and supporting this with appropriate asset management,
- Systematic approach to risk management,
- Highly developed corporate performance management system with regular reports to the CMT and Cabinet. These reports are also published on the website.
- Procedures in place to help members and employees comply with relevant codes of conduct and policies – policies on fraud prevention, investigation and "whistleblowing".
- Providing training and development opportunities for all Elected Members and Senior Officers.

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

Review of effectiveness

East Renfrewshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of the Council's resources.

The Internal Audit service operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The service undertakes an annual programme of work approved by the Audit Committee based on a five year strategic plan. The strategic plan is based on a formal risk based audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Chief Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

Members and Officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Audit Committee performs a scrutiny role in relation to the application of the Code of Corporate Governance and regularly monitors the performance of the Council's Internal Audit Section.

The implications of the result of reviewing the effectiveness of the governance framework are reported to the Audit Committee and a plan to address weaknesses and ensure continuous improvement of systems is in place. The Chief Internal Auditor's annual statement for 2012/13 (presented on 27 June 2013 at Audit Committee) presents an opinion that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2013.

Key actions achieved within 2012/13 included:

- Introduction of the Welfare Reform Planning Group which meets every six weeks to plan activities to mitigate the impact of welfare reform changes. To improve communication, a sharepoint site has been set up to act as a single repository for all welfare reform documentation.
- Implementation of a new complaints handling procedure
- Integrated Council and Community Planning Partnership 6 monthly Performance Reports
- New council website
- Redesigned Single Outcome Agreement (SOA)
- Community engagement on budget 2013/15 reshaped and aligned with community engagement process to support SOA.
- Second council-wide employee engagement survey.
- Revision of Financial Regulations approved by Council at its meeting on 7 February 2013.
- Two reviews of the Council's Contract Standing Orders were undertaken with revisions being approved at the Council meetings on 24 October 2012 and 15 May 2013.

Key actions planned to be delivered in 2013/14:

- Pilot the on-line PRD system in the Chief Executive's Department in 2013/14 and all other departments by 2014/15
- Complete review of area forums as part of a wider community engagement in community planning
- Review Community Planning arrangements to assure delivery of the new SOA outcomes and respond to the national agenda regarding prevention and accountability,
- Develop a new four year Corporate Statement for the Council setting out vision and key priorities
- Further develop contract and supplier management arrangements
- Develop a new methodology for risk based How Good is Our Service (HGIOS) and agree programme
- Develop a complaints performance monitoring and reporting framework and deliver quarterly monitoring reports to Corporate Management Team and six monthly reports to Cabinet.
- The Welfare Reform Planning Group will continue to meet regularly and report to the CMT and Cabinet on progress to mitigate the impact of the next phase of welfare reform changes which include the move to PIP and preparation of the implementation of Universal Credit.

The self assessment of the code of corporate governance against the nationally prescribed criteria identifies the code to be fully compliant across the 6 governing principles (approved by the Audit Committee on 27 June 2013).

Significant governance issues

An internal audit review of the process followed to evaluate tenders and the subsequent management of contracts and the awarding of work has highlighted deficiencies and control weaknesses which will need to be addressed by management. This will be the subject of a report to management in 2013/14.

Audit Scotland carried out an audit in 2012/13 of housing and council tax benefit performance due to concerns in the council's performance in processing new claims and changes of circumstances. Audit Scotland reported that there have been improvements in meeting the needs of the community, performance management and in the accuracy of payments. Audit Scotland was satisfied that the council's proposed actions will make a positive contribution to the continuous improvement of the council's housing and council tax benefits service.

The Council's Assurance and Improvement Plan Update 2013-16 concluded that no risk based scrutiny work is currently required on the council's services or outcome areas. Last year two amber scrutiny risks were identified in relation to the housing stock condition survey and the homelessness service. The Council's asset management strategy for the Housing service was approved by members in June 2012. The Council is now validating the data gathered through its comprehensive housing stock condition survey. The survey results have been used to identify the costs of improvement work needed to the Council's housing in order to meet the SHQS by 2015. In July 2012 the Council provided the Scottish Housing Regulator with a comprehensive Improvement Plan for the Homelessness service. The Plan addresses the weaknesses previously identified. It is the Scottish Housing Regulator's intention to monitor the Council's progress over the next year to ensure that the associated action plan delivers improved outcomes for service users but the risk assessment has been changed to no scrutiny required.

In 2013/14, follow up work on the Audit Scotland report called Scotland's Public Finances: Addressing the Challenges will be undertaken in each council during 2013/14 to provide the Accounts Commission and the Auditor General for Scotland with evidence on the progress that public bodies are making in developing a strategic response to these long-term financial challenges. In addition, a specific piece of work on Scotland's Public Finances: Workforce Planning will be undertaken in 2013/14.

The financial constraints that the Council will face in future years are significant and it is clear that funding restrictions will continue for a number of years. The Council is therefore actively challenging current service models and existing methods of service delivery to ensure best value from available resources. It will be important that the challenges are addressed on a managed basis underpinned by a long-term strategy. To enable this, the Council has put in place an overriding Financial Policy drafted to form a framework to the actions that the Council requires to take to manage its financial difficulties.

In 2013/14, a number of key welfare reform changes will be implemented. The Council has set up a Welfare Reform Planning Group with involvement from key staff. This group meets every six weeks to update the welfare reform action plan and discuss training and communication plans to mitigate the impact of welfare reform on residents.

Since the Public Service Excellence Programme (PSE) was launched in East Renfrewshire in 2009, the programme has realised £3.43m recurring financial savings. The programme has led to modernised ways of working and built more self-sufficient staff.

In 2013/14 the continued implementation of the Public Service Excellence Programme will be critical in building our success in delivering services of highest quality within even tighter budget constraints. A PSE plan for the next 4 years with four refreshed key principles has recently been launched to deliver change, efficiency and improvement.

In 2012/13, the Council continued its approach to self assessment under "How Good is Our Service" with a new programme of self assessments.

The self-assessment process has led to the development of good work practice and has identified specific areas for improvement which will improve customer service and the overall efficiency of the Council.

Statement on the Role of the Chief Financial Officer in Local Government

CIPFA published this statement in 2010 and under the Code is required to state whether it complies with the statement and, if not, to explain how their governance arrangements deliver the same impact. The full statement is:-

The Chief Financial Officer in a public service organisation:
- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- Must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

Annual Governance Statement 2012/13 (cont'd)

To deliver these responsibilities the Chief Financial Officer:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

The Council considers that it complies with the above statement.

Assurance

We consider the governance and internal control environment operating during 2012/13 to provide reasonable and objective assurance that significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to review and improve the governance and internal control environment. The Council will continue to review its corporate governance arrangements and take any additional steps as are required to further enhance these arrangements and will review their implementation and operation as part of the next annual review.

Signed:
Cllr J Fletcher
Leader of the Council

Date………26 September 2013……..

Signed:
L McMillan
Chief Executive
On behalf of East Renfrewshire Council

Date………26 September 2013………

Statement of Remuneration

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

All information disclosed in sections 3 to 7 in this Remuneration Report, with the exception of that relating to the Reimbursement of Members' Expenses contained within section 4, will be audited by the Council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. Remuneration Policy for the Leader of the Council, Provost and Senior Councillors.

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2012-13 the salary for the Leader of East Renfrewshire Council was £27,058 pro rata. The Regulations permit the council to remunerate one Provost and set out the salary that should be paid.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £164,376 pro rata. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council policy is to appoint the maximum number of Senior Councillors permitted in the regulations.

In 2012-13 East Renfrewshire Council had 9 Senior Councillors and the remuneration paid to these councillors totalled £164,376 pro rata. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full council on 27 June 2012 and is available at www.eastrenfrewshire.gov.uk.

2. Remuneration Policy for Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. At a meeting of the full Council on 19 March 2008 arrangements were put in place to agree a basis on which Directors' salaries should be calculated. At that time it was agreed that they should be paid 89% of the Chief Executive's salary.

3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including the Chief Executive and those staff reporting directly to the Chief Executive. The remuneration paid to the Authority's senior employees, including additional payments for election work, is as follows:-

Statement of Remuneration (cont'd)

		Salary, Fees and Allowances £	Compensation for loss of office £	Expenses Allowances * £	Total £
Lorraine McMillan (Chief Executive)	2012/13	109,618		653	110,271
	2011/12	113,048		720	113,768
John Wilson (Director of Education) **	2012/13	98,968		515	99,483
	2011/12	98,968		1,978	100,946
Julie Murray (Director of Community Health & Care Partnership)	2012/13	98,968		822	99,790
	2011/12	98,968		752	99,720
Andrew Cahill (Director of Environment)	2012/13	98,968		822	99,790
	2011/12	98,968		822	99,790
Norman Williamson (Director of Finance)	2012/13	99,093		756	99,849
	2011/12	99,468		775	100,243
Caroline Innes (Deputy Chief Executive)	2012/13	99,093		762	99,855
	2011/12	96,905		773	97,678
Gerry Mahon (Chief Solicitor)	2012/13	62,339		822	63,161
	2011/12	59,988		822	60,810
Michelle Blair (Chief Auditor)	2012/13	49,049		818	49,867
	2011/12	49,049		822	49,871

* This column represents taxable earnings only and includes taxable benefits accrued from having a leased car

** The identified senior officers received benefits in the form of car leases

East Renfrewshire Council

Statement of Remuneration (cont'd)

4. Remuneration of Senior Councillors

Name	Position Held	Notes	Salary - Payments made by Council			Re-imbursement of Members Expenses								Total Salary & Expenses 2012/13 (E + M)	Total Salary & Expenses 2011/12
			Gross Allowance	Less Recharge to External Bodies	Net Allowances Paid	Car & Van Expenses - Reimbursed	Other Travel Expenses - Reimbursed	Other Travel Expenses Paid Directly	Subsistence & Meals Expenses Reimbursed	Training & Conference Expenses Reimbursed	Training & Conference Expenses Paid direct	Telephone & ICT Expenses Paid Directly	Total Expenses (F to L)		
(A)	(B)		(C) £	(D) £	(E) £	(F) £	(G) £	(H) £	(I) £	(J) £	(K) £	(L) £	(M) £	(N) £	(O) £
Buchanan	Convener for Infrastructure & Sustainable Growth		17,211	-	17,211	833	60	16	-	80	540	430	1,959	**19,170**	**19,767**
Carmichael	Provost From 23 May 2012	**1 (a)**	19,943	267	19,676	-	65	-	-	-	-	540	605	**20,281**	**16,885**
Cunningham	Deputy Provost		18,111	-	18,111	-	-	-	-	-	-	660	660	**18,771**	**18,963**
Devlin	Convener for Housing & Maintenance Services		18,111	-	18,111	-	-	-	-	-	-	610	610	**18,721**	**18,755**
Fletcher	Leader of the Council	**1(b)**	26,433	-	26,433	453	180	-	-	85	540	588	1,846	**28,279**	**29,241**
Green	Convener for Education & Equalities – From 23 May 2012		18,111	-	18,111	737	120	-	-	-	150	609	1,616	**19,727**	**19,775**
Hay	Chair of Planning Applications Committee – From 23 May 2012		16,492	-	16,492	407	12	31	-	27	149	159	785	**17,277**	**-**
Mackie	Provost – Until 2 May 2012	**2**	1,800	-	1,800	-	-	-	-	-	-	45	45	**1,845**	**20,358**
McAlpine	Convener for Corporate Services from 23 May 2012		18,111	-	18,111	180	49	-	-	-	-	584	813	**18,924**	**19,000**
Montague	Convener for Community Services & Community Safety		18,111	-	18,111	-	-	269	-	-	-	775	1,044	**19,155**	**19,320**
Phillips	Convener for Environment – Until 2 May 2012	**2**	1,711	89	1,622	-	-	-	-	-	-	247	247	**1,869**	**21,352**
Wallace	Chair of Audit Committee		18,111	-	18,111	-	-	-	-	-	-	155	155	**18,266**	**18,407**
Waters	Convener for Environment – From 23 May 2012		16,491	-	16,491	700	-	19	-	-	362	425	1,506	**17,997**	**-**
Sub total	Senior Councillors		208,747	356	208,391	3,310	486	335	-	192	1,741	5,827	11,891	**220,282**	**221,823**
All other councillors			151,911	5,927	145,984	1,929	537	178	-	19	939	3,918	7,520	**153,504**	**160,739**
	Total		**360,658**	**6,283**	**354,375**	**5,239**	**1,023**	**513**	**-**	**211**	**2,680**	**9,745**	**19,411**	**373,786**	**382,562**

Notes:- The undernoted receive remuneration as representatives of the Council on outside bodies.

1 (a) Cllr. Carmichael received the payment shown in column D for his position as Vice-Convenor on the Renfrewshire Valuation Joint Board to May 2012. For further details please refer to ***www.renfrewshire-vjb.gov.uk***.

1 (b) Cllr. Fletcher receives payments directly from Scottish Futures Trust as a Non Executive Director and member of the Audit Committee. For further details please refer to ***www.scottishfuturestrust.org.uk***.

2 A. Mackie and E. Phillips are no longer members but received a salary and expenses until 2 May 2012.

3 East Renfrewshire Council leases a car for civic duties. The annual cost of this car is £6,100.

Statement of Remuneration (cont'd)

5. Pension Entitlement

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

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

For local government employees a final salary pension scheme operates. 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 scheme members' contribution rates for 2012/13 and 2011/12 are as follows:-

Whole time pay	Contribution rate 2012/13		Contribution rate 2011/12
On earnings up to and including £19,400	5.5%	On earnings up to and including £18,500	5.5%
On earnings above £19,400 and up to £23,700	7.25%	On earnings above £18,500 and up to £22,600	7.25%
On earnings above £23,700 and up to £32,500	8.5%	On earnings above £22,600 and up to £30,900	8.5%
On earnings above £32,500 and up to £43,300	9.5%	On earnings above £30,900 and up to £41,200	9.5%
On earnings above £43,300	12.0%	On earnings above £41,200	12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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

The pension entitlements of Senior Employees for the year to 31 March 2013 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Statement of Remuneration (cont'd)

Name & Post Title	In year Pension Contribution £	2012/13 Accrued Pension Benefits: Pension £	2012/13 Accrued Pension Benefits: Lump Sum £	Change in Accrued Pension Benefits since 31 March 2012: Pension £	Change in Accrued Pension Benefits since 31 March 2012: Lump Sum £
Lorraine McMillan (Chief Executive)	21,156	8,732	4,273	1,743	(45)
John Wilson (Director of Education)	19,101	51,913	135,945	1,650	-
Julie Murray (Director of Community Health & Care Partnership)	19,101	23,948	52,049	1,645	-
Andrew Cahill (Director of Environment)	19,101	38,291	95,080	1,645	-
Norman Williamson (Director of Finance)	19,101	47,781	123,550	1,645	-
Caroline Innes (Deputy Chief Executive)	19,101	35,664	87,200	1,644	-
Gerry Mahon (Chief Solicitor)	12,007	15,987	35,519	1,636	1,430
Michelle Blair (Chief Auditor)	9,466	12,672	28,205	816	-

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

Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2013 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

Name & Post Title	In year Pension Contribution £	2012/13 Accrued Pension Benefits: Pension £	2012/13 Accrued Pension Benefits: Lump Sum £	Change in Accrued Pension Benefits since 31 March 2012: Pension £	Change in Accrued Pension Benefits since 31 March 2012: Lump Sum £
Cllr Buchanan – Convener for Infrastructure and Sustainable Growth	3,496	1,745	1,298	350	21
Councillor Carmichael – Provost from 23 May 2012	-	-	-	-	-
Cllr Cunningham – Deputy Provost	-	-	-	-	-
Cllr Devlin – Convener for Housing Maintenance Services	-	-	-	-	-
Cllr Fletcher – Leader of the Council	5,101	3,065	2,424	948	373
Cllr Green – Convener for Education and Equalities from 23 May 2012	3,525	1,573	1,059	342	32
Cllr Hay - Chair for Planning Applications Committee from 23 May 2012	-	-	-	-	-
Cllr Mackie – Provost until 2 May 2012	347	1,310	8,561	197	8,431
Cllr McAlpine – Convener for Corporate Services from 23 May 2012	3,496	1,785	1,411	352	23
Cllr Montague – Convener for Community Services and Community Safety	3,496	1,641	962	347	12
Cllr Phillips – Convener for Environment until 2 May 2012	330	2,125	3,248	42	20
Cllr Wallace – Chair of Audit Committee	3,496	616	-	312	-
Cllr Waters – Convener for Environment from 23 May 2012	3,183	275	-	-	-

All senior members shown in the above table, with the exception of Cllr Carmichael, Cllr Cunningham, Cllr Devlin and Cllr Hay are members of the Local Government Pension Scheme.

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

Statement of Remuneration (cont'd)

6. Remuneration of Employees

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

Remuneration band	2012/13 Number of employees				2011/12 Number of employees			
	Teachers	Left during year	Other Employees	Total	Teachers	Left during year	Other Employees	Total
£50,000 - £54,999	37	1	4	42	35	2	5	42
£55,000 - £59,999	17	1	1	19	19	3	2	24
£60,000 - £64,999	2	-	6	8	2	-	7	9
£65,000 - £69,999	1	-	-	1	-	-	1	1
£70,000 - £74,999	1	-	1	2	2	1	-	3
£75,000 - £79,999	1	1	11	13	1	-	11	12
£80,000 - £84,999	2	-	-	2	2	-	-	2
£85,000 - £89,999	-	-	-	-	-	-	-	-
£90,000 - £94,999	-	-	-	-	-	-	-	-
£95,000 - £99,999	-	-	5	5	-	-	3	3
£100,000 - £104,999	-	-	-	-	-	-	2	2
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	-	1	1	-	-	1	1

7. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 (£)	2011/12 (£)
£0 - £20,000	0.0	0.0	13.0	6.0	13.0	6.0	140,227	47,740
£20,001 -£40,000	0.0	0.0	6.0	3.0	6.0	3.0	174,761	98,373
£40,001 - £60,000	0.0	0.0	7.0	2.0	7.0	2.0	329,901	103,708
£60,001 - £80,000	0.0	0.0	7.0	1.0	7.0	1.0	471,232	72,561
£80,001 - £100,000	0.0	0.0	1.0	1.0	1.0	1.0	86,820	99,434
£100,001 -£150,000	0.0	0.0	1.0	2.0	1.0	2.0	100,232	239,530
Total	0.0	0.0	35.0	15.0	35.0	15.0	1,303,173	661,346
Add: Amounts provided for in CIES not included in bandings	0.0	0.0	0.0	2.0	0.0	2.0	0	372,772
Total Cost included in CIES	0.0	0.0	35.0	17.0	35.0	17.0	1,303,173	1,034,118

Leader of the Council
Date 26 September 2013

Chief Executive
Date 26 September 2013

Movement in Reserves Statement

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012 carried forward	(9,047)	(4,763)	(8,412)	(1,180)	(1,010)	(20,870)	**(45,282)**	(193,236)	**(238,518)**
Movement in reserves during 2012/13									
(Surplus) or deficit on the provision of services	(13,805)	-	-	-	3,246	-	**(10,559)**	-	**(10,559)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(7,466)	**(7,466)**
Total Comprehensive Income and Expenditure	(13,805)	-	-	-	3,246	-	**(10,559)**	(7,466)	**(18,025)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,031	-	-	-	(3,208)	4,950	**6,773**	(6,773)	**-**
Net (Increase)/Decrease before Transfers (to)/from other statutory Reserves	(8,774)	-	-	-	38	4,950	**(3,786)**	(14,239)	**(18,025)**
Transfers (to)/from other statutory Reserves	9,302	(251)	(2,678)	(110)	50	(6,313)	**-**	-	**-**
(Increase)/Decrease in 2012/13 (Note 8)	528	(251)	(2,678)	(110)	88	(1,363)	**(3,786)**	(14,239)	**(18,025)**
Balance at 31 March 2013 carried forward	(8,519)	(5,014)	(11,090)	(1,290)	(922)	(22,233)	(49,068)	(207,475)	**(256,543)**

Movement in Reserves Statement (cont'd)

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011	**(8,392)**	**(4,196)**	**(6,824)**	**(1,122)**	**(724)**	**(17,347)**	**(38,605)**	**(205,815)**	**(244,420)**
Movement in reserves during 201/12									
(Surplus) or deficit on the provision of services	(6,372)	-	-	-	3,953	-	**(2,419)**	-	**(2,419)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	8,321	**8,321**
Total Comprehensive Income and Expenditure	(6,372)	-	-	-	3,953	-	**(2,419)**	8,321	**5,902**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,769)	-	-	-	(4,089)	2,600	**(4,258)**	4,258	**-**
Net (Increase)/Decrease before Transfers (to)/from other statutory Reserves	(9,141)	-	-	-	(136)	2,600	**(6,677)**	12,579	**5,902**
Transfers (to)/from other statutory Reserves	8,486	(567)	(1,588)	(58)	(150)	(6,123)	**-**	-	**-**
(Increase)/Decrease in 2011/12 (Note 8)	(655)	(567)	(1,588)	(58)	(286)	(3,523)	**(6,677)**	12,579	**5,902**
Balance at 31 March 2012	(9,047)	(4,763)	(8,412)	(1,180)	(1,010)	(20,870)	**(45,282)**	(193,236)	**(238,518)**

Comprehensive Income and Expenditure Statement

Year ended 31 March 2012 Gross Expenditure	Gross Income	Net Expenditure		Year ended 31 March 2013 Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
127,969	(12,145)	115,824	Education Services	126,846	(13,178)	113,668
17,029	(15,847)	1,182	Housing Services	18,207	(16,579)	1,628
18,260	(5,039)	13,221	Cultural & Related Services	19,116	(4,936)	14,180
11,680	(3,910)	7,770	Environmental Services	12,511	(3,992)	8,519
3,469	-	3,469	Fire Service	3,256	-	3,256
15,059	(1,683)	13,376	Roads & Transport Services	14,687	(1,903)	12,784
6,746	(61)	6,685	Police Service	6,433	(61)	6,372
4,152	(1,454)	2,698	Planning & Development	4,787	(1,354)	3,433
56,046	(11,631)	44,415	Social Work	57,221	(11,622)	45,599
4,038	(111)	3,927	Central Services to the Public	3,323	(427)	2,896
2,971	-	2,971	Corporate & Democratic Core	2,657	-	2,657
1,870	(60)	1,810	Non Distributable Costs	1,051	-	1,051
269,289	(51,941)	217,348	**Net Cost of General Services**	270,095	(54,052)	216,043
10,402	(9,035)	1,367	Housing Revenue Account	11,292	(9,340)	1,952
279,691	(60,976)	218,715	**Cost of Services**	281,387	(63,392)	217,995
		(143)	Other operating expenditure (Note 9)			109
		11,872	Financing and investment income and expenditure (Note 10)			11,883
		(232,863)	Taxation and non-specific grant income (Note 11)			(240,546)
		(2,419)	**(Surplus) or Deficit on Provision of Services**			**(10,559)**
		(22,249)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(36,952)
		3,353	Impairment losses on non-current assets charged to the Revaluation Reserve			5,919
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		27,217	Actuarial (gains)/losses on pension assets/ liabilities			23,567
		8,321	**Other Comprehensive Income and Expenditure**			**(7,466)**
		5,902	**Total Comprehensive Income and Expenditure**			**(18,025)**

Balance Sheet

31 March 2011	31 March 2012		Notes	31 March 2013
£000	£000			£000
467,248	471,874	Property, Plant & Equipment	12	505,613
259	262	Heritage Assets	13	262
17,957	16,699	Investment Property	14	16,443
141	197	Intangible Assets	15	166
363	105	Investments	17	10,011
485,968	**489,137**	**Long Term Assets**		**532,495**
72	86	Assets Held for Sale	16	1,138
590	551	Inventories	18	420
11,735	14,282	Short Term Debtors	19	15,908
22,494	22,168	Cash and Cash Equivalents	20	15,120
34,891	**37,087**	**Current Assets**		**32,586**
(6,046)	(49)	Short Term Borrowing		(8,895)
(2,709)	(2,790)	Finance Leases including PFI/PPP	17	(2,896)
(39,568)	(33,962)	Short Term Creditors	21	(34,081)
(185)	(70)	Provisions – short term	22	(147)
(48,508)	**(36,871)**	**Current Liabilities**		**(46,019)**
(986)	(1,356)	Provisions – long term	22	(1,357)
(80,674)	(80,625)	Long Term Borrowing	17	(71,730)
(90,648)	(87,877)	PFI/PPP Finance Lease	17	(84,982)
(55,179)	(80,703)	Defined Benefit Pension Liability	39	(104,357)
(444)	(274)	Capital Grant Receipts in Advance	31	(93)
(227,931)	**(250,835)**	**Long Term Liabilities**		**(262,519)**
244,420	**238,518**	**Net Assets**		**256,543**
(38,605)	(45,282)	Usable Reserves	8	(49,068)
(205,815)	(193,236)	Unusable Reserves	23	(207,475)
(244,420)	**(238,518)**	**Total Reserves**		**(256,543)**

N Williamson FCCA CPFA
Director of Finance

The unaudited accounts were issued on 20 June 2013 and the audited accounts were authorised for issue on 26 September 2013

Cash Flow Statement

2011/12 £000		2012/13 £000
(2,419)	Net (surplus) or deficit on the provision of services	(10,559)
(16,068)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	(10,060)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(18,487)	Net cash flows from Operating Activities	(20,619)
10,123	Investing Activities (Note 25)	14,944
8,690	Financing Activities (Note 26)	12,723
326	Net (increase) or decrease in cash and cash equivalents	7,048
(22,494)	Cash and cash equivalents at the beginning of the reporting period	(22,168)
(22,168)	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**(15,120)**

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and the Local Government in Scotland Act 2003, section 12 of which requires the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies have been prepared in accordance with IAS8 and IPSAS3.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on the basis that the Council is a going concern.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Notes to the Accounts (cont'd)

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Notes to the Accounts (cont'd)

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and flexi leave, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. In this respect East Renfrewshire have treated Strain on the Pension Fund payments as termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by the Scottish Government.
- The Local Government Pension Scheme, administered by Glasgow City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
  - contributions paid to the Strathclyde Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified as follows:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

Notes to the Accounts (cont'd)

Loans and Receivables

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

Government Grants and Contributions

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

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

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

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

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

Notes to the Accounts (cont'd)

Business Improvement Districts

The Council is the billing authority for the Clarkston Business Improvement District managed by an umbrella group led by the East Renfrewshire Chamber of Commerce and local businesses, which secured an environmental improvements appraisal, marketing, publicity and events service for the area of Clarkston. The Authority accounts for income received and expenditure incurred within the Planning and Development Services within the Comprehensive Income and Expenditure Statement.

The Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured as the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Heritage Assets – Tangible

Statues

Six statues created by 19th century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequested to the Council and are open to the public on the annual Doors Open Day in September. The statues are reported in the Balance Sheet at market value provided by the international auctioneers and valuers Bonhams.

Civic Regalia

The chains of office used by the Provost and his partner are collectively known as Civic Regalia and are symbols of the authority of the Civic Office which the Provost holds.

There are 5 chains held in total at the Council's Headquarters. They are reported in the Balance Sheet at insurance valuation which is based on market value. These insurance valuations are reviewed on an annual basis.

Notes to the Accounts (cont'd)

Heritage Assets – Tangible

Number Plate

The Council owns a private registration plate (HS 0) which is on the car which the Council uses for civic duties. The number plate is reported on the Balance Sheet at market value, provided by Registration Transfers, the largest dealer in number plates in Britain.

There are no depreciation charges on the heritage assets as it is considered that they will have indeterminant lives and high residual value.

Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Notes to the Accounts (cont'd)

Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of associates and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Property

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

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

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

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Notes to the Accounts (cont'd)

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease terms if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Notes to the Accounts (cont'd)

Operating Leases

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

The Authority as Lessor

Finance Leases

East Renfrewshire Council does not account for any finance leases as a lessor.

Operating Leases

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

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

Property, Plant and Equipment

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

Notes to the Accounts (cont'd)

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

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

Notes to the Accounts (cont'd)

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 30 years.

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

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

Disposals and Non-Current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

Private Finance Initiative (PFI) and Similar Contracts

East Renfrewshire Council operates 3 PFI/PPP projects. Please see note 35 for details.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of the Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge of 7.23% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Notes to the Accounts (cont'd)

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Equal Pay

The Single Status Agreement was implemented on a national basis on 1 July 1999. Included within the agreement was a commitment on all Scottish local authorities to undertake Job Evaluation and implement a new local pay and grading system free of gender bias. East Renfrewshire Council has progressed Job Evaluation and implemented a new pay and grading system effective from 1 July 2006.

To avoid potential equal pay litigation claims the Council entered into a compromise agreement with individual employees whereby the employee has agreed not to seek legal redress in return for a compensation payment which buys out their right to seek an employment tribunal award. The vast majority of qualifying employees accepted the compromise agreement offered and payments made have been reflected within the Annual Accounts to date. A minority of qualifying employees have however not accepted the compensation offer and have indicated that they wish to progress their claim through an employment tribunal. In addition a number of other employee groups have submitted claims. Provision has been incorporated within the Accounts to reflect the potential outcome of such claims.

Contingent Liabilities

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

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

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

For 2012-2013 the only accounting policy change that requires to be reported relates to the June 2011 amendments to the accounting standard *IAS19 Employee Benefits*. The change of accounting policy is effective from 1 April 2013 and there is no impact of this change in the accounts covering the 2012-2013 financial year.

The key change relates to the expected return on scheme assets. The expected return on assets is currently credited to the Surplus or Deficit on the Provision of Services; however from 2013 this is effectively replaced with an equivalent figure using the discount rate.

While the overall impact is expected to be cost neutral, there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement. By way of illustrating the impact of the accounting change upon the current year, there would be an increase in pensions interest cost and expected return on assets of £2,606k (as assessed by the actuaries of Strathclyde Pension Fund) chargeable to the *Surplus or Deficit on the Provision of Services*, with a compensating reduction of £2,606k in actuarial (gains) or losses on pension assets and liabilities chargeable to *Other Comprehensive Income and Expenditure*.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council had £1m invested in the Heritable Bank, a UK based subsidiary of the Icelandic bank, Landsbanki. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst and Young outlined that the return to the creditors was projected to be 88p in the £ by the beginning of 2014. As at 31 March 2013 the Council has received 13 payments totalling £812,311.70. The Local Government Association is co-ordinating the efforts of all UK authorities with Icelandic investments and the Council is participating in those deliberations.

Close contact has also been maintained with the Scottish Government and COSLA to ensure that all possible steps are being taken to recover the Council's investment.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.334m for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision of £1.046m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is now likely that most valid claims have been received by the Authority but precedents set by other authorities in the settlement of claims could still be applicable.	An increase over the forthcoming year of 10% in the estimated average settlement would have the effect of adding £0.091m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £53.47m, a 1 year increase in member life expectancy will result in an increase in liabilities of £12.762m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £35.888m.
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors of £3.9m. A review of significant balances suggested that an impairment of doubtful debts of 22% (£0.8m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.8m to be set aside as an allowance.

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

5. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - MATERIAL ITEMS OF INCOME AND EXPENSE

The following items of income and expenditure are material and are shown net in the Comprehensive Income and Expenditure Account.

Disposal of property, plant and equipment:-	£'000
Net Book Value of Assets	1,136
Sale Proceeds	(904)
(profit)/loss on disposal	232

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Director of Finance on 20 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. All movements can be traced through note 23.

2012/13

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserve £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(21,973)	(5,021)	-	26,994
Movements in the fair value of investment properties (Note 14)	(106)	(86)		192
Amortisation of intangible assets (Note 15)	(84)			84
Capital grants and contributions applied (Note 33)	16,160	310		(16,470)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	132	(364)		232
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	10,066	1,808		(11,874)
Capital expenditure charged against the General Fund and HRA balances	1,600	160		(1,760)
Voluntary provision for repayment of debt	224			(224)
Adjustments primarily involving the Capital Reserve:				
Use of the Capital Reserve to finance new capital expenditure (Note 33)			4,950	(4,950)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8			(8)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 39)	(94)	7		87
Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:				
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 (Note 23)	(902)	(22)		924
Total Adjustments (See MIRS)	**5,031**	**(3,208)**	**4,950**	**(6,773)**

Notes to the Accounts (cont'd)

2011/12

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserve £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(31,254)	(4,452)		35,706
Movement in the fair value of investment properties (Note 14)	(176)	(1,884)		2,060
Amortisation of intangible assets (Note 15)	(103)			103
Capital grants and contributions applied (Note 33)	11,324	190		(11,514)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4)	21		(17)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	9,696	1,588		(11,284)
Capital expenditure charged against the General Fund and HRA balances	1,248	300		(1,548)
Voluntary provision for repayment of debt	224			(224)
Adjustments primarily involving the Capital Reserve:				
Use of the Capital Reserve to finance new capital expenditure (Note 33)			2,600	(2,600)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	7			(7)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 39)	1,568	125		(1,693)
Adjustment primarily involving the Statutory Accumulating Compensated Absences account				
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 (Note 23)	4,701	23		(4,724)
Total Adjustments (See MIRS)	**(2,769)**	**(4,089)**	**2,600**	**4,258**

8. MOVEMENT IN RESERVES STATEMENT TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
Non-earmarked Reserve	(8,392)	8,486	(9,141)	(9,047)	9,302	(8,774)	(8,519)
Equalisation Reserve	(1,136)	-	(8)	(1,144)	-	(10)	(1,154)
Modernisation Fund	(1,232)	261	(508)	(1,479)	357	(1,014)	(2,136)
Unspent Grants	(762)	762	(1,040)	(1,040)	1,040	(399)	(399)
Whitelees Wind Farm	(716)	240	(209)	(685)	254	(218)	(649)
Commuted Sums	(350)	7	(72)	(415)	34	(295)	(676)
General Fund Total	**(12,588)**	**9,756**	**(10,978)**	**(13,810)**	**10,987**	**(10,710)**	**(13,533)**
HRA	(724)	-	(286)	(1,010)	88	-	(922)
Capital Reserve	(17,347)	2,600	(6,123)	(20,870)	4,950	(6,313)	(22,233)
Repairs and Renewal Fund	(6,824)	2,578	(4,166)	(8,412)	1,906	(4,584)	(11,090)
Insurance Fund	(1,122)	150	(208)	(1,180)	-	(110)	(1,290)
Total	**(38,605)**	**15,084**	**(21,761)**	**(45,282)**	**17,931**	**(21,717)**	**(49,068)**

9. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

	2012/13 £'000	2011/12 £'000
(Gain)/Loss on disposal of Fixed Asset	227	(17)
Rental Income – operating lease over property, plant & equipment	(118)	(126)
	109	**(143)**

10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13	2011/12
	£000	£000
Interest payable and similar charges	11,998	11,805
Pension interest costs and expected return on pensions assets	1,007	(947)
Interest receivable and similar income	(913)	(627)
Income and expenditure in relation to investment properties and changes in their fair value	(209)	1,641
Total	**11,883**	**11,872**

11. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON SPECIFIC GRANT INCOMES

	2012/13	2011/12
	£000	£000
Council tax income	(44,525)	(44,100)
Non domestic rates	(12,941)	(11,916)
Non ringfenced government grants	(166,123)	(165,017)
Capital grants and contributions	(16,957)	(11,830)
Total	**(240,546)**	**(232,863)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2012/13

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or Valuation						-			
At 1 April 2012	**112,420**	**231,108**	**21,415**	**26,568**	**609**	**-**	**7,640**	**108,109**	**507,869**
additions	4,240	5,867	2,381	1,720	42	-	16,590	984	31,824
donations	-	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	25,299	(5,178)	-	-	-	-	-	10,945	31,066
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	110	(13,756)	-	-	-	-	-	1,841	(11,805)
derecognition - disposals	(269)	(280)	(478)	-	-	-	-	-	(1,027)
derecognition - other	(347)	-	(2,258)	-	-	-	-	-	(2,605)
assets reclassified (to)/from Held for Sale	(74)	(96)	-	-	-	-	-	-	(170)
other movements in cost or valuation	(3,339)	(3,911)	-	59	-	-	(1,204)	(1,817)	(10,212)
At 31 March 2013	**138,040**	**213,754**	**21,060**	**28,347**	**651**	**-**	**23,026**	**120,062**	**544,940**
Accumulated Depreciation and Impairment									
at 1 April 2012	(7,431)	(3,931)	(14,669)	(4,049)	-	-	-	(5,915)	(35,995)
depreciation charge	(4,995)	(3,658)	(2,988)	(810)	-		-	(2,726)	(15,177)
depreciation written out on revaluation and disposal	3,350	3,931	478	-	-	-	-	1,817	9,576
derecognition – other (transfers)	11	-	2,258	-	-	-	-	-	2,269
At 31 March 2013	(9,065)	(3,658)	(14,921)	(4,859)	-	-	-	(6,824)	(39,327)
Net Book Value									
At 31 March 2013	**128,975**	**210,096**	**6,139**	**23,488**	**651**	**-**	**23,026**	**113,238**	**505,613**
At 31 March 2012	**104,989**	**227,177**	**6,746**	**22,519**	**609**	**-**	**7,640**	**102,194**	**471,874**

Notes to the Accounts (cont'd)

Comparative Movements in 2011/12

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or Valuation									
at 1 April 2011	**112,236**	**230,845**	**18,622**	**24,697**	**532**	**-**	**9,844**	**106,623**	**503,399**
additions	3,243	1,405	3,113	1,871	77	-	12,567	400	22,676
donations	-	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	858	9,312	-	-	-	-	-	8,732	18,902
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(185)	(20,676)	-	-	-	-	(37)	(595)	(21,493)
derecognition - disposals	(323)	-	(320)	-	-	-	-	-	(643)
derecognition - other	-	-	-	-	-	-	-	-	-
assets reclassified (to)/from Held for Sale	(72)	-	-	-	-	-	-	-	(72)
other movements in cost or valuation	(3,337)	10,222	-	-	-	-	(14,734)	(7,051)	(14,900)
At 31 March 2012	**112,420**	**231,108**	**21,415**	**26,568**	**609**	**-**	**7,640**	**108,109**	**507,869**
Accumulated Depreciation and Impairment									
at 1 April 2011	(6,654)	(3,706)	(11,910)	(3,298)	-	-	-	(10,547)	(36,115)
depreciation charge	(4,127)	(3,927)	(2,994)	(751)	-	-	-	(2,419)	(14,218)
depreciation written out on Revaluation and disposal	3,350	3,702	235	-	-	-	-	7,051	14,338
derecognition – other transfer	-	-	-	-	-	-	-	-	-
At 31 March 2012	**(7,431)**	**(3,931)**	**(14,669)**	**(4,049)**	**-**	**-**	**-**	**(5,915)**	**(35,995)**

Notes to the Accounts (cont'd)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 30 years
- Other Land and Buildings - 10 - 50 years
- Vehicles, Plant, Furniture & Equipment - 4 - 20 years.
- Infrastructure - 30 years
- Community Assets - 30 - 50 years

Capital Commitments

At 31 March 2013, the Authority entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years. The major commitments include:-

	£'000
■ Barrhead High School (New Build)	11,452
■ Eastwood High School (New Build)	4,797
■ Eastwood Health & Care Centre	6,500
■ Barrhead Learning & Leisure Hub	3,368

Revaluations

The Authority carries out an annual programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:-

- the amount which an asset could be exchanged for, between knowledgeable, willing parties, in an arms length transaction
- the amount that would be paid for the asset in its existing use.
- the amount as determined at an assumed valuation date.

13. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Authority

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	TOTAL HERITAGE ASSETS £000
Cost or valuation						
At 1 April 2012	117	65	**182**	80	**80**	**262**
additions	-	-	-	-	-	
donations	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
derecognition – disposals	-	-	-	-	-	-
derecognition - other	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
At 31 March 2013	117	65	**182**	80	**80**	**262**

Notes to the Accounts (cont'd)

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	TOTAL HERITAGE ASSETS £000
Cost or valuation						
At 1 April 2011	117	62	**179**	80	**80**	**259**
additions	-	-	**-**	-	**-**	**-**
donations	-	-	**-**	-	**-**	**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	3	**3**	-	**-**	**3**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	**-**	**-**
derecognition – disposals	-	-	**-**	-	**-**	**-**
derecognition - other	-	-	**-**	-	**-**	**-**
Other movements in cost or valuation	-	-	**-**	-	**-**	**-**
At 31 March 2012	117	65	**182**	80	**80**	**262**

Further details on Heritage Assets can be found in note 42

14. INVESTMENT PROPERTIES

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

	2012/13 £000	2011/12 £000
Rental income from investment property	406	415

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2012/13 £000	2011/12 £000
Balance at start of the year	16,699	17,957
Additions:		
■ Purchases	-	-
■ Construction	-	-
■ Subsequent expenditure	1	32
Disposals	(175)	(44)
Net gains/losses from fair value adjustments	(192)	(2,060)
Transfers:		
■ to/from Inventories	-	-
■ to/from Property, Plant and Equipment	110	814
Other changes	-	-
Balance at end of the year	**16,443**	**16,699**

15. INTANGIBLE ASSETS

The Authority accounts for its software licences as intangible assets, to the extent that they are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All licences are given a finite useful life of less than 5 years, based on assessments of the period that they are expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £84k charged to revenue in 2012/13 was charged to four services, the Education Department (£49k), the Environment Department (£1k), the Housing Revenue Account (£1k) and the IT Administration cost centre (£33k) which was then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2012/13 Software Licences £000	2011/12 Software Licences £000
Balance at start of year:		
■ Gross carrying amounts	1,006	847
■ Accumulated amortisation	(809)	(706)
Net carrying amount at start of year	197	141
Additions:		
■ Internal development	-	-
■ Purchases	53	159
■ Acquired through business combinations	-	-
Amortisation for the period	(84)	(103)
Other changes	-	-
Derecognition		
■ Gross Book Value	(21)	-
■ Accumulated amortisation	21	-
Net carrying amount at end of year	166	197
Comprising:		
■ Gross carrying amounts	1,037	1,006
■ Accumulated amortisation	(871)	(809)
Balance at end of year:	166	197

16. ASSETS HELD FOR SALE

	Current Assets 2012/13 £000	Current Assets 2011/12 £000
Balance outstanding at start of year	86	72
Assets newly classified as held for sale:		
■ Property, Plant and Equipment	1,205	72
■ Other assets/liabilities in disposal groups	-	-
Revaluation losses	(33)	-
Revaluation gains	-	14
Impairment losses	(17)	-
Assets declassified as held for sale:		
■ Property, Plant and Equipment	-	-
■ Other assets/liabilities in disposal groups	-	-
Assets sold	(86)	(72)
Transfers from non-current to current	(17)	-
Balance outstanding at year-end	**1,138**	**86**

17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments				
Loans and receivables	10,011	105	19,318	25,743
Total Investments	**10,011**	**105**	**19,318**	**25,743**
Borrowings				
Financial liabilities at amortised cost (including Bank overdraft)	(71,730)	(80,625)	(13,009)	(3,507)
Total Borrowings	**(71,730)**	**(80,625)**	**(13,009)**	**(3,507)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(84,982)	(87,877)	(2,896)	(2,790)
Total other long term liabilities	**(84,982)**	**(87,877)**	**(2,896)**	**(2,790)**

Notes to the Accounts (cont'd)

The gains and losses recognised in the Comprehensive Income & Expenditure statement in relation to financial instruments are as follows:-

	2012/13 £'000			2011/12 £'000		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expenses	5,536	-	5,536	5,232	-	5,232
Total expense in Surplus or Deficit on the Provision of Services	**5,536**	**-**	**5,536**	**5,232**	**-**	**5,232**
Interest income	-	(250)	(250)	-	(196)	(196)
Total income in Surplus or Deficit on the Provision of Services	-	**(250)**	**(250)**	-	**(196)**	**(196)**
Net (gain)/loss for the year	**5,536**	**(250)**	**5,286**	**5,232**	**(196)**	**5,036**

Notes to the Accounts (cont'd)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors 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:

- estimated ranges of interest rates at 31 March 2013 of 2.61% to 11.625% for loans from the PWLB and 4.50% to 6.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2013		31 March 2012	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities	80,625	99,294	80,674	96,635

The fair value of the liabilities 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 prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2013) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2013		31 March 2012	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Loans and receivables	29,318	29,501	25,743	25,753
Investments	11	11	105	105
	29,329	29,512	25,848	25,858

The fair value of the assets is similar to the carrying amount because the Authority's portfolio of investments includes all variable rate loans where the interest rates receivable are similar to the rates available for similar loans at the Balance Sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Notes to the Accounts (cont'd)

18. INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Balance outstanding at start of year	**191**	**216**	**360**	**374**	**551**	**590**
Purchases	2,397	2,390	809	803	3,206	3,193
Recognised as an expense in the year	(2,374)	(2,415)	(963)	(817)	(3,337)	(3,232)
Written off balances	-	-	-	-	-	-
Balance outstanding at year-end	**214**	**191**	**206**	**360**	**420**	**551**

19. DEBTORS

	31 March 2013 £000	31 March 2012 £000
Central government bodies	6,627	5,124
Other local authorities	896	733
NHS bodies	1,327	1,848
Public corporations and trading funds	713	653
Interest due from investments	101	24
Other entities and individuals	6,244	5,900
Total	**15,908**	**14,282**

20. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

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

	31 March 2013 £000	31 March 2012 £000
Cash held by the Authority	24	23
Bank current accounts	(4,114)	(3,455)
Short-term deposits	19,210	25,600
Total Cash and Cash Equivalents	**15,120**	**22,168**

21. CREDITORS

	31 March 2013 £000	31 March 2012 £000
Central government bodies	(4,971)	(5,059)
Other local authorities	(2,369)	(2,389)
NHS bodies	(639)	(962)
Public corporations and trading funds	(350)	(276)
Interest due on Long term Borrowing	(1,288)	(1,192)
Other entities and individuals	(24,464)	(24,084)
Total	**(34,081)**	**(33,962)**

22. PROVISIONS

	Teachers Maternity Pay £000	CHCP Legal Provision £'000	**Short term provisions £'000**	Equal pay £'000	SRC Operations £'000	Insurance Excess £'000	**Long term provisions £'000**
Balance at 1 April 2012	(70)	-	**(70)**	(1,036)	(193)	(127)	**(1,356)**
Additional provisions made in 2012/13	(107)	(40)	**(147)**	(237)	-	(127)	**(364)**
Amounts used in 2012/13	24	-	**24**	227	-	-	**227**
Unused amounts reversed in 2012/13	46	-	**46**	-	9	127	**136**
Balance at 31 March 2013	(107)	(40)	**(147)**	(1,046)	(184)	(127)	**(1,357)**

The Council has two short term provisions to cover holidays accrued whilst teachers are on maternity, and legal costs associated with Community Health and Care Partnership.

Three long term provisions have been made in the accounts totalling £1.357m. These are made up firstly of £1.046m to reflect the potential outcome of claims through an employment tribunal in respect of equal pay. Secondly, there is a provision in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities which made up the former Strathclyde Region. East Renfrewshire Council's share of liabilities which will materialise in the future is 4.83%. At present potential liabilities in respect of actual insurance and various legal actions is estimated to be £183,475. Lastly there is a provision of £127k to cover insurance excess for outstanding claims made against the Council.

23. BALANCE SHEET - UNUSABLE RESERVES

	31 March 2013 £000	31 March 2012 £000
Revaluation Reserve	(63,288)	(34,992)
Capital Adjustment Account	(255,949)	(245,660)
Financial Instruments Adjustment Account	2,627	2,859
Pensions Reserve	104,357	80,703
Statutory Accumulating Compensated Absences Account	4,778	3,854
Total Unusable Reserves	**(207,475)**	**(193,236)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/13 £000	2011/12 £000
Balance at 1 April	**(34,992)**	**(16,907)**
Upward revaluation of assets	(36,985)	(22,260)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,919	3,353
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	33	(14)
Difference between fair value depreciation and historical cost depreciation	2,250	811
Accumulated gains on assets sold or scrapped	487	25
Amount written off to the Capital Adjustment Account	-	-
Balance at 31 March	**(63,288)**	**(34,992)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the 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 (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2012/13 £000	**2011/12 £000**
Balance at 1 April	**(245,660)**	**(255,755)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account		
■ Charges for depreciation and impairment of non-current assets	27,186	37,766
■ Revaluation losses on Property, Plant and Equipment	-	-
■ PPP/PFI lifecycle costs	(672)	(400)
■ Amortisation of intangible assets	84	103
■ Revenue expenditure funded from capital under statute	-	-
■ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,136	489
■ Miscellaneous	-	-
Net written out amount of the cost of non-current assets consumed in the year	(217,926)	(217,797)
Adjusting amounts written out of the Revaluation Reserve	(2,737)	(811)
	(220,663)	(218,608)

Notes to the Accounts (cont'd)

Capital financing applied in the year:	2012/13 £000	2011/12 £000
■ Use of the Capital Receipts to finance new capital expenditure	(904)	(506)
■ Grants applied to Capital Investment	(16,470)	(11,514)
■ PPP/PFI Finance lease Repayments	(2,789)	(2,727)
■ Loan Repayments for the financing of capital investment charged against the General Fund and HRA balances	(9,085)	(8,557)
■ Capital Funded from Current Revenue/capital reserve	(6,038)	(3,748)
Balance at 31 March	**(255,949)**	**(245,660)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2013 will be charged to the General Fund over the next 11 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2012/13 £000	2011/12 £000
Balance at 1 April	**2,859**	**3,090**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(224)	(224)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(8)	(7)
Balance at 31 March	**2,627**	**2,859**

Notes to the Accounts (cont'd)

Pensions Reserve

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

	2012/13 £000	**2011/12 £000**
Balance at 1 April	**80,703**	**55,179**
Actuarial gains or losses on pensions assets and liabilities	23,567	27,217
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,643	8,226
Employer's pension contributions and direct payments to pensioners payable in the year	(9,556)	(9,919)
Balance at 31 March	**104,357**	**80,703**

Short term Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2012/13 £000	**2011/12 £000**
Balance at 1 April	**3,854**	**8,578**
Settlement or cancellation of accrual made at the end of the preceding year	(3,854)	(8,578)
Amounts accrued at the end of the current year	4,778	3,854
Balance at 31 March	**4,778**	**3,854**

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £000	2011/12 £000
Interest received	(279)	(205)
Interest paid	5,989	5,353
Interest element of finance lease rental and PPP/PFI payment	6,356	6,556

The (surplus) or deficit on the provision of services has been adjusted for the following non-cash movements:

	2012/13 £000	2011/12 £000
Depreciation and impairment	(27,186)	(37,766)
Amortisation of intangible assets	(84)	(103)
(Increase)/decrease in creditors	(436)	5,916
Increase/(decrease) in debtors	1,398	2,291
Increase/(decrease) in inventories	(130)	(39)
Movement in pension liability	(87)	1,693
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(232)	17
Other non-cash items charged to the net surplus or deficit on the provision of services	16,697	11,923
	(10,060)	(16,068)

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	31,600	21,957
Purchase of short-term and long-term investments	446,460	535,455
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(904)	(570)
Proceeds from short-term and long-term investments	(446,588)	(535,395)
Other receipts from investing activities	(15,624)	(11,324)
Net cash flows from investing activities	**14,944**	**10,123**

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012/13 £000	2011/12 £000
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	2,794	2,751
Repayments of short and long-term borrowing	10,049	6,039
Other payments for financing activities	(120)	(100)
Net cash flows from financing activities	**12,723**	**8,690**

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Full Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statement. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

Notes to the Accounts (cont'd)

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

Directorate Income and Expenditure 2012/13	**Education**	**Community Health & Care Partnership**	**Community Resources**	**Environment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(16,228)	(9,491)	(1,070)	(12,355)	(39,144)
Government grants	(409)	(2,598)	-	(878)	(3,885)
Total Income	**(16,637)**	**(12,089)**	**(1,070)**	**(13,233)**	**(43,029)**
Employee expenses	83,190	19,949	3,045	11,621	117,805
Other service expenses	43,527	33,485	1,948	23,109	102,069
Support service recharges	4,603	2,883	856	3,298	11,640
Total Expenditure	131,320	56,317	5,849	38,028	231,514
Net Expenditure	**114,683**	**44,228**	**4,779**	**24,795**	**188,485**

Directorate Income and Expenditure 2011/12 Comparative Figures	**Education**	**Community Health & Care Partnership**	**Community Resources**	**Environment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(14,447)	(9,719)	(999)	(13,984)	(39,149)
Government Grants	(414)	(1,626)	-	(133)	(2,173)
Total Income	**(14,861)**	**(11,345)**	**(999)**	**(14,117)**	**(41,322)**
Employee expenses	82,918	19,649	3,014	11,515	117,096
Other service expenses	39,022	31,916	2,061	22,704	95,703
Support service recharges	3,981	2,278	565	2,888	9,712
Total Expenditure	125,921	53,843	5,640	37,107	222,511
Net Expenditure	**111,060**	**42,498**	**4,641**	**22,990**	**181,189**

Notes to the Accounts (cont'd)

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	2012/13 £000	**2011/12 £000**
Net expenditure in the Directorate Analysis	188,485	181,189
Net expenditure of services and support services not included in the Analysis	18,876	23,687
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	20,823	21,477
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(10,189)	(7,638)
Cost of Services in Comprehensive Income and Expenditure Statement	**217,995**	**218,715**

Notes to the Accounts (cont'd)

Reconciliation to Subjective Analysis

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

2012/13	**Directorate Analysis £000**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making £000**	**Amounts not included in I&E £000**	**Allocation of Recharges £000**	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	(39,144)	(16,408)	-	-	(4,780)	(60,332)	(338)	(60,670)
Interest and Investment income	-	-	663	(283)	-	380	(913)	(533)
Income from council tax	-	-	-	-	-	-	(44,525)	(44,525)
Government grants and Contributions	(3,885)	(21,666)	641	-	(4,315)	(29,225)	(196,021)	(225,246)
Total Income	**(43,029)**	**(38,074)**	**1,304**	**(283)**	**(9,095)**	**(89,177)**	**(241,797)**	**(330,974)**
Employee expenses	117,805	3,960	175	-	12,064	134,004	1,007	135,011
Other service expenses	102,069	48,785	(6,946)	(9,906)	11,896	145,898	-	145,898
Support Service recharges	11,640	4,205	-	-	(15,845)	-	-	-
Depreciation, amortisation and Impairment	-	-	26,290	-	980	27,270	-	27,270
Interest Payments	-	-	-	-	-	-	12,004	12,004
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	232	232
Total Expenditure	231,514	56,950	19,519	(9,906)	9,095	307,172	13,243	320,415
Surplus or deficit on the provision of services	**188,485**	**18,876**	**20,823**	**(10,189)**	**-**	**217,995**	**(228,554)**	**(10,559)**

Notes to the Accounts (cont'd)

2011/12	Directorate Analysis £000	Services and Support Services not in Analysys £'000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(39,149)	(10,600)	541	-	(2,844)	(52,052)	(541)	(52,593)
Surplus or deficit on associates	-	-	-	-	-	-	-	-
Interest and Investment income	-	-	-	-	-	-	(627)	(627)
Income from council tax	-	-	-	-	-	-	(44,100)	(44,100)
Government grants and contributions	(2,173)	(25,449)	(287)	-	(1)	(27,910)	(188,763)	(216,673)
Total Income	**(41,322)**	**(36,049)**	**254**	**-**	**(2,845)**	**(79,962)**	**(234,031)**	**(313,993)**
Employee expenses	117,096	2,370	(5,470)	-	11,374	125,370	(947)	124,423
Other service expenses	95,703	50,831	(6,555)	(7,638)	5,144	137,485	-	137,485
Support Service recharges	9,712	3,961	-	-	(13,673)	-	-	-
Depreciation, amortisation and Impairment	-	2,574	33,248	-	-	35,822	2,056	37,878
Interest Payments	-	-	-	-	-	-	11,805	11,805
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(17)	(17)
Total Expenditure	222,511	59,736	21,223	(7,638)	2,845	298,677	12,897	311,574
Surplus or deficit on the provision of services	**181,189**	**23,687**	**21,477**	**(7,638)**	**-**	**218,715**	**(221,134)**	**(2,419)**

28. TRADING OPERATIONS

The provisions of the Local Government in Scotland Act 2003 require the Council to identify significant trading operations (STO) and to ensure that they achieve a break-even trading position over a three year period.

The Council no longer operates any significant trading operations.

29. AGENCY SERVICES

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water with its Council Tax.

During 2012/13 the Council collected and paid over £14.6m (2011/12 £14.8m) and received £0.212m (2011/12 £0.225m) for providing the service.

30. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to its external audit and inspection.

	2012/13 £000	2011/12 £000
Agreed Audit Scotland audit fee for the year	223	234

31. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

	2012/13	2011/12
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	166,123	165,017
Non Domestic Rates	12,941	11,916
Capital Grants and Contributions	16,957	11,830
Total	**196,021**	**188,763**
Credited to Services		
Housing Benefit Subsidy	15,447	14,422
Housing Benefit Administration Grant	161	163
Council Tax Benefit	4,165	4,062
Council Tax Administration Grant	148	177
Active School Programme	223	241
Drug Treatment and Testing	586	649
Criminal Justice Grant	563	531
Private Sector Housing Grant	282	265
Strathclyde Joint Police Board	5,059	5,066
Miscellaneous Revenue Grants	2,591	2,334
Total	**225,246**	**216,673**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if they are not used as specified. The balances at the year-end are as follows:

	31 March 2013
	£000
Capital Grants Receipts in Advance	
Developer's Contributions	-
Energy Grant	93
Miscellaneous	-
	93

32. RELATED PARTIES

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

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown on page 17. The code of conduct for members requires them to complete a Declaration of Interest which is updated annually and held on a central register which is held by the Chief Executive's Department at Council Headquarters. A member is required to declare an interest where he/she feels that there may be a perception that their decision making may be influenced in any way by a personal interest. When this situation arises the relevant members do not take part in any discussion or decision in relation to that interest.

Officers

A similar register exists to enable officials to declare an interest when there could be a perception that a decision taken could be influenced by an activity undertaken on a personal basis. Again, when this situation arises the relevant officer does not take part in any discussion or decision relating to that interest. This register is held by the Chief Executive's Department at the Council Headquarters.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	208,479	213,066
Capital investment		
Property, Plant and Equipment	31,824	22,676
Investment Properties	1	32
Intangible Assets	53	159
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of finance		
Capital Reserve/Spend to Save/Repairs & Renewals	(4,950)	(2,867)
Capital receipts	(904)	(508)
Government grants and other contributions	(16,470)	(11,513)
Sums set aside from revenue:		
Direct revenue contributions	(1,088)	(881)
Finance lease Principal Repayments (including PFI/PPP Projects)	(3,461)	(3,128)
Loans fund principal	(9,085)	(8,557)
Closing Capital Financing Requirement	204,399	208,479
Explanation of movements in year		
Increase in underlying need to borrow	(1,291)	(1,859)
Assets acquired under lease and lease type arrangements	(2,789)	(2,728)
Increase/(decrease) in Capital Financing Requirement	(4,080)	(4,587)

34. LEASES

AUTHORITY AS LESSEE

Finance Leases

The Council acquired a salt dome and furniture under finance leases, which have now expired.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2013 £000	31 March 2012 £000
Vehicles, Plant, Furniture and Equipment	-	19
	-	**19**

The Authority is committed to making minimum payments under these leases comprising finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013 £000	31 March 2012 £000
Finance lease liabilities (net present value of minimum lease payments):		
■ current	4	29
■ non-current	-	-
Finance costs payable in future years	-	-
Minimum lease payments	**4**	**29**

Notes to the Accounts (cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Not later than one year	4	29	4	29
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	4	**29**	**4**	**29**

Operating Leases

The Authority has operating leases within land, property, vehicles and equipment, incorporating a mix of lease lives.

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

	31 March 2013 £000	31 March 2012 £000
Not later than one year	9	11
Later than one year and not later than five years	113	161
Later than five years	4,805	5,093
	4,927	5,265

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was.

	2012/13 £000	2011/12 £000
Minimum Lease payments	350	418
Contingent Rents	-	6
	350	424

AUTHORITY AS A LESSOR

Finance Leases

East Renfrewshire Council does not operate as a lessor for any finance leases.

Operating Leases

The Authority leases out land and property under operating leases for the following purposes:

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

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

	31 March 2013 £000	31 March 2012 £000
Not later than one year	120	98
Later than one year and not later than five years	323	361
Later than five years	7,283	7,683
	7,726	8,142

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 there were no contingent rents receivable by the Authority (2011/12 £1,767).

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

(i) Schools PFI Contract

The Council signed a contract on 20 April 2000 with East Ren Schools Services Ltd to procure the provision of services for the Council under the government's Private Finance Initiative.

The services are the provision of a new Mearns Primary School and an extension to St Ninians High School. The contract is for a period of 25 years commencing August 2001 and the assets will revert to the Council at the end of the contract period. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment Balance in Note 12.

Movement in Value of Assets

	£'000
Valuation at 1 April 2012	12,054
Additions	51
Depreciation in Year	(275)
NET BOOK VALUE AT 31 MARCH 2013	**11,830**

The annual Unitary Charge is a fixed sum of £2.3m. This is offset by a Direct Support Payment from the Scottish Government of £1.25m leaving a net cost to the Council of £1.05m.

The total value of payments over the remaining 14 years of the contract period before inflation will be £32.2m and the total value of income from the Scottish Government will be £17.50m resulting in a net outstanding undischarged obligation before inflation of £14.70m.

The Gross Unitary Charge is subject to inflation increases less than Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

Estimated Cash Value of Payments Due to be Made

	Liability £'000	Interest £'000	Service Charges £'000	**Total £'000**
Within 1 year	559	1,325	1,098	2,982
Within 2 to 5 years	1,638	4,634	6,402	12,674
Within 6 to 10 years	4,635	6,349	6,716	17,700
Within 11 to 15 years	3,463	2,857	5,415	11,735
ESTIMATED TOTAL	**10,295**	**15,165**	**19,631**	**45,091**

(ii) Roads PFI Contract

The Council finalised a PFI agreement in conjunction with South Lanarkshire Council and the Scottish Executive to construct the Glasgow Southern Orbital Road and the M77 extension. Some 26.67% of the asset relates to East Renfrewshire Council.

The contract was signed on 30 April 2003 with Connect to construct and thereafter maintain the new roads for a period of 30 years commencing April 2005. At the end of the contract period the roads will revert to the respective authorities. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 12.

Movement in value of ERC Assets

	£'000
Valuation at 1 April 2012	31,372
Additions	299
Depreciation in Year	(619)
NET BOOK VALUE AT 31 MARCH 2013	**31,052**

Payment for the project is made through an Annual Unitary Charge which is made up of a Fixed Availability Element and a Variable Usage Element geared to traffic flow.

Direct support payments from the Scottish Government result in an annual net cost to the Council of £100,000.

The outstanding undischarged net obligation is currently £2.2m.

Estimated Cash Value of Payments Due to be Made

	Liability £'000	Interest £'000	Service Charges £'000	**Total £'000**
Within 1 year	857	1,858	582	3,297
Within 2 to 5 years	3,479	7,183	2,859	13,521
Within 6 to 10 years	5,406	8,285	3,985	17,676
Within 11 to 15 years	6,032	7,162	5,383	18,577
Within 16 to 20 years	9,204	6,041	4,280	19,525
Within 21 to 25 years	4,276	1,788	2,352	8,416
ESTIMATED TOTAL	**29,254**	**32,317**	**19,441**	**81,012**

Notes to the Accounts (cont'd)

(iii) Schools PPP Project

On 10 December 2004 the Council signed a further schools PPP contract for the provision of a new Williamwood High School, a new Primary School/Community Inclusive Education Campus for Carlibar and extensions to Mearns Castle High School and Woodfarm High School. The extensions were handed over to the Council in December 2005 and the new schools were handed over on target in July 2006.

The contract for services at the new schools is for 25 years commencing in July 2006. Services at the extensions commenced in December 2005 but will have the same end date as for the new schools. At the end of the contract period the assets will revert to the Council. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 12.

Movement in Value of Assets

	£'000
Valuation at 1 April 2012	51,179
Additions	322
Depreciation in Year	(1,018)
NET BOOK VALUE AT 31 MARCH 2013	**50,483**

The Annual Unitary Charge is a fixed sum of £6.86m and this is offset by a Direct Support Payment from the Scottish Government of £3.95m leaving a net cost to the Council of £2.91m.

The total value of payments over the remaining 18 years of the contract before inflation will be £123.48m and the total value of income from the Scottish Government will be £67.11m leaving a net outstanding undischarged obligation of £56.37m.

The Gross Unitary Charge is subject to inflation increases less than the Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

Estimated Cash Value of Payments Due to be Made

	Liability £'000	Interest £'000	Service Charges £'000	**Total £'000**
Within 1 year	1,570	4,436	2,301	8,307
Within 2 to 5 years	6,951	17,595	10,378	34,924
Within 6 to 10 years	10,952	21,240	15,538	47,730
Within 11 to 15 years	14,079	19,470	19,149	52,698
Within 16 to 20 years	14,777	12,831	12,540	40,148
ESTIMATED TOTAL	**48,329**	**75,572**	**59,906**	**183,807**

36. IMPAIRMENT LOSSES

Impairment of Assets

Impairment losses/reversals of £12.026m were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

	Losses £'000	**Reversal of Previous losses £'000**	**Net loss £'000**
Property, Plant and Equipment	13,967	(2,162)	11,805
Investment Property	221	-	221
	14,188	**(2,162)**	**12,026**

Impairment of Investments

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority deposited £1m with Heritable Bank on 12th December 2007 at 6.22%. The amount carried in the Balance Sheet in respect of this loan is currently £108k reflecting the assumption of future payments anticipated by the administrators.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as East Renfrewshire Council will be determined by the Administrators/receivers. However, as the available information is not definitive as to the amounts and timings of payments to be made by the administrator, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, in August 2011 outlined that the return to the creditors was projected to be between 86% and 90% in the £ by the beginning of 2013, this has since been revised to the beginning of 2014. As at 31 March 2013 the Council has received 13 dividends totalling £812,311.70. The authority has therefore decided to recognise in the Balance Sheet recovery of the investment based on recovering 88p in the £. There has been some front loading of these repayments and it is anticipated that a final sale of assets will take place after the books have been run down to the beginning of 2014. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2013	-	2.00%
January 2014	-	8.80%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6th October 2008.

In recognition of the amount received in 2012/13 being less than anticipated, impairment of £40k has been charged to the General Fund.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

37. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2012/13 incurring liabilities of £1.3m (£1.0m in 2011/12). This was in respect of 35 officers (17 officers in 2011/12) from across the Council. The Statement of Remuneration at page 20 provides further details on exit packages.

38. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13 East Renfrewshire Council paid £6.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.5% of pensionable pay. The figures for 2011/12 were £6.7m and 14.7%. A further £0.3m was paid (2011/12 £0.2m) in respect of added years.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

39. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Glasgow City Council - this is a funded benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Accounts (cont'd)

	Local Government Pension Scheme £000	
Included in net cost of services within Comprehensive Income and Expenditure Statement	**2012/13**	**2011/12**
■ current service cost	9,537	9,203
■ past service costs	84	402
■ losses or (gains) on settlements and curtailments	(985)	(432)
Included Within Financing and Investment Income and Expenditure		
■ interest cost	17,517	18,587
■ expected return on scheme assets	(16,510)	(19,534)
Total of LGPS Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	9,643	8,226
Included within Other Comprehensive Income and Expenditure		
■ actuarial (gains) and losses	23,567	27,217
Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	33,210	35,443

Movement in Reserves Statement

	2012/13	2011/12
■ Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme	9,556	9,919
■ Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services	(9,643)	(8,226)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(87)	1,693

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £118.6m (2011/12 £95.1m loss).

Notes to the Accounts (cont'd)

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme £000	
	2012/13	**2011/12**
Opening balance at 1 April	(364,498)	(336,558)
Current service cost	(9,537)	(9,203)
Interest cost	(17,517)	(18,587)
Contributions by scheme participants	(3,101)	(3,130)
Actuarial gains and losses	(49,252)	(6,531)
Benefits paid	11,994	10,651
Past service costs	(84)	(402)
Entity combinations	-	-
Curtailments	(165)	(738)
Settlements	-	-
Closing balance at 31 March	**(432,160)**	**(364,498)**

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

	Local Government Pension Scheme £000	
	2012/13	**2011/12**
Opening balance at 1 April	283,795	281,379
Expected rate of return	16,510	19,534
Actuarial gains and losses	25,685	(20,686)
Employer contributions	10,706	11,089
Contributions by scheme participants	3,101	3,130
Benefits paid	(11,994)	(10,651)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	**327,803**	**283,795**

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

Notes to the Accounts (cont'd)

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

The actual return on scheme assets in the year was £42.2m (2011/12 £1.2m loss).

Scheme History

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Present value of liabilities:	(432,160)	(364,498)	(336,558)	(381,598)	(223,822)
Fair value of assets in the Local Government Pension Scheme	327,803	283,795	281,379	258,038	184,013
Surplus/(deficit) in the scheme:	(104,357)	(80,703)	(55,179)	(123,560)	(39,809)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The net liability of £104.357m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £256.543m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy, the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 is £9.341m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the Strathclyde Pension Fund being based on the latest full valuation of the scheme as at 1 April 2011.

Notes to the Accounts (cont'd)

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2012/13	2011/12
Long-term expected rate of return on assets in the scheme		
Equity Investments	4.5%	6.3%
Bonds	4.5%	3.9%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners		
■ Men	21.0yrs	21.0yrs
■ Women	23.4yrs	23.4yrs
Longevity at 65 for future pensioners:		
■ Men	23.3yrs	23.3yrs
■ Women	25.3yrs	25.3yrs
Expected return on assets	4.5%	5.8%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50% *	50% *
	* pre April 2009 service	* pre April 2009 service
	75% **	75% **
	** post April 2009 service	** post April 2009 service

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

	31 March 2013 %	31 March 2012 %
Equity investments	76	77
Debt Instruments	14	11
Other assets	10	12
	100	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Differences between the expected and actual return on assets	7.80	(7.29)	0.64	22.4	(37.5)
Experience gains and losses on liabilities	0.03	3.22	(0.54)	(0.2)	5.2

Notes to the Accounts (cont'd)

40. CONTINGENT LIABILITIES

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. No liability has currently been accepted and no liability may arise. Further contingent liabilities exist in relation to the Council's share of any potential future asbestos related claims against the former Strathclyde Regional Council. In addition, a contingent liability exists for any potential future equal pay claims that may be received.

As the Council continues to implement workforce planning all departments are carrying out a programme of reviews. These may result in non-recurring expenditure in relation to possible future redundancies.

There is also a contingent liability in relation to a flood damaged Housing Revenue Account property where future action has not yet been determined.

41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003/Local Government (Scotland) Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury 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 to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Regulations.

Notes to the Accounts (cont'd)

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 9 February 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £193.95m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £180.48m. 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 30% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from the deposits with banks and financial institutions.
This risk is minimised through the annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Treasury Management Strategy also imposes a maximum sum to be invested and the time limits in respect of each financial institution.
Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below:

Financial Asset Category	Criteria			Maximum Investment
		Fitch	Moody's	
Deposits with Bank and Money Market Funds	Short Term:	F1+	P-1	£1 - 10m
	Long Term:	A	A3	
	Individual:	C	N/A	
	Support:	3	C	
	Active in sterling markets			

The Authority's maximum exposure to credit risk in relation to its investments in banks, £10m, cannot be assessed generally as the risk of any institution failing to make interest payments or 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. However the Council had £1m invested in Heritable Bank, a UK based subsidiary of the Icelandic bank, Landsbanki. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators outlined that the return to the creditors was projected to be 88p in the £ by the beginning of 2014.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2013 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Estimated maximum exposure to default and uncollectability at 31 March 2013 £000	Estimated maximum exposure at 31 March 2012 £000
Deposits with Banks	15,000	0.03%	0.00%	4	-
Deposits with Money Market Funds	3,810	0.00%	0.00%	-	-
Deposits with Local Authorities	10,400	0.00%	0.00%	-	-
Customers – sundry debtors	3,884	8.00%	8.00%	311	382
Home loans	11	0.00%	0.00%	-	-
	33,105			315	382

The Council does not generally allow credit for customers, such that as at 31 March 2013 £1.272m of the £3.884m (£1.597m of £4.493m as at 31 March 2012) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by ages as follows:

	31 March 2013	31 March 2012
	£'000	£'000
Less than 3 months and past due date	**288**	276
Three to six months	**65**	119
Six months to one year	**162**	237
More than one year	**757**	965
	1,272	1,597

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Liquidity Risk

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 a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, 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 maturity analysis of financial liabilities is as follows:

	31 March 2013 £000	31 March 2012 £000
Less than one year	8,895	49
Between one and two years	2,949	8,895
Between two and five years	9,540	10,418
More than five years	59,241	61,312
	80,625	**80,674**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the liabilities will fall (no impact on revenue balances)
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	£000
Increase in interest payable on variable rate borrowings	184
Increase in interest receivable on variable rate investments	(88)
Increase in government grant receivable for financing costs	(747)
Impact on Surplus or Deficit on the Provision of Services	(651)
Share of overall impact debited to the HRA	(157)
Decrease in fair value of fixed rate investment assets	206
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	809

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

Price Risk

The Council does not invest in equity shares and consequently is not exposed to losses arising from movement in their price.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

42. HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

There has been no acquisition, donation, disposal or impairment of Heritage Assets in the five year period covering the financial years 2008/09 to 2012/13.

Housing Revenue Account Comprehensive Income and Expenditure Statement

2011/12 £'000		HRA Notes	2012/13 £'000
	Income		
(8,210)	Dwelling Rents		(8,607)
(125)	Non-dwelling Rents		(129)
-	Housing Support Grant		-
-	Charges for Welfare Services		-
-	Hostels		-
(700)	Other Income		(604)
-	Sums Directed by the Scottish Government Minister that are income in accordance with IFRS		-
(9,035)	**Total Income**		**(9,340)**
	Expenditure		
3,549	Repairs and Maintenance		3,624
2,321	Supervision and Management		2,538
4,267	Depreciation and Impairment on Non-Current Assets		5,021
5	Movements in the Impairment of Debtors	4	-
260	Other expenditure		109
-	Sums directed by the Scottish Government Minister that are expenditure in accordance with IFRS		-
10,402	**Total Expenditure**		**11,292**
1,367	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**1,952**
49	HRA Services' Share of Corporate and Democratic Core		37
-	HRA Share of Other Amounts included in the Whole Authority Net Cost of Services (but not Allocated to Specific Services)		-
1,416	**Net Cost for HRA Services**		**1,989**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(21)	(Gain) or Loss on Sale of HRA Non-Current Assets		364
1,115	Interest Payable and Similar Charges		1,287
(22)	Interest and Investment Income		(30)
1,884	Impairment		86
(42)	Pension Interest Cost and Expected Return on Pension Assets		46
(187)	Rental Income - operating lease over Property, Plant and Equipment		(186)
(190)	Capital Grants and Contributions Receivable		(310)
3,953	**(Surplus) or Deficit for the Year on HRA Services**		**3,246**

Notes to the Housing Revenue Account

Movement on the Housing Revenue Account Statement

	HRA Notes	2012/13 £'000	2011/12 £'000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		3,246	3,953
Adjustments between Accounting Basis and Funding Basis Under Statute	1	(3,208)	(4,089)
Net (Increase) or Decrease Before Transfers to or from Reserves		38	(136)
Transfers to or (from) Reserves		50	(150)
(Increase) or Decrease in Year on the HRA		88	(286)
Balance on the HRA at the end of the Previous Year		(1,010)	(724)
Balance on the HRA at the end of the Current Year		**(922)**	**(1,010)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

	2012/13 £'000	2011/12 £'000
Gain or loss on sale of HRA non-current assets	(364)	21
Capital expenditure funded by the HRA	160	300
Transfer to/from the Capital Adjustment Account:		
Depreciation and Impairment	(5,107)	(6,336)
Capital Grants and Contributions	310	190
Repayment of Debt	1,808	1,588
HRA share of contributions to or from the Pensions Reserve	7	125
Transfer to/from the Statutory Compensated Absences Account	(22)	23
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	-
	(3,208)	**(4,089)**

2. Housing Stock

Council's housing stock at 31 March 2013 was 3,027 (3,044 at March 2012) in the following categories:

	2012/13 Number	2011/12 Number
1 Apartment	175	175
2 Apartment	897	900
3 Apartment	1,326	1,333
4 Apartment	540	547
5 Apartment	84	84
6 Apartment	5	5
Total	**3,027**	**3,044**

Notes to the Housing Revenue Account (cont'd)

3. Rent Arrears

At the year end rent arrears amounted to £921,005 (2011/12 - £873,735) of which the current rent arrears were £388,162 (2011/12 - £263,270) representing 4.3% (2011/12 3.0%) of gross rent due and former tenant arrears amounted to £531,357 (2011/12 - £514,861). In addition, the figure contains £1,486 (2011/12 - £95,603) in respect of outstanding Housing Benefit Overpayments.

4. Impairment of Debtors

In the financial year 2012/13, the bad debt provision for the Housing Revenue Account has not changed, resulting in a bad debt provision balance of £775,583 (2011/12 £775,583).

5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £234,692 (2011/12 £257,494).

NATIONAL NON DOMESTIC RATES

National Non Domestic Rates (NNDR) income is collected by local authorities on behalf of the Scottish Government. The amount of NNDR income distributed to the Council by the Scottish Government is aligned to the amount collected by the Council. The table below details the actual levels of NNDR collected by East Renfrewshire Council, the agreed Provisional Contribution Amount to the national pool and the Distributable amount due to the Council from the national pool. The Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 and allows councils that exceed their annual business rates target to retain 50% of any additional income. However, as the amounts will not be known until early 2014, the table below does not reflect any adjustments in this regard.

	2012/13 £000s	2011/12 £000s
Gross rates levied and contributions in lieu	17,739	16,534
Less:		
Reliefs and other deductions	(4,015)	(3,584)
Payments of interest	(1)	-
Write-offs of uncollectable debts & allowance for impairment	(455)	(351)
Net Non Domestic Rate Income collected	**13,268**	**12,599**
Collection adjustment to meet Provisional Contribution Amount	932	(162)
Contribution to Non-Domestic Rate pool	**14,200**	**12,437**
Distribution from Non-Domestic Rate pool	12,941	11,976
Adjustments for years prior to the pool	-	(60)
Income credited to the Comprehensive Income and Expenditure Statement (per Note 11)	**12,941**	**11,916**

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2012/13 was £0.45 (2011/12 £0.426)

	Number	Rateable Value as at 1 April 2012 £
Shops	577	14,978,400
Offices	316	3,967,150
Hotels, Boarding Houses etc	7	463,080
Industrial and Freight Transport Subjects	159	2,065,280
Miscellaneous Subjects	379	15,010,909
Others	241	3,315,965
Total	**1,679**	**39,800,784**

Council Tax

Local authorities raise taxes from residents through the Council Tax - which is a property tax linked to property values. Each dwelling in a local authority area is placed into one of 8 valuation bands (A to H). The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued property (E to H) paying more. 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.

	2012/13 £000	2011/12 £000
Gross Council Tax levied and contributions in lieu	50,044	49,766
Adjustments for prior years Council Tax	(69)	(53)
Adjusted for:		
Council Tax Benefits (Net of Government Grants)	78	17
Other discounts and reductions	(5,113)	(5,057)
Uncollectable debt and allowance for impairment	(423)	(585)
Community Charge recovered	8	12
Net Council Tax Income included in the Comprehensive Income and Expenditure Account per Note 11	**44,525**	**44,100**

Calculation of the council tax

Dwellings are valued by the Assessor and placed within valuation bands ranging from the lowest "A" to the highest "H". The council tax base is the number of chargeable dwellings across all valuation bands (adjusted for dwellings where discounts apply), after providing for non-payment, expressed as an equivalent number of band D dwellings. The band D council tax charge is calculated using the council tax base, and this in turn fixes the charge for each of the other bands that are based on pre-determined proportions relative to the band D charge. The band D charge for 2012/13 was £1,126.00 (unchanged from 2011/12).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. Discounts of 50% are made for unoccupied property for a period of up to six months. Certain persons are disregarded for Council Tax purposes, including people who are in detention, students and people who are severely mentally impaired. Reductions in council tax payable are also available for people with disabilities.

Council Tax (cont'd)

Charges for water and sewerage services are the responsibility of Scottish Water. East Renfrewshire Council collects total monies and makes a precept payment to Scottish Water on the basis of collection levels based on a pre-determined formula. The figures below exclude the water and sewerage charges.

Calculation of the Council Tax Base 2012/13

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
BAND A	1,363	(188)	18	(196)	(18)	979	6/9	653
BAND B	5,220	(217)	2	(625)	(20)	4,360	7/9	3,391
BAND C	3,982	(115)	7	(414)	(25)	3,435	8/9	3,053
BAND D	6,265	(110)	42	(600)	(31)	5,566	9/9	5,566
BAND E	7,975	(90)	(20)	(627)	(23)	7,215	11/9	8,818
BAND F	5,909	(70)	(5)	(355)	(14)	5,465	13/9	7,894
BAND G	5,829	(50)	(37)	(245)	(26)	5,471	15/9	9,118
BAND H	688	(6)	(7)	(16)	(4)	655	18/9	1,310
					TOTAL			39,803
					Provision for non-collection (2%)			796
					Council Tax Base			39,007

* Source: A questionnaire requested by the Scottish Government entitled Council Tax Base 2011

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base ie Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to East Renfrewshire Council, the band D charge for 2012/13 was £1,126.

Band A	£ 750.67	Band E	£1,376.22
Band B	£ 875.78	Band F	£1,626.44
Band C	£1,000.89	Band G	£1,876.67
Band D	£1,126.00	Band H	£2,252.00

Group Movement in Reserve Statement

	Unallocated General Fund £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Associates £000	Total Authority Reserves £000
Balance at 31 March 2012 carried forward	**(9,047)**	**(4,763)**	**(8,412)**	**(1,180)**	**(1,010)**	**(20,870)**	**(45,282)**	**(193,236)**	**119,065**	**(119,453)**
Movement in reserves during 2012/13										
(Surplus) or deficit on the provision of services	(13,805)	-	-	-	3,246	-	**(10,559)**	-	25,295	**14,736**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(7,466)	1,317	**(6,149)**
Total Comprehensive Income and Expenditure	(13,805)	-	-	-	3,246	-	**(10,559)**	(7,466)	26,612	**8,587**
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,031	-	-	-	(3,208)	4,950	**6,773**	(6,773)	-	**-**
Net (Increase)/Decrease before Transfers (to)/from other statutory reserves	(8,774)	-	-	-	38	4,950	**(3,786)**	(14,239)	26,612	**8,587**
Transfers to/(from) other statutory reserves	9,302	(251)	(2,678)	(110)	50	(6,313)	**-**	-	-	**-**
(Increase)/Decrease in 2012/13 (Note 8)	528	(251)	(2,678)	(110)	88	(1,363)	**(3,786)**	(14,239)	26,612	**8,587**
Balance at 31 March 2013 carried forward	**(8,519)**	**(5,014)**	**(11,090)**	**(1,290)**	**(922)**	**(22,233)**	**(49,068)**	**(207,475)**	**145,677**	**(110,866)**

Group Movement in Reserve Statement (cont'd)

	Unallocated General Fund £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Associates £000	Total Authority Reserves £000
Balance at 31 March 2011 carried forward	(8,392)	(4,196)	(6,824)	(1,122)	(724)	(17,347)	**(38,605)**	(205,815)	110,376	**(134,044)**
Movement in reserves during 2011/12										
(Surplus) or deficit on the provision of services	(6,372)	-	-	-	3,953	-	**(2,419)**	-	8,199	**5,780**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	8,321	490	**8,811**
Total Comprehensive Income and Expenditure	(6,372)	-	-	-	3,953	-	**(2,419)**	8,321	8,689	**14,591**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,769)	-	-	-	(4,089)	2,600	**(4,258)**	4,258	-	**-**
Net (Increase)/Decrease before Transfers to/(from) other statutory reserves	(9,141)	-	-	-	(136)	2,600	**(6,677)**	12,579	8,689	**14,591**
Transfers to/(from) other statutory reserves	8,486	(567)	(1,588)	(58)	(150)	(6,123)	**-**	-	-	**-**
(Increase)/Decrease in 2011/12 (Note 8)	(655)	(567)	(1,588)	(58)	(286)	(3,523)	**(6,677)**	12,579	8,689	**14,591**
Balance at 31 March 2012 carried forward	**(9,047)**	**(4,763)**	**(8,412)**	**(1,180)**	**(1,010)**	**(20,870)**	**(45,282)**	**(193,236)**	**119,065**	**(119,453)**

Group Comprehensive Income and Expenditure Statement

Year ended 31 March 2012 Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Year ended 31 March 2013 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
127,969	(12,145)	115,824	Education Services	126,846	(13,178)	113,668
17,029	(15,847)	1,182	Housing Services	18,207	(16,579)	1,628
18,260	(5,039)	13,221	Cultural & Related Services	19,116	(4,936)	14,180
11,680	(3,910)	7,770	Environmental Services	12,511	(3,992)	8,519
5,360	-	5,360	Fire Service	5,112	-	5,112
15,059	(1,683)	13,376	Roads & Transport Services	14,687	(1,903)	12,784
13,478	(61)	13,417	Police Service	12,412	(61)	12,351
4,152	(1,454)	2,698	Planning & Development	4,787	(1,354)	3,433
56,046	(11,631)	44,415	Social Work	57,221	(11,622)	45,599
4,038	(111)	3,927	Central Services to the Public	3,323	(427)	2,896
-	(422)	(422)	Share of operating results of associates	-	(508)	(508)
2,971	-	2,971	Corporate & Democratic Core	2,657	-	2,657
1,870	(60)	1,810	Non Distributable Costs	1,051	-	1,051
-	-	-	Share of associates (profit)/loss on disposal of Fixed Assets	-	-	-
277,912	**(52,363)**	**225,549**	**NET COST OF GENERAL SERVICE**	**277,930**	**(54,560)**	**223,370**
10,402	(9,035)	1,367	Housing Revenue Account	11,292	(9,340)	1,952
288,314	**(61,398)**	**226,916**	**COST OF SERVICES**	**289,222**	**(63,900)**	**225,322**
		(143)	Other operating expenditure			109
		11,870	Financing and investment income and expenditure			29,851
		(232,863)	Taxation and Non-Specific Grant Income			(240,546)
		5,780	**(Surplus) or Deficit on Provision of Services (note 1 Group)**			**14,736**
		(18,896)	(Surplus) or deficit on revaluation of fixed assets			(31,033)
		27,217	Actuarial (gains)/losses on pension assets/ liabilities			23,567
		490	Share of other comprehensive expenditure and income of associates			1,317
		8,811	**Other Comprehensive Income and Expenditure**			**(6,149)**
		14,591	**Total Comprehensive Income and Expenditure**			**8,587**

Group Balance Sheet

31 March 2011 £000	31 March 2012 £000		31 March 2013 £000
467,248	471,874	Property, Plant & Equipment	505,613
259	262	Heritage Assets	262
17,957	16,699	Investment Property	16,443
141	197	Intangible Assets	166
7,037	6,620	Long-term Investments and/or Investments in Associates	6,868
363	105	Investments	10,011
493,005	**495,757**	**Long Term Assets**	**539,363**
72	86	Assets Held for Sale	1,138
590	551	Inventories	420
11,735	14,282	Short Term Debtors	15,908
22,494	22,168	Cash and Cash Equivalents	15,120
381	365	Investments – Trust Funds	362
35,272	**37,452**	**Current Assets**	**32,948**
(6,046)	(49)	Short Term Borrowing	(8,895)
(2,709)	(2,790)	Finance Lease (Includes PPP/PFI)	(2,896)
(39,568)	(33,962)	Short Term Creditors	(34,081)
(185)	(70)	Provisions	(147)
(48,508)	**(36,871)**	**Current Liabilities**	**(46,019)**
(986)	(1,356)	Provisions	(1,357)
(80,674)	(80,625)	Long Term Borrowing	(71,730)
(117,794)	(126,050)	Liabilities in associates and joint ventures	(152,907)
(90,648)	(87,877)	PFI/PPP Finance lease	(84,982)
(55,179)	(80,703)	Defined Benefit Pension Liability	(104,357)
(444)	(274)	Capital Grants Receipts in Advance	(93)
(345,725)	**(376,885)**	**Long Term Liabilities**	**(415,426)**
134,044	**119,453**	**Net Assets**	**110,866**
(41,071)	(48,684)	Usable Reserves	(51,182)
(92,973)	(70,769)	Unusable Reserves	(59,684)
(134,044)	**(119,453)**	**Total Reserves**	**(110,866)**

N Williamson FCCA CPFA
Director of Finance

The unaudited accounts were issued on 20 June 2013 and the audited accounts were authorised for issue on 26 September 2013

Group Cash Flow Statement

2011/12 £'000		2012/13 £'000
5,780	Net (surplus) or deficit on the provision of services	14,736
(24,267)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(35,355)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(18,487)	Net cash flows from Operating Activities	(20,619)
10,123	Investing Activities (Note 25)	14,944
8,690	Financing Activities (Note 26)	12,723
326	Net (increase) or decrease in cash and cash equivalents	7,048
(22,494)	Cash and cash equivalents at the beginning of the reporting period	(22,168)
(22,168)	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**(15,120)**

1. RECONCILIATION OF EAST RENFREWSHIRE COUNCIL'S SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

PURPOSE This statement shows how the (surplus)/deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the (surplus)/deficit for the year on the Group Accounts.

	2012/13 £000	2011/12 £000
(Surplus)/Deficit on East Renfrewshire Council's provision of services	(10,559)	(2,419)
Net expenditure/(income) on Trust Funds in year	3	16
(Surplus)/Deficit in year arising from associates included in the Group Accounts:		
Strathclyde Police Joint Board	19,610	6,732
Strathclyde Fire Joint Board	5,816	1,891
Strathclyde Partnership for Transport	(257)	(458)
Strathclyde Concessionary Travel Scheme Joint Committee	9	33
Renfrewshire Valuation Board	114	(15)
GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES	**14,736**	**5,780**

2. COMBINING ENTITIES

The Council exercises a significant influence over a number of entities, details of which are listed below. All of these bodies share the same financial year as the Council and have all been incorporated into the Group Accounts as associates. The Council has no interests in joint ventures or subsidiaries.

Strathclyde Joint Police Board

Is the statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Scheme Order 1975 and provides a vast range of policing services on behalf of the 12 local authorities in the West of Scotland.

During 2012/13 the Council contributed £3.99m or 2.28% to the Board's estimated running costs and its share of the net liability on the balance sheet, £119.1m (2011-12, £98.2m), is included within the Group Balance Sheet. The accounts of the Board are subject to independent audit and a copy of the accounts can be obtained from The Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU.

Strathclyde Fire and Rescue Joint Board

Is the statutory body responsible for the overseeing of the activities of Strathclyde Fire & Rescue, which provides fire and emergency cover for the 12 local authorities in the West of Scotland.

The Council contributed £3.3m to the Board's revenue costs in 2012/13 or 2.83% and has accounted for £33.4m (2011-12 £27.5m) as its representative share of the net balance sheet liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit scrutiny and are available from The Treasurer to Strathclyde Fire Joint Board, Bothwell Road, Hamilton ML3 0EA.

Strathclyde Partnership for Transport

Is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland.

The Council contributed £1.60m or 4.27% to the Authority's running costs during 2012/13 and accounted for £6.8m (2011/12 £6.6m) of the net balance sheet assets within the Group Balance Sheet. The accounts of the Authority are subject to independent audit and are available from The Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Committee

Comprises the 12 Councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the Scheme are met by a combination of funding from the 12 constituent Councils and by direct grant funding from the Scottish Government. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Board.

During 2012/13 the Council contributed £0.161m or 4.17% to the annual running costs and accounted for £0.058m (2011/12 £0.067m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

The Renfrewshire Valuation Joint Board

Is an independent public body formed in 1996 at local government reorganisation by an Act of Parliament. The Council has no shares in, nor ownership of the Board. The Board's running costs are met by the three councils of East Renfrewshire, Inverclyde and Renfrewshire. Surpluses or deficits on the Board's operation are shared between the three member councils. The accounts of the Board are subject to audit and are available from the Treasurer of the Renfrewshire Valuation Joint Board, Renfrewshire Council, Council Headquarters, Paisley PA1 1JB.

The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of East Renfrewshire, Inverclyde and Renfrewshire. East Renfrewshire Council contributed £0.47m or 20.26% to the organisation's revenue costs and its share of the year-end net liability of £0.41m (2011/12 £0.30m) is included in the Group Balance Sheet.

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3. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the associate entities and the trust fund balances on the Group Balance Sheet is to decrease both Reserves and net assets by £145.677m, representing the Council's net share of the net liabilities in these entities. These liabilities are largely due to the balances carried by the Associates in respect of pensions.

4. ACCOUNTING POLICIES

The financial statements in the Group Accounts of East Renfrewshire Council are prepared in accordance with the accounting policies set out for the single entity with the following exceptions:-

Pension Costs

Police and Fire Fighters have separate pension arrangements. The Police Pension Scheme and the Firefighter's Pension Scheme are unfunded and therefore net pension payments are charged to the Comprehensive Income and Expenditure Statement in the year in which payment is made. The Police and Fire Joint Boards have used the same assumptions as those used by East Renfrewshire Council in their separate calculations to arrive at their net pension liability ie price increases, salary increases, pension increases and discount rates.

Fixed Assets

Strathclyde Police and Strathclyde Fire & Rescue value their operational and non-operational assets as follows:-

Operational assets have been included in the Group Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.

Non-operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

In calculating depreciation the following periods and categories of assets for the Group are used:-

Buildings	5 - 60 years
Infrastructure	40 years
Plant and equipment	1 - 20 years
Vehicles	3 - 12 years
Fire Appliances (including specialist Appliances)	10 - 17 years

Stock

Strathclyde Police's stock of uniforms is valued at weighted average cost.

Strathclyde Fire and Rescue's stock and Strathclyde Police's stock of vehicle parts, communications equipment and other materials are valued at net cost or realisable value.

Notes to the Group Accounts (cont'd)

5. POLICE AND FIRE REFORM

In September 2011, following formal consultations on the future of the Scottish Police and Fire Services, the Scottish Government confirmed that the then eight Police Forces and the eight Fire Brigade structures would be replaced with a single police service for Scotland and a single Fire and Rescue service.

Both the single Police Service and single Fire and Rescue Service will come into force on 1 April 2013. They will both be funded directly by the Scottish Government from the Justice portfolio and therefore no contributions will be made by local authorities. As a consequence from the date of commencement they will no longer form part of East Renfrewshire's Group Accounts.

At the closure of the 2012/13 Accounts, the following reserve balances were transferred to East Renfrewshire Council

	£'000
Strathclyde Joint Police Board	
Revenue	374
Capital	230
Strathclyde Fire and Rescue Joint Board	
Revenue	213

Notes to Group Accounts (cont'd)

6. TRUST FUNDS

The Council acts as Trustees for 17 Trusts, 7 of which have charitable status. These are varied in nature and relate principally to legacies left by individual inhabitants over a period of years. The funds do not represent assets of the Council and are not included in the Council's single entity Balance Sheet.

Revenue Transactions		Expenditure	Income	Balance 31.3.13	Balance 31.3.12
		£	£	£	£
Charity Number					
SCO05976	Duff Memorial Fund	-	115	6,967	6,852
SCO16641	Newton Mearns Benevolent Fund	19	56	5,611	5,574
SCO19475	Janet Hamilton Fund	200	550	15,445	15,095
SCO19474	John Pattison Memorial	-	115	1,975	1,860
SCO19473	Hugh & Janet Martin Fund	-	194	4,049	3,855
SCO37293	Netherlee School 1937	1,000	747	7,525	7,778
SCO37925	Talented Children & Young People	1,662	1,662	-	-
CHARITABLE REVENUE BALANCES		**2,881**	**3,439**	**41,572**	**41,014**
	Thornliebank War Memorial Fund	-	6	588	582
	Anderson Bequest	-	28	184	156
	Cathcart Cemetery Fund	-	161	5,860	5,699
	Crum Memorial	-	11	23	12
	McNiven Prize	-	18	855	837
	Rev Denis Reen	-	20	68	48
	James Cowan Bequest	-	80	132	52
	Cowan Park Cropping Fund	-	4	9	5
	Annie Tyson Trust fund	-	2,009	46,265	44,256
	Rita Donnelly Memorial Prize	4,000	2,020	20	2,000
OTHER TRUST FUND REVENUE BALANCES		**4,000**	**4,357**	**54,004**	**53,647**

			Capital Value of Fund 31.3.13	Capital Value of Fund 31.3.12
			£	£
The Principal Funds	Duff Memorial Fund	- for the upkeep of Duff Memorial Hall	4,646	4,646
	Janet Hamilton Fund	- assisting the sick requiring nursing or hospital treatment	40,131	40,131
	John Pattison Memorial Fund	- assisting the deserving poor in Barrhead	9,657	9,657
	Hugh & Janet Martin Memorial Fund	- for charitable & Education purposes	15,574	15,574
	Netherlee School 1937	- to advance the education of the pupils of Netherlee Primary School (both Current and former)	25,000	25,000
	Talented Children & Young People	- for talented children and young people in the fields of arts and culture	4,095*	8,513
	Other - Charitable		1,500	1,500
	CHARITABLE TOTAL RESERVES		**100,603**	**105,021**
	Annie Tyson Trust Fund	- assisting with special needs training	157,306	157,306
	Other Trust Funds		8,219	8,219
	OTHER TRUST FUND TOTAL RESERVES		**165,525**	**165,525**

* £4,418 of capital monies were applied during 2012/13, this is in accordance with the Trust Deed.

Notes to Group Accounts (cont'd)

		2012/13 £	2011/12 £
Balance Sheet - Charitable	Fund balances	142,175	146,035
	Creditors	-	-
	TOTAL LIABILITIES	**142,175**	**146,035**
	Investments	1,500	1,500
	Debtors	-	-
	Due by Loans Fund	140,675	144,535
	TOTAL ASSETS	**142,175**	**146,035**

		2012/13 £	2011/12 £
Balance Sheet - Other Trust Funds	Fund balances	219,529	219,172
	Creditors	-	-
	TOTAL LIABILITIES	**219,529**	**219,172**
	Investments	3,458	3,458
	Debtors	-	-
	Due by Loans Fund	216,071	215,714
	TOTAL ASSETS	**219,529**	**219,172**

7. NON MATERIAL INTEREST IN JOINT COMMITTEES

The Council has an interest in a number of Joint Committees that have not been consolidated within the group accounts. In aggregate they are considered to be immaterial to the understanding of the accounts.

- **Scotland Excel** took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. It is a not-for-profit organisation funded mainly by the 32 participating Scottish local authorities. During the year, the Council made a contribution of £65,993 (2011/12, £67,134) representing 2.04% (2011/12, 2.04%) of the organisation's estimated running costs for the year to 31 March 2013.

- The **Glasgow and Clyde Valley Structure Plan** Joint Committee is constituted under a formal agreement of the eight Councils in the Glasgow and Clyde Valley area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for the local planning matters in their area but also the strategic issues that cover the wider area of Glasgow and Clyde Valley. Accordingly the Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. During the year, the Council made a contribution of £72,438 (2011/12, £80,660) representing 12.5% (2011/12, 12.5%) of the Committee's estimated running costs for the year to 31 March 2013.

- **Continuing Education Gateway** is a consortium of 11 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and educational guidance services. During the year, the Council made a contribution of £16,400 (2011/12, £16,400) representing 4.02% (2011/12 4.02%) of the consortium's estimated running costs for the year to 31 March 2013.

- The **West of Scotland Archaeology Service** was set up in 1997 as a Committee of 11 authorities in the region. It is currently funded by 12 local authorities and by Historic Scotland for specific projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Government planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contribution of £7,619 (2011/12, £7,619) representing 5.4% (2011/12 5.4%) of the Committee's estimated running costs for the year to 31 March 2013.

- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSEC). During the year, the Council made a contribution of £1,920 (2011/12, £2,400) representing 3.8% (2011/12, 3.6%) of the Forum's estimated running costs for the year to 31 March 2013.

Notes to Group Accounts (cont'd)

- The **Dams to Darnley Country Park Joint Committee** was formed to assist with the creation and maintenance of a Country Park between south west Glasgow and East Renfrewshire. The committee consists of representatives from East Renfrewshire and Glasgow City Councils along with other co-opted non-voting representatives. During the year the Council made a revenue contribution of £36,916 (2011/12 £28,545) representing 33.7% (2011/12 19%) of the Joint Committee's running costs for the year to 31 March 2013.

Glossary of Terms

Much of the terminology used in this Report is intended to be self-explanatory. However, the following additional definitions and interpretations of terms used may be helpful.

1. **Gross Expenditure**
   This includes all expenditure attributable to the service / activity including employee costs, expenditure relating to premises and transport, supplies & services, third party payments, support services and capital charges.

2. **Gross Income**
   This includes the charges to individuals and organisations for the direct use of the Council's services.

3. **Corporate and Democratic Core**
   Corporate and Democratic Core costs include the costs of policy making and all other member based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice for Local Authorities stipulates that such costs are to be excluded from the Total Cost relating to service activity.

4. **Non Distributable Costs**
   Non Distributable Costs represent costs which cannot be allocated to specific services and again, under the Service Reporting Code of Practice for Local Authorities, are excluded from the Total Cost relating to service activity.

   Examples of Non Distributable Costs are: -

   (a) charges for added years and early retirement
   (b) costs associated with unused shares of IT facilities
   (c) costs of shares of other long term unused but unrealisable assets

5. **Capital Charges**
   A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

6. **Financing Costs**
   This includes the annual costs of financing the sums borrowed by the Council covering its capital repayment of loans, interest charges and debt management expenses.

7. **Specific Government Grant**
   This includes grants received from Central Government in respect of a specific purpose or service e.g. Gaelic Grant.

8. **Capital Expenditure**
   This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.

9. **Non Current Assets**
   These are created by capital expenditure incurred by the Council. This includes buildings and property, vehicles, plant and machinery, roads, computer equipment etc.

10. **Revaluation Reserve**
    The Revaluation Reserve represents the accumulated gains on the revaluation of fixed assets not yet realised through sales. This account cannot be used to support spending.

Glossary of Terms (cont'd)

11. Capital Adjustment Account
The capital adjustment account represents the accumulation of capital resources set aside to meet past expenditure. This account cannot be used to support spending.

12. Financial Instruments Adjustment Account
This account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account cannot be used to support spending.

13. Government Grants Deferred
The balance on this account represents the value of capital grants which have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset taking into account depreciation.

14. Pension Reserve
The Local Government Pension Fund (Scotland) Regulations 2003 came into force on 20 December 2003 and require Local Authorities to set up a pension reserve fund for pension scheme surpluses and deficits. This fund is separate from an authority's General Fund and means that any pension scheme surplus / deficit will not impact on local taxation.

15. Generally Accepted Accounting Practice in the UK (UK GAAP)
The overall body of regulation establishing how Company accounts must be prepared in the United Kingdom. The basis on which Local Authority accounts were previously prepared.

16. International Financial Reporting Standards (IFRS)
The basis on which Local Authority accounts are currently prepared.

17. Associate
An entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

18. Entity
A body corporate, partnership, trust, unincorporated association, or statutory body, that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single-entity accounts.

Independent Auditor’s Report

Independent auditor’s report to the members of East Renfrewshire Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of East Renfrewshire Council and its group for the year ended 31 March 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the authority-only and group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, the authority only Housing Revenue Account – Comprehensive Income and Expenditure Statement, Non Domestic Rates Account, Council Tax Income Account 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 2012/13 (the 2012/13 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 125 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 Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the 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 groups and the body’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2012/13 Code of the state of the affairs of the group and of the body as at 31 March 2013 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Statement of Remuneration to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and

- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which 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 Statement of Remuneration 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 nothing to report in respect of these matters.

Brian Howarth ACMA, CGMA
Assistant Director
Audit Scotland
4th Floor
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT Date September 2013