

EAST AYRSHIRE COUNCIL

COUNCIL – 23 JUNE 2011

STATEMENT OF ACCOUNTS 2010/11

Report by Executive Director of Finance and Corporate Support

1 PURPOSE OF REPORT

- 1.1 To submit the Statement of Accounts for the year ended 31 March 2011 to the Council and seek approval to forward them to the Controller of Audit.

2 BACKGROUND

- 2.1 The Local Authority Accounts (Scotland) 1985 Regulations require the Executive Director of Finance and Corporate Support to prepare the Statement of Accounts as soon as practicable after the end of each financial year and to submit these to the Authority and to the Controller of Audit by 30 June of the next financial year.

3 INTRODUCTION

- 3.1 The Statement of Accounts shows the actual figures for 2010/11 and the comparable figures for 2009/10. The Statement is produced in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.
- 3.2 The Statement is, for the first time, completed under International Financial Reporting Standards (IFRS). This has resulted in differing accounting treatments in certain areas, and also in changes to the main financial statements contained in the Statement of Accounts. Previous years' figures have also had to be restated using IFRS to allow comparator information to be presented.
- 3.3 A Remuneration Report has also been included for the first time this year. This was a specific requirement under an amendment to the 1985 Regulations, and the Council has complied fully with the requirements of the amended legislation.

4 2010/11 OUTTURN

- 4.1 Gross revenue expenditure for the year was £379.1m. This represents the running costs of the Council and indicates the significant size and complexity of the organisation.

- 4.2 Capital expenditure for the year is shown as £42.3m, representing a continuing significant investment in Council assets including schools, roads and housing.
- 4.3 £2.371m, including a £0.871m saving in debt charges, has been transferred to the Capital Fund to ensure sufficient headroom to take advantage of future capital opportunities. A further £3.000m has been transferred to the Renewals and Repairs Fund to replenish the recent allocations associated with roads repairs. These transfers were approved at Cabinet on 15 June 2011.
- 4.4 The General Fund balance has increased by £1.895m to £28.498m at 31 March 2011. Of this balance, £18.545m is earmarked for use either by individual departments in terms of the Council's budgetary arrangements or in respect of corporate liabilities.

Early, definitive management action to reduce spending in advance of the new financial year has contributed to all departments spending less in 2010/11 than budgeted. The departmental carry forwards arise from a variety of sources including slippage against planned commitments, income in excess of targeted levels, and difficulties in recruiting staff into certain posts.

Almost £6m of balances earmarked for carry forward at 31 March 2011 are designated as essential, meaning that they are firm commitments and will be spent in 2011/12. These are, for example, in relation to goods or works that have already been ordered but the work has not been completed by 31 March 2011.

- 4.5 The uncommitted general fund balance of £11.350m represents 3.3% of net budgeted expenditure and remains within the range set out in the reserves strategy, which sets an optimum level of between 2% and 4%.
- 4.6 The HRA balance has reduced by £2.482m to £1.397m at 31 March 2011. This is primarily due to one-off provisions made in 2010/11 in relation to estimated compensation payments to craft operatives following changes to their terms and conditions, and a future potential legal settlement.
- 4.7 As with previous years a detailed review of all balances carried forward will take place following the completion of the external audit of the accounts. The outcome of this review will be reported to Cabinet.
- 4.8 Funds previously set aside to mitigate against losses resulting from the failure of two UK subsidiaries of Icelandic Banks in 2008 have been reviewed in light of recent positive announcements from the Banks' administrators. A charge of £0.912m has been made to the accounts this year as required by the statutory regulations, and a further £0.600m has been released from the earmarked balance. A balance has been retained to protect against the impact of any future adverse changes in the administrators' forecasts.

5 COMMON GOOD ASSETS

- 5.1 A detailed review of legal property titles has been carried out by Legal Services with a view to ensuring that Common Good assets are accurately identified. These are now included in separate Common Good Financial Statements within the Statement of Accounts in line with accounting regulations.

6 GROUP ACCOUNTS

- 6.1 The Council is required to include its interest in trusts, joint ventures and joint boards as associates within its Statement of Accounts.
- 6.2 Some of the associates' figures required for consolidation into our Statement of Accounts are still awaited. The Statement of Accounts as attached therefore contains only the Council's single-entity information. The associates' information will be incorporated as it is received and members are asked to approve the submission of the final Group Statement of Accounts to the External Auditor.

7 FUTURE IFRS ISSUES

- 7.1 In terms of the new reporting standards, one area where an IFRS Accounting Standard has been issued but not yet adopted in our Statement of Accounts is around Heritage Assets. These assets are typically works of art, collections or regalia which are currently classified as community assets valued at depreciated historical cost on the balance sheet. The Code of Practice will require that these assets are reflected at current value in the Council's balance sheet from 2011/12. This will require specialist valuations to be undertaken to ensure the appropriate values are included.

8 PUBLIC INSPECTION

- 8.1 The unaudited Statement of Accounts for 2010/11 will be posted on the Council's website following approval by the Council.
- 8.2 The Statement of Accounts once submitted to the Controller of Audit will, at his request, be made available for public inspection and will be the subject of audit for a period of up to three months.
- 8.3 The Council is required to make all supporting records used to compile the Statement of Accounts available for public inspection under Section 101 of the Local Government (Scotland) Regulations 1973 and the Local Authority (Scotland) Regulations 1985.

9 FINANCIAL / LEGAL / POLICY IMPLICATIONS

- 9.1 It is a legal requirement that the annual accounts be submitted to a meeting of the Council, and that they be submitted to the Controller of Audit by 30 June 2011.

10 RECOMMENDATIONS

It is recommended that members:

- i. Approve the Statement of Accounts for 2010/11;
- ii. Note the transfers indicated in paragraph 4.3;
- iii. Approve the submission of the Group Statement of Accounts to the Controller of Audit once all information becomes available, but no later than 30 June;
- iv. Otherwise note the contents of the report.

Alex McPhee
Executive Director of Finance and Corporate Support
16 June 2011

LIST OF BACKGROUND PAPERS

1. CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (Based on International Financial Reporting Standards)
2. CIPFA Code of Practice on Local Authority Accounting in the United Kingdom – Guidance Notes for Practitioners 2010/11 Accounts

Members wishing further information should contact Craig McArthur (Head of Finance), Telephone 01563 576300