

EAST AYRSHIRE COUNCIL

COUNCIL MEETING – 26 JUNE 2008

STATEMENT OF ACCOUNTS 2007/08

Report by Executive Head of Finance and Asset Management

1 PURPOSE OF REPORT

- 1.1** To submit the Statement of Accounts for the year ended 31 March 2008 to the Council and to seek approval to forward them to the Controller of Audit.

2 BACKGROUND

- 2.1** The Local Authority Accounts (Scotland) 1985 Regulations require the Executive Head of Finance and Asset Management 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 2007/08 and the equivalent amounts for 2006/07. The Statement is set out in the format required by The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP).
- 3.2** The 2007 SORP introduced a number of accounting and presentational changes to the Statement of Accounts aimed at aligning public and private sector accounting. Although there is no impact on the overall reported financial position of the Council, both the content and order of the Statement of Accounts have been amended to conform with the new reporting requirements.

4 2007/08 OUT-TURN

4.1 Overall Position

- 4.1.1** Gross revenue expenditure for the year was £402m. This represents the running costs of all Council services and illustrates the significant size and complexity of the Council's business.
- 4.1.2** The Statement of Accounts shows capital expenditure in the year of £55m which represents a considerable level of investment in Council assets including schools, roads and housing.

4.1.3 The Statement of Accounts as presented shows a revenue fund surplus for the year of £11.354m which takes into account a proposed dissolution of the Insurance Fund of £5.877m. When added to the balance brought forward from 2006/07 there is a cumulative surplus of £34.676m of which £28.534m is earmarked for use either by individual departments in terms of the Council's budgetary arrangements or in respect of estimated corporate liabilities. The Departmental underspends carried forward arise from a variety of sources including slippage against planned commitments, reduced cost of debt and insurance premiums, income in excess of targeted levels, and limited national availability of staff in certain professional areas.

4.1.4 The level and nature of earmarked balances carried forward will be the subject of a detailed examination by the Cabinet towards the end of the calendar year following the audit of the accounts.

4.1.5 The uncommitted balance of £6.142m remains within the range set out in the Council's reserves strategy which sets the optimum level of between 2% and 4% of the net budgeted expenditure which equates to between £6.1m and £12.3m.

4.2 Significant Trading Operations

4.2.1 The Local Government in Scotland Act 2003 requires significant trading operations to break even over a three year period and guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) defines those operations where disclosure of performance is required.

4.2.2 The table at paragraph 5.1.1 below confirms that all of the Council's trading operations delivered an outcome better than their statutory financial target.

5 APPROPRIATIONS

5.1 Renewals and Repairs Fund

5.1.1 All of the Significant Trading Operations (STO) achieved surpluses for the year and in accordance with previously approved Council policy on year-end flexibility it is proposed to transfer the approved element of those surpluses to the Renewals and Repairs Fund, with the individual amounts earmarked for the relevant STO.

Trading Operation	Budgeted Surplus	Actual Surplus	Variance	Proposed Transfer to Renewals and Repairs Fund	Balance to General Fund
	£m	£m	£m	£m	£m
Roads	0.040	0.089	0.049	0.022	0.067
Vehicle Maintenance	0.010	0.054	0.044	0.023	0.031
Street Lighting	0.010	0.018	0.008	0.003	0.015
Building and Works	2.265	2.222	(0.043)	0.002	2.220
Total	2.325	2.383	0.058	0.050	2.333

5.1.2 The recent insurance procurement exercise resulted in significant savings in annual premiums as insurers took account of the Council's good risk management practices including the CCTV Monitoring Centre, the policy of installing sprinklers in new buildings and the general risk awareness and monitoring arrangements. There was no price advantage in increasing the level of deductibles and as a consequence there is no strong current motive to self insure. In addition the uses to which an Insurance Fund can be put are limited. It is proposed therefore that the Insurance Fund be dissolved. This would result in a transfer to the General Fund of £5.877m. In the proposal to dissolve the Insurance Fund however it is felt prudent to retain some capacity to cope with any future upturn in the insurance market where increased levels of deductibles could be taken to limit increases in premiums. It is proposed therefore to transfer £1.500m to the Renewal and Repairs Fund to provide a level of flexibility.

5.2 Capital Fund

5.2.1 The Council previously approved the establishment of a Capital Fund. It has been the practice to credit income from the sale of surplus assets, net of a property disposal fee, to the fund and it is proposed that this be continued. This amounts to £2.439m for 2007/08.

5.3 Group Accounts

5.3.1 The Council is required to include its interest in the Kilmarnock Leisure Centre Trust and joint boards as associates within the Statement of Accounts. Some of the information necessary to include 2007/08 figures for the associates has still to be received and therefore the Statement of Accounts only contain details of the Council's single entity information. The information from the associates will be incorporated when received and Members are asked to approve the submission of the final group Statement of Accounts to the External Auditor.

6 PUBLIC INSPECTION

6.1 The Statement of Accounts once submitted to the Controller of Audit will, at her request, be made available for public inspection and will be the subject of audit for a period of up to three months.

7 RECOMMENDATIONS

It is recommended that members:

7.1 approve the transfer of £0.050m from Trading Operations as indicated in paragraph 5.1.1 to the Renewals and Repairs Fund;

7.2 approve the transfer from the Insurance Fund to the General Fund of £5.877m as indicated in paragraph 5.1.2;

- 7.3 approve the transfer of £1.500m to the Renewals and Repair Fund as indicated in paragraph 5.1.2;
- 7.4 approve the transfer of £2.439m to the Capital Fund indicated in paragraph 5.2;
- 7.5 approve the Statement of Accounts for 2007/08:
- 7.6 approve the submission of the Group Statement of Accounts to the Controller of Audit; and
- 7.7 Otherwise note the contents of this report.

Alex McPhee

Executive Head of Finance and Asset Management

AMcP/JB/19 June 2008

LIST OF BACKGROUND PAPERS

NIL

Members wishing further information should contact
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