

# EAST AYRSHIRE COUNCIL

## COUNCIL MEETING – 21 JUNE 2007

### STATEMENT OF ACCOUNTS 2006/2007

#### Report by Executive Head of Finance & Asset Management

#### **1 PURPOSE OF REPORT**

- 1.1 To submit the Statement of Accounts for the year ended 31 March 2007 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 to prepare 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 show the actual figures for 2006/07 and the equivalent amounts for 2005/06. The Statement are set out in the format required by The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (the SORP)
- 3.2 The 2006 SORP introduced a number of accounting and presentational changes to the Statement of Accounts aimed at aligning both private and public 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 with the 2005/06 figures being restated in order to conform with the new reporting requirements.

#### **4 2006/07 OUT-TURN**

##### **4.1 Overall Position**

- 4.1.1 Gross revenue expenditure for the year was £370.594m. 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 show capital expenditure in the year of £32.925m. This represents a considerable level of investment in Council assets including schools, roads and housing.

**4.1.3** The Statement of Accounts as presented show a revenue fund surplus for the year of £3.475m. When added to the balance brought forward from 2005/06 there is a cumulative surplus of £20.588m of which £14.092m is earmarked for use by individual departments in terms of the Councils budgetary arrangements. This arises from a variety of sources including slippage against planned commitments, income in excess of targeted levels, and limited national availability of staff in certain professional areas.

**4.1.4** The uncommitted balance is £6.496m which 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 £5.8m and £11.6m.

## **4.2 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 5.1.2 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** The Housing Revenue Account shows a closing balance for the year of £0.421m. As in previous years Members are asked to approve the transfer of this surplus to the Renewals and Repairs Fund.

**5.1.2** All of the Trading Operations 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 Trading Operation.

<b>Trading Operation</b>	<b>Budgeted Surplus</b>	<b>Actual Surplus</b>	<b>Variance</b>	<b>Proposed Transfer to Renewals and Repairs Fund</b>	<b>Balance to General Fund</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Roads	0.040	0.171	0.131	0.066	0.105
Vehicle Maintenance	0.010	0.118	0.108	0.054	0.064
Street Lighting	0.010	0.027	0.017	0.008	0.019
Building and Works	1.765	2.784	0.614	0.100	2.684
<b>Total</b>	<b>1.815</b>	<b>0.930</b>	<b>0.870</b>	<b>0.228</b>	<b>2.873</b>

**5.1.3** Debt charges were underspent by £0.815m partly due to slippage on capital spending. This saving is non recurring and Members are asked to approve the transfer of this balance to the Renewals and Repairs Fund.

## **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 £4.383m for 2006/07.

**5.2.2** The Council also approved the strategy of appropriating sums relating to early repayment premiums to the Capital Fund to allow flexibility for the future should proposed changes to accounting regulations be implemented. This amounts to £0.520m.

## **5.3 Insurance Fund**

**5.3.1** The Financial Reserves Strategy points to a need to build up the Insurance Fund to a level which will enable the extent of external insurance cover to be reduced. This will be done in tandem with the completion of the Risk Management Centre at London Road Headquarters. The Fund will be used as a buffer to cope with possible peaks and losses and the aim is to have an established balance equivalent to two years premiums. Members are asked to approve a transfer of £2.163m to the Fund in furtherance of this strategy.

## **5.4 Group Accounts**

**5.4.1** 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 2006/07 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 £0.421m from the Housing Revenue Account to the Renewals and Repairs Fund;
- 7.2 approve the transfer of £0.228m from Trading Operations as indicated in paragraph 5.1.2 and £0.815m from Debt Charges as noted in 5.1.2 above to the Renewals and Repairs Fund;
- 7.3 approve the transfer of £4.903m to the Capital Fund indicated in paragraph 5.2;
- 7.4 approve the transfer of £2.163m to the Insurance Fund indicated in paragraph 5.3.1;
- 7.5 approve the Statement of Accounts for 2006/07:
- 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 & Asset Management**  
June 2007

#### **LIST OF BACKGROUND PAPERS**

**NIL**

Members wishing further information should contact Alex McPhee, Executive Head of Finance & Asset Management, Telephone (01563) 576300.