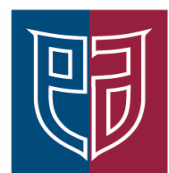


# Abstract of Accounts

**2003/04**



**East Ayrshire**  
COUNCIL

Unaudited Statement – 24 June 2004

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## Foreword by Executive Head of Finance

### *Introduction*

This foreword is intended to provide a brief comment on the Council's financial position, as presented in the Abstract of Accounts, for the financial year ended 31 March 2004.

The 2003/04 accounts of the Council are detailed on pages 9-34, and provide information on the financial position for the year. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice.

### *Accounting Policies*

The Statement of Accounting Policies detailed on pages 4-8 sets out the basis on which the financial statements have been prepared and explains the accounting treatment of transactions. The Council aims to comply fully with proper accounting practice and has met all applicable accounting standards in the preparation of the 2003/04 Abstract of Accounts.

### *Accounting Statements*

The Council operates two main funds – the General Fund and the Housing Revenue Account. The General Fund includes all services other than council housing which is covered by the Housing Revenue Account.

The Consolidated Revenue Account on page 9 summarises the gross expenditure and income of the General Fund and Housing Revenue Account and details how expenditure has been financed. The statements on pages 10-17 provide further detail in respect of individual items contained within the Consolidated Revenue Account.

The Consolidated Balance Sheet details the assets and liabilities of the Council as at 31 March 2004.

The addition to, or utilisation of, Council balances and reserves during the year is reported within the Statement of Total Movement in Reserves. The Cash Flow Statement highlights the inflow and outflow of cash arising from revenue and capital transactions.

### *Consolidated Revenue Account*

The Consolidated Revenue Account shown on page 9 brings together the revenue income and expenditure for all Council services for the financial year and details how this has been financed. The statement highlights the General Fund surplus for the year and the cumulative General Fund balance carried forward to the next financial year. In respect of 2003/04 the statement reports a surplus for the year of £3.962M, which when added to the opening balance of £3.304M results in a cumulative balance of £7.266M as at 31 March 2004.

It should be noted that there are significant commitments against this balance in 2004/05 arising both from the carry forward of projects against which there is ear-marked funding and the Council's budget carry forward scheme. The budget carry forward scheme is designed to create flexibility and to assist medium term financial planning. After allowing for all such items an uncommitted balance of £3.689M can be identified as at 31 March 2004.

The Consolidated Revenue Account highlights that income from Council Tax amounted to £37.839M during 2003/2004, 18% of total funding. A council tax of £1,014.30 was levied in respect of Band D properties for 2003/04.

The largest source of funding received by the Council is Government Grants in the form of Revenue Support Grant, Non Domestic Rate Income and Specific Grants. In 2003/04 these amounted to £176.323M in total, 82% of total funding. Specific Grants are included within the departmental Net Cost of Services.

## Foreword by Executive Head of Finance

### *Housing Revenue Account*

The Housing Revenue Account records all income and expenditure of a revenue nature associated with the provision of council housing which, by statute, must be accounted for separately. The statement on page 20 shows a surplus balance at the year end of £0.215M which has been appropriated to the Renewals and Repairs Fund.

The average rent level set for the year amounted to £38.27 per week.

### *Trading Operations*

The statement on page 21 summarises the actual and target surplus in respect of each of the Council's Trading Operations. There is a requirement for each Trading Operation to at least break even over a 3-year rolling period, 2003/04 being the first year of the 3-year period.

In line with Council policy, a proportion of surpluses are transferred to the Renewals and Repairs Fund to be available for future investment to ensure continued improvement in efficiency and effectiveness of Trading Operations.

### *Financial Performance*

	General Fund Balance £000s	HRA Balance £000s	Renewals & Repairs Fund £000s	Capital Fund £000s	Total £000s
<b>Fund Balances &amp; Reserves</b>					
Balance as at 1 April 2003	3,304	-	1,225	1,380	5,909
Net Surplus/Enhancement for the year	3,962	215	-	-	4,177
Balance transferred from Fund	-	-	(112)	-	(112)
Balance transferred to Fund	-	(215)	473	1,258	1,516
<b>Balance as at 31 March 2004</b>	<b>7,266</b>	<b>-</b>	<b>1,586</b>	<b>2,638</b>	<b>11,490</b>

### *Capital Expenditure*

Capital expenditure during 2003/04 was controlled through the allocation of capital consents by the Scottish Executive, although the Council does have a limited degree of flexibility through the use of capital receipts and contributions from revenue. The outcome for the year was consistent with those limits.

	Capital Consent £000s	Actual Borrowing £000s	Variance £000s	%
Housing - HRA	3,595	3,640	45	1.25%
General Services	16,937	16,817	(120)	(0.71%)

Gross Capital Expenditure in 2003/04 amounted to £27.002M of which £16.965M was spent on General Fund Services and £10.037M on the Housing Programme.

	Education £000s	Social Work £000s	Community Services £000s	Development Services £000s	Policy & Resources £000s	Housing - Improvement Grants, etc. £000s	General Fund Total £000s	Housing - HRA £000s	TOTAL £000s
<b>Gross Capital Expenditure</b>	3,920	338	1,281	7,858	3,016	552	16,965	10,037	27,002

## Foreword by Executive Head of Finance

### *Pension Fund*

In order to comply with financial reporting regulations on pension funds, a valuation of Strathclyde Pension Fund was made by the fund actuary at 31 March 2004 which discloses a deficit position for the Council of £34.702M. It is important to recognise that this is simply a snapshot of the position at that time. The actuary stresses that the figures are prepared only for the purposes of the reporting regulations and have no validity in other circumstances and in particular are not relevant for funding purposes. The long term triennial funding valuation carried out at 31 March 2002 recorded a fully funded position of 108% and contributions to the fund continue in line with the actuary's recommendations.

### *Acknowledgements*

The efforts of elected members and officers in all departments who have monitored and managed funds available rigorously over the year have contributed to the excellent financial performance. I would also acknowledge the considerable efforts of staff in the Finance Department who provided the necessary information, advice and support during the year and who contributed to the preparation of the accounts within the statutory timescale.

Alexander McPhee, ACMA  
**Executive Head of Finance**

24 June 2004

## Statement of Accounting Policies

### *General*

The Abstract of Accounts prepared relate to the financial year ended 31 March 2004 with relevant figures for 2002/03 shown as appropriate for the purposes of comparison.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

### *Revenue Transactions*

Revenue transactions have been recorded on an accruals basis in accordance with the Code of Practice. Accordingly, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year, with provision being made on an actual or estimated basis for all specific debtors and creditors as at 31 March 2004.

Provisions for liabilities of uncertain timing or amount have been recognised in accordance with Financial Reporting Standard (FRS) 12: Provisions, Contingent Liabilities and Contingent Assets. All such provisions are reviewed annually in order to reflect current best estimate. Provisions have been recognised only where:

- A present legal or constructive obligation exists as a result of a past event; and
- It is probable that a transfer of economic benefit will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation

### *Pension Costs*

In accordance with the requirements of FRS 17: Retirement Benefits, with effect from 1 April 2003 the actuarial costs of providing pensions for employees is charged to the revenue account and the net pension asset or liability is reflected on the Balance Sheet. Full disclosure in respect of pensions is contained within the notes to the Consolidated Revenue Account, Balance Sheet and Statement of Total Movement in Reserves

These accounting policies represent a change to those applied in previous years. Previous policy was to recognise liabilities in relation to retirement benefits only when the Council's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of prior and current periods:

- The overall amount to be met from Government Grants and local taxation has remained unchanged, but the costs disclosed for individual services are 1% lower after the replacement of employers' contributions by current service costs and Net Operating Expenditure is 0.4% higher than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 13%.

Under the auspices of FRS3: Reporting Financial Performance the relevant figures for 2002/03 shown as appropriate for purposes of comparison have been restated to an FRS 17 basis.

### *Operating Leases*

Estimates of the undischarged leasing obligation on new and existing operating leases are disclosed in the notes to the Consolidated Revenue Account. Amounts payable under operating leases are charged to the revenue account over the term of the lease.

## Statement of Accounting Policies

### ***Central and Support Services Costs***

Central and Support Services Costs have been allocated to service departments and divisions of service in accordance with the Best Value Accounting Code of Practice. The costs of Central Services have been allocated to other services, other than for Cost of Collection, Administration of Housing Benefits, District Court and the Children's Panel. Support Costs within service departments have been allocated to direct service units within those departments.

### ***Loans Fund Interest***

Loans Fund interest has been calculated in accordance with the LASAAC Guidance Note 2; the Guidance Note details the method of calculation in respect of average interest rates and expense rates and requires the separate identification of interest on revenue and capital balances. Interest on revenue balances is allocated on the basis of actual four weekly balances.

### ***Government Grants***

Aggregate External Finance, comprising Revenue Support Grant and Non Domestic Rate Income, is credited to the revenue account of the financial year to which it relates. Specific government grants are accounted for when the conditions of receipt have been met. Appropriate accruals are made in the revenue account for balances known to be due for the period to 31 March 2004.

### ***Capital Accounting***

All fixed assets are included in the Balance Sheet and capital financing charges are made to departmental revenue accounts for the use of assets. Total capital charges made are compared to the actual loan charges incurred by the Council in the Asset Management Revenue Account with the resultant charge or credit being taken to the Consolidated Revenue Accounts.

### ***Fixed Assets***

All expenditure on the acquisition, creation, or enhancement of fixed assets has been capitalised on an accruals basis. The Council has in place a rolling 5 year revaluation programme. The basis of valuation is as follows;

Council dwellings: The valuation of Council dwellings has been adjusted to reflect the average discounted market value. The stock was revalued at 1 April 2003 by members of the Councils Property Service, who are qualified members of the Royal Institute of Chartered Surveyors.

Other land & buildings, surplus property: These are valued on the basis of open market value for existing use, assessed on either a comparative or depreciated replacement cost basis. The valuations have been compiled by professional staff under the direction of the Director of Development and Property Services and represent values as at 31 March 2003 adjusted for any material changes.

Vehicles, Plant and Equipment: Are valued at depreciated historical cost, other than vehicles which are valued at depreciated replacement cost.

Community Assets: Assets are valued at depreciated historical cost. Land held as open space or common ground is valued at nil for the purposes of the accounts.

### ***Investments***

Investments are recorded within the Consolidated Balance Sheet at cost and comprise mainly investment properties and short-term investments

## Statement of Accounting Policies

### ***Depreciation***

Depreciation, where charged, has been applied on a straight line methodology based on the asset valuation, its remaining useful life and any residual value an asset is calculated to have. The useful economic lives over which assets are depreciated are as follows:

- Operational Buildings 20-40 years
- Infrastructure Assets 25-40 years
- Community Assets 20-25 years
- Investment Properties 10 years
- Operational Equipment 2-10 years

### ***Stock***

Consumable Stocks and Work-In-Progress are valued on a cost price basis, except in the case of the Building & Works where average cost is used. Although the use of average cost is not strictly in accordance with the Code of Practice it is recognised as an acceptable methodology.

### ***Covenant Scheme***

During 1991/92 Kilmarnock & Loudon District Council entered into a Parallel Loan and Covenant Agreement, effective from 31 March 1992, to provide finance of £3M for a town centre improvement within Kilmarnock. Annual covenant payments commenced in 1994/95 and are made to Morgan Grenfell (Local Authority) Finance Ltd., being charged to the capital programme in the year in which they are made. The final payment was made in 2003/04.

### ***Redemption of Debt***

In accordance with the statutory requirement contained within the Local Government Scotland Act 1975 the Council operates a Loans Fund into which all loans raised are paid. All of the Council's income and expenditure is posted to the Loans Fund throughout the financial year. Departmental expenditure is met from the Fund and all income generated by departments is credited to the Fund. Advances are made to departments to finance capital expenditure during the year, with all such advances being repaid by annual instalments of principal spread over the maximum permitted period.

### ***Capital Fund***

At its meeting of 27 June 2002, the Council agreed to establish a Capital Fund. The Council may decide to pay into this fund:-

- (a) any sums derived from the sale of any property of the local authority, except those held on the Housing Revenue Account
- (b) such sums as the Council may from time to time, by resolution, direct

### ***Renewals & Repairs Fund***

The Policy and Resources Committee of 10 February 2000 approved the establishment of a Renewals & Repairs Fund under the terms of the Local Government Scotland Act 1975.

### ***Corporate Governance***

The Council has approved and adopted a code of corporate governance which is consistent with the principals and reflects the requirements of the CIPFA/SOLACE Framework of Corporate Governance in Local Government: A Keystone for Community Government. A Corporate Governance Statement of Assurance is included within the Abstract of Accounts.

## Statement of Accounting Policies

### *Capital Reserves*

The following capital reserves are included in the Councils financial statements:

- A Fixed Asset Restatement Reserve, which represents the difference between the valuation of assets under the previous system of capital accounting and their initial revaluation, plus the surpluses or deficits on any subsequent revaluations, less the net book value of any assets as they are disposed of.
- A Capital Financing Reserve, which represents the accumulated balance of capital receipts applied, capital receipts set aside and capital funded from revenue, less the difference between loans fund principal repayments and depreciation.
- A Usable Capital Receipts Reserve, which represents the capital receipts available to finance capital expenditure in future years.

### *Carry Forward of Departmental Variances - Year End Flexibility*

The Policy and Resources Committee of 3 October 2002 approved that departments which generate managed savings are permitted to carry forward such balances into the next financial year. Under the terms of FRS 12 any balances so identified will be included in the overall General Fund cumulative balance detailed in the accounts.

In respect of trading services, the Council has given approval for the ability to carry forward sums for use in future years. The sums available for transfer to the Renewals and Repairs Fund are limited to the lower of £0.100m or 50% of any surplus in excess of the budgeted surplus included in the Business Plan and the Council's Annual Estimates. The remaining balance being transferred to the General Fund Revenue Account.

### *Prior Year Adjustments*

In accordance with FRS 3: Reporting Financial Performance, in the event of any material adjustment applicable to prior years arising either from changes in accounting policies or from the correction of fundamental errors, the comparative figures for the preceding financial year will be restated and disclosed as appropriate.

Accordingly as a result of the implementation of FRS17 from 1 April 2003 the comparison figures for 2002/03 have been restated to an FRS17 basis.

### *Accounting Policies*

In accordance with FRS 18: Accounting Policies, the Council regularly reviews its accounting policies to ensure that they remain the most appropriate to its particular circumstances such that the Council's accounts give a true and fair view. Where a new policy becomes more appropriate to the Council's particular circumstances that policy is implemented in order to give a true and fair view.

### *Statement on the System of Internal Financial Control*

A Statement on the System of Internal Financial Control is incorporated within the Abstract of Accounts setting out the framework within which financial control is managed and reviewed and the main components of the system, including arrangements for internal audit.

### *Improvement Grants - Deferred Charges*

These represent revenue expenditure which qualifies as capital for control purposes and will be accounted for in line with the Statement of Recommended Practice and CIPFA Guidance on Capital Accounting.

## Statement of Accounting Policies

### *HRA Demolition Costs*

In accordance with the Accounting Code of Practice all costs incurred in relation to the demolition of Council Houses will be charged to the Housing Revenue Account.

### *Pension Reserves*

As a result of the full implementation of FRS17: Retirement Benefits, Local Authorities in Scotland have been given powers to establish a pension reserve (SS1 2003 580) in relation to 2003/04 and future years' accounts.

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is represented by an appropriation to or from the pensions reserve which equals the net charge in the pension liability recognised in the Consolidated Revenue Account

## Consolidated Revenue Account – Service Summary

2002-03 Actual Net £000s	Notes	Committee	2003-04 Actual		
			Expenditure £000s	Income £000s	Net £000s
87,389		Education	104,685	13,187	91,498
(238)		Housing Revenue Account	32,740	32,960	(220)
1,296		General Fund Housing	30,841	28,832	2,009
35,975		Social Work	56,887	19,449	37,438
35,201		Community Services	51,616	14,272	37,344
16,980		Development Services	25,525	7,067	18,458
-	3	Homes and Technical Services	4,569	4,953	(384)
-	3	Central Services & Corporate Resources	18,720	18,720	-
6,397		Miscellaneous Services	7,802	92	7,710
4,402	15	Corporate & Democratic Core	4,672	-	4,672
1,577	16	Non Distributable Costs	173	-	173
2,666	3	Unallocated Central Services & Corporate Resources	3,204	1,616	1,588
<b>191,645</b>		<b>Net Cost of Services</b>	<b>341,434</b>	<b>141,148</b>	<b>200,286</b>
(1,491)		Net Surplus on Trading Operations			(1,503)
(1,955)		Pension Interest Cost and Expected Return on Pensions Assets			2,100
(3,845)	4	Asset Management Revenue Account			1,886
(145)		Interest on Revenue Balances			(421)
314	5	Premiums arising from Debt Restructure written off			388
<b>184,523</b>		<b>Net Operating Expenditure</b>			<b>202,736</b>
		<b>Appropriations</b>			
306		Transfer to/(from) Pension Reserve			(871)
(6,631)		Transfer to Capital Financing Reserve			(6,799)
559	6	Contribution to Renewals and Repairs Fund			361
<b>178,757</b>		<b>Amount to be met from Government Grants and Council Tax</b>			<b>195,427</b>
		<b>Sources of Finance</b>			
105,843		Revenue Support Grant			118,726
40,484		Non-Domestic Rate Income			42,824
34,570		Council Tax			37,839
<b>180,897</b>		<b>Income from Government Grants and Council Tax</b>			<b>199,389</b>
<b>(2,140)</b>		<b>Net General Fund Surplus for the year</b>			<b>(3,962)</b>
<b>(1,164)</b>		<b>Balances on General Fund Brought Forward</b>			<b>(3,304)</b>
<b>(3,304)</b>		<b>Surplus on General Fund Carried Forward</b>			<b>(7,266)</b>

## Consolidated Revenue Account – Notes

### *Note 1 ~ Commitments Against General Fund Balance as at 31 March 2004*

In respect of 2003/04 the statement reports a surplus for the year of £3.962M, which when added to the opening balance of £3.304M results in a cumulative balance of £7.266M as at 31 March 2004.

It should be noted that there are significant commitments against this balance in 2004/05 arising both from the carry forward of projects against which there is ear-marked funding and the Council's budget carry forward scheme. The budget carry forward scheme was introduced in 2002/03 to create flexibility and to assist medium term financial planning. After allowing for all such items an uncommitted balance of £3.689M can be identified as at 31 March 2004.

### *Note 2 ~ Items of Income and Expenditure*

The service summary at page 9 is presented below on a subjective basis.

<b>What the money was spent on:-</b>		
2002-03 Actual £000s		2003-04 Actual £000s
101,973	Employee Costs	112,937
29,650	Property Costs	30,641
6,080	Transport Costs	6,445
30,289	Supplies & Services	30,635
65,719	Third Party Payments	77,606
2,021	Transfer Payments	3,132
436	Provision for Bad Debts	282
3,005	Pension Costs	650
24,609	Central Support Costs	25,951
31,033	Funding Costs	25,771
28,198	Housing Benefit Payments	27,384
<b>323,013</b>	<b>Cost of Council Services</b>	<b>341,434</b>
(1,491)	Trading Services Surplus	(1,503)
559	Contribution to Renewals and Repairs Fund	361
(18,280)	Return on Pension Assets	(14,903)
16,325	Interest Cost on Pensions	17,003
306	Transfer to Pension Reserve	(871)
(10,307)	Capital Accounting Adjustment	(4,946)
<b>310,125</b>	<b>Total Expenditure</b>	<b>336,575</b>
<b>Where the money came from:-</b>		
31,503	Housing Rents	31,042
99,865	Other Income	110,106
<b>131,368</b>	<b>Income Related to Council Services</b>	<b>141,148</b>
105,843	Revenue Support Grant	118,726
40,484	Non-Domestic Rates	42,824
34,570	Council Tax	37,839
<b>312,265</b>	<b>Total Income</b>	<b>340,537</b>
<b>(2,140)</b>	<b>General Fund Surplus for Year</b>	<b>(3,962)</b>

## Consolidated Revenue Account – Notes

### *Note 3 ~ Unallocated Support Costs*

Expenditure on Central Services, Corporate Resources, the Department of Homes and Technical Services and Community Services Local Offices are Support Costs which have been allocated in accordance with the Best Value Accounting Code of Practice (BVACOP).

The costs of Central Services and Corporate Resources, other than for those elements relating to front line services, i.e. Cost of Tax Collection, Administration of Housing Benefit, District Court/Licensing Board and Children's Panel, have been fully allocated over other services. Contracting and Technical Services charges client departments on a fee basis for work undertaken in relation to procurement and technical support and has been excluded from the support cost allocation.

Support Costs within Service Departments have been allocated to front line service units within those departments in accordance with BVACOP guidelines.

Capital Charges are included in the full allocation of Support Services.

	Gross Expenditure £000s	Gross Income £000s	Net £000s
<b>Central Services &amp; Corporate Resources</b>			
<b>Central Services</b>			
Finance	6,588	6,588	-
Democratic Process	723	723	-
Corporate Accommodation	2,055	2,055	-
Cost of Tax Collection	985	-	985
Administration of Housing Benefits	392	-	392
	10,743	9,366	1,377
<b>Corporate Resources</b>			
Central Management Support	141	141	-
Chief Executive Office	540	540	-
Administration & Legal Services *	2,040	1,895	145
Personnel Services	1,353	1,353	-
Information Technology	3,895	3,895	-
Corporate Development & Communication	628	628	-
Childrens Panel	66	-	66
	8,663	8,452	211
<b>TOTAL</b>	<b>19,406</b>	<b>17,818</b>	<b>1,588</b>

\* Unallocated Support Costs - District Court/Licensing Board

	Gross Expenditure £000s	Gross Income £000s	Net £000s
<b>Homes &amp; Technical Services</b>			
Contracting & Technical Services	(384)	-	(384)
Property Services	453	453	-
Central Repairs Account	1,845	1,845	-
<b>TOTAL</b>	<b>1,914</b>	<b>2,298</b>	<b>(384)</b>

	Gross Expenditure £000s	Gross Income £000s	Net £000s
<b>Community Services</b>			
Local Offices	1,181	1,181	-
<b>TOTAL</b>	<b>1,181</b>	<b>1,181</b>	<b>-</b>

## Consolidated Revenue Account – Notes

### *Note 4 ~ Asset Management Revenue Account*

2002-03 £000s		2003-04 £000s
15,413	Depreciation	16,317
11,783	Loans Fund Interest	11,254
154	Loans Fund Expenses	203
<b>27,350</b>	<b>Total Expenditure</b>	<b>27,774</b>
(31,163)	Capital Charges	(25,871)
(32)	Notional Interest on Trading Services Stock Balance	(17)
<b>(31,195)</b>	<b>Total Income</b>	<b>(25,888)</b>
<b>(3,845)</b>	<b>Total Net Expenditure / Income</b>	<b>1,886</b>

In line with the requirements of the Local Authority Accounting Code of Practice, this account shows the surplus arising from the capital charges made to services for the use of assets on the basis of the replacement cost or depreciation of the asset rather than simply the cost of repaying loans taken out to finance the assets. The effect is to charge services as follows: -

	Total Assets Utilised £000s	Capital Charges Made £000s	Loan Charges Paid £000s
Housing Revenue Account*	196,561	8,920	8,920
General Fund Housing	-	-	804
Education	152,386	9,256	3,454
Social Work	9,372	636	981
Community Services	25,380	1,926	1,183
Development Services	48,268	3,647	4,526
Policy & Resources	9,300	1,381	1,050
Trading Services	1,107	122	24
	<b>442,374</b>	<b>25,888</b>	<b>20,942</b>

\* For the Housing Revenue Account capital charges equate to loan charges, including Capital Funded from Current Revenue (CFCR).

### *Note 5 ~ Restructuring of Debt*

During 2003/04 the Council carried out a debt rescheduling exercise which resulted in a premium of £3.676M for the repurchase of debt with outstanding maturities of between 9 and 11 years, and an average interest rate of 9.734%. £0.073M has been written off in 2003/04 with the balance being written off over the lifespan of the replacement loan.

		£000s	£000s
Balance as at 1 April 2003			10,430
Premiums / (Discounts) during year		3,676	
Less: balance written off during year		(388)	3,288
			<b>13,718</b>
<b>Represented by:</b>	<b>Prior Years £000s</b>	<b>2003/04 £000s</b>	<b>Total £000s</b>
Premiums arising from debt restructure	11,651	3,676	15,327
Less: premium written off in previous years	(1,221)	(388)	(1,609)
Less: premium written off during current year			-
	<b>10,430</b>	<b>3,288</b>	<b>13,718</b>

## Consolidated Revenue Account - Notes

### *Note 6 ~ Renewals & Repairs Fund*

The Council operates an internal Renewals and Repairs Fund. As at 31 March 2004 the balance on the Fund amounted to £1.586M, a net contribution of £0.361M having been made in 2003/04.

### *Note 7 ~ Insurance Fund*

The Council operates an internal Insurance Fund with the balances as at 31 March being carried forward to provide funds for future insurance premiums and uninsured losses. As at 31 March 2004 the balance on the fund amounted to £1.272M, a revenue contribution of £2.224M having been made in 2003/04.

### *Note 8 ~ Local Authority (Goods & Services) Act 1970*

This Act requires authorities to keep a separate account of agreements entered into under this legislation.

	Income £000s	Expenditure £000s	Surplus £000s
Onsite Services	171	141	30
Outdoor Amenities	4	3	1
Refuse Collection	31	24	7
Street Cleansing	14	-	14
	<b>220</b>	<b>168</b>	<b>52</b>

### *Note 9 ~ Local Government (Scotland) Act 1973, Section 83*

The Council's expenditure under this section of the act, which relates to spending for the benefit of local residents, is limited to the product of £3.80 and the population of the Council's area. For 2003/04 the limit was £0.455M. Expenditure amounted to £0.426M (2002/03: £0.428M) and is included within service spending.

### *Note 10 ~ Local Government Act 1986 – Separate Publicity Account*

Section 5 of this Act requires the Council to maintain a separate account for publicity. Expenditure of £0.549M was incurred during 2003/04 (2002/03: £0.439M) and is included within service spending.

### *Note 11 ~ Officers' Emoluments*

An analysis of Council officers whose total emoluments for 2003/04 exceeded £40,000 is detailed below:-

	Total Officers within this band
£40,000 - £49,999	118
£50,000 - £59,999	12
£60,000 - £69,999	17
£70,000 - £79,999	3
£80,000 - £89,999	3
£90,000 - £99,999	1
£100,000 +	1
<b>TOTAL</b>	<b>155</b>

### *Note 12 ~ Pension Costs*

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council contributes to two pension schemes: -

#### **(1) The Local Government Superannuation (Scotland) Scheme**

This scheme, the Strathclyde Pension Fund, is administered by Glasgow City Council on behalf of the scheduled and admitted bodies in the West of Scotland. This is the main scheme for administrative and manual staff employed by the Council being a funded defined benefits scheme. The scheme is supported by contributions from both employees and employers. The employer's contribution rate is set at a level to meet all other future liabilities and is subject to a tri-annual actuarial review.

The disclosures required in relation to the implementation of FRS17 are detailed in the table on Page 15 opposite and in Note 6 to the Consolidated Balance Sheet on Page 25.

#### **(2) The Scottish Teachers' Superannuation Scheme**

The Scottish Teachers' Superannuation Scheme is administered by the Scottish Executive. The Scheme is supported by contributions from both employers and employees. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Contributions by East Ayrshire Council during 2003/04 amounted to £4.080M (or 10% of pensionable pay). The employers' contribution is set at 12.5%. In addition, contributions totalling £0.139M (or 0.3% of pensionable pay) were made in respect of added years.

The capital cost of discretionary increases in teachers' pensions payments as at 31 March 2004 is £7.871M £0.358M is in respect of 2003/04 and £7.513M is in respect of previous years.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure.

To comply with the requirements of FRS17: Retirement Benefits, pension costs have been accounted for in the Consolidated Revenue Account in line with Local Authority Accounting Policy Bulletin 56 – FRS17 Retirement Benefits. The accounting treatment within the Housing Revenue Account is in line with guidance as issued by LASAAC, FRS17 Retirement Benefits: Housing Revenue Account Accounting Entries – Interim Guidance.

Certain elements of the pension costs within the Housing Revenue Account are required to be treated differently from that advised for other services within the Consolidated Revenue Account. This results in a variance between the figure reported as the Net Cost of Service for the Housing Revenue Account within the Consolidated Revenue Account and the Surplus/Deficit for the Year reported in the Housing Revenue Account on page 20.

## Consolidated Revenue Account - Notes

The following transactions have been made in the Consolidated Revenue Account during the year:-

2002-03 £000s	Pension Costs	2003-04 £000s
	<b><u>Net Cost of Services</u></b>	
6,826	Current Service Cost	7,264
1,377	Past Service Cost	173
200	Curtailements	-
	<b><u>Net Operating Expenditure</u></b>	
16,325	Interest Cost	17,003
(18,280)	Expected Return on Assets in the Scheme	(14,903)
	<b><u>Amounts to be Met from Government Grants and Local Taxation</u></b>	
306	Movement on Pension Reserve	(871)
<b>6,754</b>	<b>Actual Amount Charged Against Council Tax for Pensions in the year: Employers' Contributions Payable to Scheme</b>	<b>8,666</b>

Note 6 to the Consolidated Balance Sheet on page 25 contains details of the assumptions made in determining the figures included in this note. The Statement of Total Movement in Reserves details the movements that have arisen in the year, as a result of variances from actuarial estimates made in preparing previous figures.

### ***Note 13 ~ Redundancy Payments***

Included in service gross expenditure, as detailed in the Consolidated Revenue Account, are redundancy payments totalling £0.108M.

### ***Note 14 ~ Skills Training Schemes***

Expenditure on Skills Training Schemes of £0.802M in 2003/04 (2002/03: £0.863M) was offset by grants from the Training Agency.

### ***Note 15 ~ Corporate and Democratic Core***

In accordance with the Best Value Accounting Code of Practice costs have been identified in respect of Corporate and Democratic Core comprising £2.428M in respect of Corporate Management and £2.244M in respect of Democratic Representation and Management. Corporate Management concerns those activities which relate to the general running of the authority, Democratic Representation and Management concerns policy making and all other Member-based activities

### ***Note 16 ~ Non Distributable Costs***

In accordance with the Best Value Accounting Code of Practice, charges for added years and early retirement totalling £0.173M remitted to the Strathclyde Pension Fund have been separately identified as Non Distributable Costs.

### ***Note 17 ~ Members' Allowances and Interests***

The total Members' Allowances paid during 2003/04 amounted to £0.526M.

The public record of Members' Expenses for 2003/04 is available for inspection during normal working hours at the Department of Finance, Council Offices, Greenholm St, Kilmarnock as well as on the Councils website [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk).

The Register of General Notice of Member's Registerable Interests is available for inspection during normal working hours at the Department of Corporate Resources, Council Headquarters, London Road, Kilmarnock. The List of Member's Appointments to Outside Bodies is also available for inspection.

## Consolidated Revenue Account – Notes

### *Note 18 ~ Related Party Transactions*

The Council 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. During 2003/04 transactions arose with related parties as follows:-

	Income £000s	Expenditure £000s
<b>Central Government &amp; Government Agencies</b>		
<b>Revenue Grants</b>		
Revenue Support Grant	115,265	
Non-Domestic Rates	42,824	
Housing Benefit Subsidy	25,424	
Council Tax Benefit Subsidy	7,682	
Specific Grants	14,773	
Enterprise Ayrshire	514	
Housing Support Grant	308	
Coalfield Social Inclusion Partnership	2,343	
<b>Capital Grants</b>		
New Deal for Schools	898	
Housing - Energy Efficiency	73	
Flood Prevention	2,100	
20mph Speed Safety Measures	117	
Public Transport Fund	1,601	
Cycling, Walking & Safer Streets	189	
Scottish Executive - Westrans	159	
<b>Related Companies</b>		
Kilmarnock Leisure Centre Trust		130
<b>Related Bodies</b>		
Strathclyde Police Joint Board		19,688
Strathclyde Fire Brigade Joint Board		5,582
Strathclyde Passenger Transport Authority		4,354
Ayrshire Valuation Joint Board		615
Authorities Buying Consortium		35
East Ayrshire North Social Inclusion Initiative		65
Ayrshire Electronic Community		300
Strathclyde Pension Fund		8,760
Scottish Office Pensions Agency		4,219

### *Note 19 ~ Operating Lease Rentals*

The Council leases a variety of assets by operating leases. The assets involved are mainly property, vehicles, computers, photocopying equipment and items of plant. The cost of leases is shown as service spending but no asset appears in the balance sheet. Operating leases cost £3.660M in 2003/04 (2002/03: £4.186M). The unexpired commitment on these at 31 March 2004 is £10.207M.

	Lease Cost £000s	Unexpired Commitments £000s
Vehicles etc.	2,712	6,732
IT Equipment	436	462
Property	512	3,013
	<b>3,660</b>	<b>10,207</b>

## Consolidated Revenue Account – Notes

### *Note 20 ~ Best Value Accounting Code of Practice (BVACOP) – Service Expenditure Analysis (SEA)*

In order to focus on managerial accountability and to enhance clarity of understanding, the Consolidated Revenue Account has been prepared in alignment with the Council's management structure, rather than the Service Expenditure Analysis detailed in the Best Value Accounting Code of Practice.

The impact of restating the Consolidated Revenue Account net expenditure in accordance with the Service Expenditure Analysis is detailed below:-

2002/03 Actual Net Expenditure £000		2003/04 Actual Expenditure £000	2003/04 Actual Income £000	2003/04 Actual Net Expenditure £000
87,389	<b>Education Services</b>	104,685	13,187	91,498
2,430	<b>Housing Services</b>	67,313	65,670	1,643
10,768	<b>Culture &amp; Related Services</b>	12,174	938	11,236
9,777	<b>Environmental Services</b>	12,413	2,266	10,147
13,773	<b>Roads &amp; Transport Services</b>	19,100	4,544	14,556
6,355	<b>Planning &amp; Development Services</b>	10,381	2,524	7,857
36,280	<b>Social Work</b>	59,501	21,754	37,747
4,663	Corporate & Democratic Core	6,132	521	5,611
1,577	Unapportionable Central Overheads	173	-	173
1,460	Central Services to the Public	2,091	590	1,501
14,908	Precepts & Levies including Police & Fire	25,885	9,680	16,205
774	Other Operating Income & Expenditure	65,642	65,033	609
<b>23,382</b>	<b>Central Services</b>	<b>99,923</b>	<b>75,824</b>	<b>24,099</b>
<b>190,154</b>	<b>Net Total Cost</b>			<b>198,783</b>
191,645	Net Cost of Service Per Consolidated Revenue Account	341,434	141,148	200,286
(1,491)	Net ( Surplus ) / Deficit on Trading Services	44,057	45,560	(1,503)
<b>190,154</b>				<b>198,783</b>

### *Note 21 ~ Audit Costs*

In 2003/04 East Ayrshire Council incurred the following fees relating to external audit and inspection:-

2002/03 £000s		2003/04 £000s
251	Fees Payable to Audit Commission with regard to External Audit Services carried out by Appointed Auditor	264
9	Fees Payable in respect of other services provided by the appointed auditor	7
<b>260</b>		<b>271</b>

## Collection Accounts

### *Non-Domestic Rates Account*

2002-03 £000s		2003-04 £000s
31,590	Gross Rates levied and contributions in lieu	30,487
	<b>Less</b>	
(4,330)	Reliefs and other reductions	(4,132)
(953)	Provision for bad and doubtful debts	(789)
26,307		25,566
(666)	Prior Years-Pool	(934)
14,881	Contribution from National Non-Domestic Rate Pool	18,236
40,522	Net Income	42,868
(38)	Adjustments and Pre-Pool Years	(44)
<b>40,484</b>		<b>42,824</b>

Occupiers of non-domestic property are liable to pay Non-Domestic Rates. This is a tax levied by Local Authorities on the occupiers of commercial property within their areas.

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Executive. The National Non-Domestic Rate poundage set by the Scottish Executive for 2003/04 was £0.478.

Analysis of Rateable Values at 1st April 2003:	Number	£000s
Shops (inc. restaurants)	1,100	17,432
Offices	470	4,196
Hotels, Boarding Houses etc.	44	675
Industrial and Freight Transport Subjects	544	15,365
Formula Valued	7	4,412
Miscellaneous Subjects	1,066	16,784
Other	773	7,558
<b>Total</b>	<b>4,004</b>	<b>66,422</b>

## Collection Accounts

### *Council Tax Account*

2002-03 £000s		2003-04 £000s
42,578	Gross Council Tax levied, contributions in lieu and penalties	45,086
	<b>Less</b>	
(388)	Council Tax Benefits (Net of Government Grant)	(302)
(4,815)	Discounts and Reductions	(5,288)
(2,160)	Provision for bad and doubtful debts	(1,892)
(247)	Previous Years	235
(398)	Community Charge	-
<b>34,570</b>	<b>Total Income from Council Tax</b>	<b>37,839</b>

During 2003/04 Community Charge (Poll Tax) arrears of £0.143M have been collected, being offset against the balance sheet debtor.

### *The Calculation of the Council Tax Base*

2002-03 Total	Bands	Disabled A	A	B	C	D	E	F	G	H	2003-04 Total
53,312	Properties	-	27,075	9,394	4,136	5,148	5,030	2,225	454	37	53,499
(1,042)	Exemptions	-	(850)	(141)	(48)	(33)	(17)	(11)	-	(2)	(1,102)
-	Disabled relief	87	2	(56)	17	11	(40)	(17)	(3)	(1)	-
(18,655)	Discounts (25%)	(27)	(13,600)	(3,293)	(1,283)	(1,095)	(906)	(255)	(48)	(1)	(20,508)
(781)	Discounts (50%)	-	(343)	(89)	(52)	(56)	(34)	(21)	(4)	(4)	(603)
<b>47,216</b>	<b>Total equivalent</b>	<b>80</b>	<b>22,656</b>	<b>8,329</b>	<b>3,758</b>	<b>4,824</b>	<b>4,730</b>	<b>2,123</b>	<b>437</b>	<b>32</b>	<b>46,969</b>
	Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
<b>39,444</b>	<b>Band 'D' equivalents</b>	<b>44</b>	<b>15,104</b>	<b>6,478</b>	<b>3,340</b>	<b>4,824</b>	<b>5,781</b>	<b>3,067</b>	<b>728</b>	<b>64</b>	<b>39,430</b>
(1,972)	Bad Debt provision										(1,971)
<b>37,472</b>	<b>COUNCIL TAX BASE (Band D Equivalents)</b>										<b>37,459</b>

The figures shown in the table above indicate the number of properties as at 1 September 2003.

### *The Nature and Actual Amount of Each Charge Fixed*

Dwellings fall within a valuation band between 'A' and 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). The Council determines the Band 'D' Council Tax level each year. Charges for other Bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2003/04 was £1,014.30.

BAND	2003-04 £ per year
A	676.20
B	789.90
C	901.60
D	1,014.30
E	1,239.70
F	1,465.10
G	1,690.50
H	2,028.60

## Housing Revenue Account

This statement gives an indication of the amount that the Council spent in fulfilling its statutory requirements in the provision, management and improvement of housing to suit all housing needs.

2002-03	Housing Revenue Account	2003-04
Actual £000s		Actual £000s
	<b>Expenditure</b>	
3,767	Supervision and Management	4,066
11,649	Repairs and Maintenance	12,205
9,492	Capital Charges	8,920
662	Homeless Persons	721
436	Increase in Provision for Bad Debts	282
7,007	Other Expenditure	6,555
(88)	Pension Interest Costs and Expected Return on Pension Assets	96
<b>32,925</b>	<b>Total Expenditure</b>	<b>32,845</b>
	<b>Income</b>	
31,503	Rents - Council Houses	31,042
906	Rents - Other	707
340	Housing Support Grant	308
150	Other Government Grants	407
54	Recharges	140
12	Interest	11
215	Miscellaneous	345
<b>33,180</b>	<b>Total Income</b>	<b>32,960</b>
<b>14</b>	<b>Transfer to/from Pension Reserve</b>	<b>(100)</b>
<b>(241)</b>	<b>(Surplus) / Deficit for the Year</b>	<b>(215)</b>
(200)	Appropriation from Renewals & Repairs Fund	-
441	Appropriation to Renewals & Repairs Fund	215
<b>-</b>	<b>Net (Surplus) / Deficit Charged To General Fund</b>	<b>-</b>

The Housing Revenue Account surplus has been appropriated to the Renewals and Repairs Fund.

### *Housing Stock*

2002-03	House Type	2003-04		
		Flat	House	Total
2,911	One Bedroom	1,955	895	2,850
7,991	Two Bedroom	3,904	3,730	7,634
4,770	Three Bedroom	800	3,690	4,490
349	Four Bedroom	22	300	322
2	Five Bedroom	2	-	2
<b>16,023</b>		<b>6,683</b>	<b>8,615</b>	<b>15,298</b>

### *Rental Information*

2002-03	Rental Information	2003-04
£36.89	Average Weekly Rent (52 weeks)	£38.27
7.83%	Current Rent Arrears (as % of Rent Collectable)	4.93%
£1.324m	Total Rent Arrears	£1.102m
£0.664m	Provision for Bad Debts	£0.653m

## Trading Operations Summary Statement

The Local Government in Scotland Act 2003 effectively repealed the legislation covering Compulsory Competitive Tendering and the disclosure requirements which previously existed under this regime are no longer applicable.

In line with the guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) the services below require trading accounts to be disclosed. The financial objective over the 3-year rolling period beginning 2003/04 is to break even after taking account of capital charges.

The surplus for each of the services is set out below:-

Previous Year Actual £000s	Previous Year Target £000s		Current Year Actual £000s	Current Year Target £000s
201	70	Catering	117	83
74	58	Cleaning of Buildings	68	47
5	5	School Crossing Patrols	6	3
27	30	Roads	110	30
59	10	Vehicle Maintenance	63	10
52	21	Refuse Collection	81	25
62	15	Street Cleansing	49	20
20	8	Leisure Management	35	12
175	27	Outdoor Amenities	35	29
816	405	Building & Works	1,051	486
<b>1,491</b>	<b>649</b>	<b>TOTAL</b>	<b>1,615</b>	<b>745</b>
-	-	LESS Transfer from Renewals and Repairs Fund	(112)	-
<b>1,491</b>	<b>649</b>	<b>Net Surplus on Trading Operations</b>	<b>1,503</b>	<b>745</b>

The Council has approved that Trading Operations may transfer to the Renewals and Repairs Fund, a proportion of any surplus in excess of that budgeted for use in future years. Accordingly, Catering, Street Cleansing and Vehicle Maintenance utilised a transfer from the Renewals and Repairs Fund during 2003/04, as below:-

	Transfer from Renewal & Repair Fund £000s
Catering	74
Vehicle Maintenance	25
Street Cleansing	13
<b>TOTAL</b>	<b>112</b>

## Consolidated Balance Sheet

31 March 2003	Consolidated Balance Sheet as at 31 March 2004	Balance Sheet Note	31 March 2004	
£000s			£000s	£000s
	<b>FIXED ASSETS</b>			
175,800	Council Dwellings	1	193,424	
192,185	Other Land and Buildings		194,457	
27,680	Infrastructure		33,232	
7,003	Vehicles, Plant and Equipment		2,025	
150	Community Assets		-	
402,818	<b>Operational Assets</b>			423,138
13,181	Investment Properties		15,533	
2,865	Surplus Assets		3,703	
16,046	<b>Non Operational Assets</b>			19,236
10,430	<b>Long-Term Prepayment</b>	CRA 5		13,718
205,084	<b>Pension Asset</b>	6		258,498
<b>634,378</b>	<b>TOTAL ASSETS</b>			<b>714,590</b>
	<b>CURRENT ASSETS</b>			
1,381	Stocks and Work in Progress		1,610	
19,471	Debtors	2	25,288	
18,800	Investment	4	22,650	
40	Cash		42	
<b>39,692</b>				<b>49,590</b>
	<b>LESS:</b>			
	<b>CURRENT LIABILITIES</b>			
34,040	Creditors	3	40,309	
213	Borrowing Repayable in a period of less than 12 months	4	17	
6,149	Bank Overdraft		9,713	
<b>40,402</b>				<b>50,039</b>
<b>(710)</b>	<b>NET CURRENT LIABILITIES</b>			<b>(449)</b>
<b>192,290</b>	<b>LESS Borrowing repayable after 12 months</b>			<b>192,075</b>
<b>275,995</b>	<b>LESS Pension Liability</b>	6		<b>293,200</b>
<b>165,383</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>228,866</b>
	<b>REPRESENTED BY:</b>			
149,837	Fixed Asset Restatement Reserve			189,666
79,481	Capital Financing Reserve			61,140
(70,911)	Pension Reserve			(34,702)
6,976	Fund Balances and Other Reserves	5		12,762
<b>165,383</b>	<b>TOTAL EQUITY</b>			<b>228,866</b>

Alexander McPhee, ACMA  
Executive Head of Finance  
24 June 2004

## Consolidated Balance Sheet – Notes

The Consolidated Balance Sheet brings together all the assets and liabilities of the Council's General Fund, Trading Operations and Loans Fund and should be read in conjunction with the Statement of Accounting Principles. It is a snapshot of the Council's financial position at 31 March 2004.

### *Note 1 ~ Fixed Assets*

Fixed Assets are included in the Balance Sheet at their current asset value as at 31 March 2004. The basis of valuation is disclosed separately in the Statement of Accounting Policies, pages 4-8.

#### Information Held on Assets

The main assets held by the Council as at 31 March 2004 are as follows: -

	Numbers as at 31 March 2004		Numbers as at 31 March 2004
<b>Council Dwellings</b>	15,298	<b>Operational Equipment</b>	
		Vehicles	120
<b>Operational Buildings</b>			
Pre-5 Schools	22		
Primary Schools	46	<b>Infrastructure Assets</b>	
Secondary Schools	10	Principal Roads (Km's)	115
Special Schools	5	Non-Principal Roads (Km's)	404
Community Education Centres	70	Unclassified Roads (Km's)	588
Day Centres	3	Highway Bridges	721
Car Parks	36	Street Lighting Units	17,703
Social Work Homes	9	Illuminated Signs	1,433
Assessment Centres	5		
Depots	9		
Sports Centres	8	<b>Community Assets</b>	
Swimming Pools	2	Parks (Acres)	144
Halls	18	Cemeteries (Acres)	118
Public Conveniences	9	Playing Fields/Open Spaces (Acres)	1,911
Council Offices	21		
Industrial Units	114		
Shops	41		
Libraries	27		
Museums	6		

#### Funding of Capital Expenditure

Capital Expenditure during 2003/04 was funded as follows:-

	Housing Revenue Account £000s	General Fund £000s	Total £000s
Borrowing	3,803	11,437	15,240
Usable Capital Receipts	2,600	41	2,641
Specific Grants	73	5,487	5,560
Capital Funded From Current Revenue (CFCR)	3,561	-	3,561
<b>Gross Capital Expenditure</b>	<b>10,037</b>	<b>16,965</b>	<b>27,002</b>

## Consolidated Balance Sheet – Notes

### Movement in Assets during 2003/04

Category	Opening Position	+	-	-	+	=
	£000s	Acquisitions £000s	Disposals £000s	Depreciation £000s	Revaluation £000s	Closing Position £000s
Council Dwellings	175,800	-	(8,924)	(8,059)	34,607	193,424
Other Land & Buildings	192,185	51	(35)	(5,398)	7,654	194,457
Infrastructure	27,680	6,720	-	(1,168)	-	33,232
Vehicles, Plant & Equipment	7,003	281	(9)	(1,143)	(4,107)	2,025
Community Assets	150	-	-	(150)	-	-
Investment Properties	13,181	-	(38)	(335)	2,725	15,533
Surplus Assets	2,865	-	(72)	(64)	974	3,703
<b>TOTALS</b>	<b>418,864</b>	<b>7,052</b>	<b>(9,078)</b>	<b>(16,317)</b>	<b>41,853</b>	<b>442,374</b>

Service Analysis						
	£000s	£000s	£000s	£000s	£000s	£000s
Housing Revenue Account	177,678	1	(8,942)	(8,156)	36,116	196,697
General Fund Services	240,389	7,051	(130)	(8,096)	5,347	244,561
Trading Services	797	-	(6)	(65)	390	1,116
<b>TOTALS</b>	<b>418,864</b>	<b>7,052</b>	<b>(9,078)</b>	<b>(16,317)</b>	<b>41,853</b>	<b>442,374</b>

### Note 2 ~ Debtors

2002-03 £000s		2003-04		
		Gross Debtor £000s	Less Provision £000s	Debtor £000s
4,142	Arrears of Local Taxation - Council Tax	21,863	19,028	2,835
2,129	Arrears of Local Taxation - Non-Domestic Rates	5,464	4,467	997
200	Arrears of Local Taxation - Community Charge	9,283	9,225	58
660	Housing Rents	1,102	653	449
2,426	VAT and Income Tax Recoverable	3,086		3,086
0	Loan Interest Received	164		164
9,914	Other Income Due	19,498	1,799	17,699
<b>19,471</b>	<b>Total</b>			<b>25,288</b>

### Note 3 ~ Sundry Creditors

(Repayable on demand or within 12 months)

2002-03 £000s		2003-04 £000s
1,925	Loan Interest accrued	2,012
32,115	Other	38,297
<b>34,040</b>	<b>Total</b>	<b>40,309</b>

Included in Creditors is an amount of £1.084M in respect of Housing Benefits Subsidy Grant due to the Department of Work and Pensions. As this claim is not due for completion until 31 July 2004, the audit of the claim is as yet outstanding and, accordingly, the creditor may be subject to change.

## Consolidated Balance Sheet – Notes

### *Note 4 ~ Outstanding Borrowing and Investments*

	Short-Term Investments £000s	Short-Term Borrowing	Long-Term Borrowing - time to maturity					Total Borrowing £000s	%	
		<365 Days £000s	1-2 Yrs £000s	2-5 Yrs £000s	5-10 Yrs £000s	Over 10 Yrs £000s	Total £000s			
Banks/Monetary Sector	3,000	-	-	540	-	-	31,101	31,641	31,641	16.5%
Building Societies	12,000	-	-	-	-	-	1,000	1,000	1,000	0.5%
Financial Institutions	-	-	500	-	-	-	-	500	500	0.3%
Local Authorities	1,650	-	-	-	-	-	-	-	-	0.0%
Public Works Loan Board	-	17	301	67	162	144,633	145,163	145,180	75.9%	
Public Corporations	-	-	-	-	-	-	-	-	-	0.0%
Central Government	-	-	-	-	-	-	-	-	-	0.0%
Other Sources	6,000	-	-	-	-	13,000	13,000	13,000	13,000	6.8%
	<b>22,650</b>	<b>17</b>	<b>801</b>	<b>607</b>	<b>162</b>	<b>189,734</b>	<b>191,304</b>	<b>191,321</b>	<b>191,321</b>	<b>100.0%</b>
Investment in Common Good							190	190	190	
Investment in Trusts & Bequests Covenant Scheme							581	581	581	
								-	-	
<b>TOTAL</b>	<b>22,650</b>	<b>17</b>	<b>801</b>	<b>607</b>	<b>162</b>	<b>189,734</b>	<b>192,075</b>	<b>192,092</b>	<b>192,092</b>	

### *Note 5 ~ Fund Balances and Other Reserves*

2002-03 £000s		2003-04 £000s
1,067	Insurance Fund	1,272
3,304	General Fund Surplus	7,266
1,225	Renewals & Repairs Fund	1,586
1,380	Capital Fund	2,638
<b>6,976</b>	<b>Total</b>	<b>12,762</b>
(70,911)	Pension Reserve	(34,702)
<b>(63,935)</b>	<b>Total</b>	<b>(21,940)</b>

The 2003/04 General Fund Surplus, £7.266M, includes significant commitments against this balance in 2004/05, as shown in Note 1 to the Consolidated Revenue Account, page 9.

### *Note 6 ~ FRS 17 – Pension Assets and Liabilities*

In order to comply with Financial Reporting Standard 17: Retirement Benefits (FRS 17), the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As detailed in note 12 to the Consolidated Revenue Account the Council participates in two formal schemes, the Local Government Superannuation (Scotland) Scheme as administered by the Strathclyde Pension Scheme and the Teachers Pension Scheme which is administered by the Scottish Executive. Both schemes are defined benefit schemes, however, for the purposes of this statement of accounts the Teachers Pension Scheme is treated on the same basis as a defined contribution scheme since it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees.

The Local Government Superannuation (Scotland) Scheme is a funded scheme to which the Council and its employees contribute at a rate determined by actuaries to the scheme such that the pensions liabilities are balanced with investment assets.

In 2003/04 pension costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to Strathclyde Pension Fund based on the last formal actuarial valuation as at 31 March 2002.

## Consolidated Balance Sheet – Notes

As at 31 March 2004, the Council had the following assets and liabilities for pensions within the Strathclyde Pension Fund that have been included in the balance sheet: -

31 March 2003 £000s		31 March 2004 £000s
205,084	Share of assets in Strathclyde Pension Fund	258,498
(257,250)	Estimated Liabilities in Strathclyde Pension Fund	(274,027)
<b>(52,166)</b>	<b>Net Assets/(Liabilities) in Strathclyde Pension Fund</b>	<b>(15,529)</b>
18,745	Estimated Liabilities for Discretionary Pensions	19,173
<b>(70,911)</b>	<b>Net Pension Asset/(Liability) and Pension Reserve</b>	<b>(34,702)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The net liability of £34.702m has an impact on the net worth of the Council as recorded in the Consolidated Balance Sheet. These book entries are based only on the snapshot position at 31 March 2004, however.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and other factors. The liabilities of the Strathclyde Pension Fund have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations have been:-

31 March 2003 %		31 March 2004 %
2.50	Rate of Inflation	2.90
4.00	Rate of Increase in Salaries	4.40
2.50	Rate of Increase in Pensions	2.90
6.10	Rate of Discounting Scheme Liabilities	6.50

Assets held by Strathclyde Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund:-

31 March 2003 %		Long Term Return %	31 March 2004 %
73.00	Equity Investments	7.70	73.10
12.00	Bonds	5.10	14.20
15.00	Other Assests & Liabilities	5.70	12.70
<b>100</b>			<b>100</b>

The movement in the net pension asset/(liability) for the year to 31 March 2004 is as follows:

	£000s
Net Pensions asset/(liability) at 1 April 2003	(70,911)
Movements in year:	
Current Service Cost	(7,264)
Employers Contributions Payable to Fund	8,666
Retirement Benefits Payable to Pensioners	-
Past Service Costs	(173)
Net Return on Assets in the Fund	(2,100)
Actuarial Gains / (Losses)	37,080
<b>Net Pensions Asset/(Liability) at 31 March 2004</b>	<b>(34,702)</b>

It should be noted that this is a snapshot of the position at 31 March 2004 for reporting purposes only. The long term funding valuation of 2002 is not affected with contribution rates set at the time continuing in line with actuarial advice.

## Consolidated Balance Sheet – Notes

### *Note 7 ~ Commitments and Guarantees*

The Council has a commitment to indemnify and reimburse any cumulative deficit sustained by the Kilmarnock Leisure Centre Trust up to a maximum of £0.200M in each financial year.

The Council, together with the successor authorities to Strathclyde Regional Council, has a continuing commitment to meet its share of any residual liabilities of that authority. The Council has inherited eight applications in respect of pension fund contributions and a number of writs for damages by individuals claiming to have suffered various forms of child abuse whilst resident in a children's home during the life span of Strathclyde Regional Council. Furthermore, seven personal injury claims and two contractual claims have been received by the Council, potentially amounting to £0.075M. No financial provision has been made in the 2003/04 Accounts for these potential losses given the uncertainties which surround the final outcome.

The commitments in respect of capital schemes in excess of £20,000 are as follows:

General Fund	£000s	Housing	£000s
Flood Prevention Works	5,100	Exterior Cladding of Houses	72
Dick Institute Refurbishment	584	Kitchen Refurbishment	374
Palace Theatre & Grand Hall Refurbishment	414	Replacement of Lead Water Piping	37
Education Retentions - General	100	Demolition Works	106
North West Neighbourhood Centre Project	225	Door Entry Systems	81
		Asbestos Removal	63
<b>Total</b>	<b>6,423</b>	<b>Total</b>	<b>733</b>

East Ayrshire Council is a constituent member of the West of Scotland Loans Fund Ltd. As at 31 March 2004, the Council's involvement stands at £1.027M. In the event of the Fund being wound up, a contingent liability of £0.372M exists in respect of European Development Fund Grants. The Fund exists to co-ordinate the 12 ex-SRC authorities in respect of the relationship with the European Regional Development Fund.

East Ayrshire Council does not have an interest in the share capital of any of the companies dealt with by the West of Scotland Loans Fund Ltd.

### *Note 8 ~ Improvement Grants*

In line with the Statement of Recommended Accounting Practice, improvement grants of £0.551M have been written off to the Fixed Asset Restatement Reserve.

### *Note 9 ~ European Monetary Union*

At present the participation of the United Kingdom in the European Monetary Union has yet to be confirmed. The Council's integrated financial system is BASDA EMU accredited in accordance with the BASDA EMU advanced checklist and specification.

### *Note 10 ~ Contingent Liabilities and Post Balance Sheet Events*

All contingent liabilities relating to 2003/04 have been disclosed as appropriate.

No post balance sheet events have transpired post 31 March 2004; accordingly no provisions or disclosures are required.

## Cash Flow Statement

2002-03 £000s		2003-04 £000s	2003-04 £000s
	<b>REVENUE ACTIVITIES</b>		
	<b>Expenditure</b>		
101,100	Employment Costs	111,802	
127,895	Other Operating Costs	159,004	
9,940	Housing Benefit Paid Out	9,205	
26,676	NDRI Contributable to Pool	25,993	
14,578	Precept Paid	17,909	
280,189		323,913	
	<b>Income</b>		
(13,245)	Rents (after rebates)	(12,863)	
(34,570)	Council Tax Income	(37,839)	
(120,421)	Revenue Support Grant/NDRI	(136,635)	
(40,484)	NDRI Distributable from Pool	(42,824)	
(26,676)	Precept Income	(25,993)	
(26,668)	DSS Grants for Rebates	(25,732)	
(15,225)	Other Government Grants	(14,773)	
(39,256)	Fees, Charges and Other Income	(42,457)	
(316,545)		(339,116)	
<b>(36,356)</b>	<b>Net Cash In-flow from Revenue Activities</b>		<b>(15,203)</b>
	<b>SERVICING OF FINANCE</b>		
11,939	Interest and Leasing Charges	10,814	
(96)	Interest Received	(27)	
<b>11,843</b>	<b>NET CASH OUTFLOW FROM SERVICING OF FINANCE</b>		<b>10,787</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Expenditure</b>		
11,091	Purchase of Fixed Assets	7,052	
8,653	Other Capital Cash Payments	20,017	
19,744		27,069	
	<b>Income</b>		
(9,709)	Sale of Fixed Assets	(9,820)	
(892)	Capital Grants Received	(5,559)	
(1,378)	Other Capital Cash Payments/Income	(119)	
(11,979)		(15,498)	
<b>7,765</b>	<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>		<b>11,571</b>
<b>(16,748)</b>	<b>Net Cash (In-flow) / Out-flow before Financing</b>		<b>7,155</b>
	<b>FINANCING</b>		
	<b>Expenditure</b>		
23,663	Repayments of Amounts Borrowed	11,757	
218,162	New Short-Term Deposits	501,955	
241,825		513,712	
	<b>Income</b>		
(17,707)	New Loans Raised	(9,500)	
(5,308)	New Short-term Loans	(2,000)	
(199,362)	Short-term Deposits Repaid	(505,805)	
(222,377)		(517,305)	
<b>19,448</b>	<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>(3,593)</b>
<b>2,700</b>	<b>(Increase) / Decrease in Cash</b>		<b>3,562</b>

## Cash Flow Statement – Notes

### *Note 1 ~ Reconciliation of Consolidated Revenue Account to Revenue Activities Cash Flow*

	2003-04 £000s	2003-04 £000s	2002-03 £000s
<b>(Surplus)/Deficit per the Financial Statement</b>		(3,962)	(2,140)
<b>Non Cash Transactions</b>			
Contributions to Reserves	(36,775)		70,349
Contributions to Capital	(3,561)		(4,067)
Non Cash Movements Relating to Loans Fund	(15,945)		(17,124)
Other Movements	5,766	(50,515)	416
		(54,477)	47,434
<b>Movements in Working Capital</b>			
Decrease in Pension Liability	36,209		(70,911)
Increase in Stock and Work in Progress	229		414
Increase in Debtors	5,817		(6,645)
Increase in Deferred Charge	3,288		(314)
Increase in Creditors	(6,269)	39,274	(6,334)
		39,274	(83,790)
<b>Net Cash Flow from Revenue Activities</b>		<b>(15,203)</b>	<b>(36,356)</b>

### *Note 2 ~ Analysis of Balances of Cash*

	As at 31 March 04 £000s	As at 31 March 03 £000s	Movement £000s
Cash	42	40	(2)
Bank Overdraft	(9,713)	(6,149)	3,564
<b>(Increase) / Decrease in Cash</b>	<b>(9,671)</b>	<b>(6,109)</b>	<b>3,562</b>

### *Note 3 ~ Analysis of Government Grants*

	£000s
<b>Specific Grants</b>	
Police Board	9,680
Sheltered Employment	14
In Service Teacher Training	182
Education - Gaelic Language	108
Social Work - Mental Illness Specific Grant	320
Social Work - Child Care Training Grant	45
National Priorities Action Fund	3,477
Continuing Professional Development - Teachers	341
School Estate Management	84
Early Years Workforce Development	90
Teachers Job Sizing	327
Probationary Teachers	105
	14,773
<b>Other Grants</b>	
Revenue Support Grant	136,635
DSS Grants - Housing	33,744
	170,379
<b>Cash Flow From Government Grants</b>	<b>185,152</b>

## Cash Flow Statement – Notes

### *Note 4 ~ Movement in Financing*

	£000s
<b>Loans Repaid</b>	
Temporary Loans	2,048
PWLB	9,474
Other Loans	85
Covenant Repaid	150
Short-term Deposits	(505,805)
	(494,048)
<b>New Loans</b>	
Temporary Loans	(2,000)
Market Loans	(9,500)
Short Term Deposits Repaid	501,955
	490,455
<b>Cash Outflow from Financing</b>	<b>(3,593)</b>

## Statement of Total Movement in Reserves

	General Fund Balance £000s	Insurance Fund £000s	Renewals & Repairs Fund £000s	HRA Balance £000s	Total Revenue Balances £000s	Pension Reserve £000s
<b>Fund Balances &amp; Reserves</b>						
Balance as at 1 April 2003	3,304	1,067	1,225	-	5,596	(70,911)
Net Surplus/(Deficit)	3,962	205	361	-	4,528	36,209
<b>Balance as at 31 March 2004</b>	<b>7,266</b>	<b>1,272</b>	<b>1,586</b>	<b>-</b>	<b>10,124</b>	<b>(34,702)</b>

	Fixed Asset Restatement Reserve £000s	Capital Financing Reserve £000s	Usable Capital Receipts Reserve £000s	Capital Fund £000s
<b>Capital Reserves</b>				
Balance as at 1 April 2003	149,837	79,481	-	1,380
Net Surplus/(Deficit) for the year	-	(18,341)	-	1,258
Other Adjustments	7,052	-	-	-
Unrealised Gains/(Losses) on Revaluation of Assets	41,854	-	-	-
<b>Effects of Fixed Assets Disposals</b>				
Value of Assets Disposed of	(9,078)	-	-	-
Net Proceeds from Asset Disposals	-	-	10,011	-
<b>Net Surplus/(Deficit) for the year</b>	<b>(9,078)</b>	<b>-</b>	<b>10,011</b>	<b>-</b>
Financing of Fixed Assets	-	-	(2,641)	-
Transferred to Capital Fund	-	-	(188)	-
Applied to Repay Debt	-	-	(7,182)	-
<b>Balance as at 31 March 2004</b>	<b>189,665</b>	<b>61,140</b>	<b>-</b>	<b>2,638</b>

### *Note to Statement of Total Movement in Reserves*

The actuarial gain included as part of the movement on the Pension Reserve in 2003-04 can be analysed into the following categories, measured as absolute amounts and percentage of assets or liabilities as at 31 March 2004:-

2002-03 £000s	%		2003-04 £000s	%
(72,454)	-35.3	Differences between the expected and actual return on assets	37,358	14.5
831	0.3	Differences between actuarial assumptions about liabilities and actual experience	(278)	-0.1
<b>(71,623)</b>		<b>Actuarial Gain in Pension Fund</b>	<b>37,080</b>	

## Common Good, Trusts and Charities Accounts

The Council administers a number of Common Good Funds relating to the areas of the former burghs together with a variety of Charitable Trusts and Bequests. A summary of these is as follows: -

### *Summary of Common Good Funds*

	Darvel £000s	Cumnock £000s	Kilmarnock £000s	Newmilns £000s	Stewarton £000s	Total £000s
Capital Balance 1 April 2003	-	1	153	-	-	154
Revenue Balance 1 April 2003	1	1	23	2	2	29
	<b>1</b>	<b>2</b>	<b>176</b>	<b>2</b>	<b>2</b>	<b>183</b>
<b>Expenditure During Year</b>						
Capital	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
<b>Income During Year</b>						
Capital	-	-	-	-	-	-
Revenue	-	-	7	-	-	7
Capital Balance at 31 March 2004	-	1	153	-	-	154
Revenue Balance at 31 March 2004	1	1	30	2	2	36
	<b>1</b>	<b>2</b>	<b>183</b>	<b>2</b>	<b>2</b>	<b>190</b>

### *Summary of Charities and Bequests*

2002-03 Revenue Fund £000s	2002-03 Capital Fund £000s	2002-03 Total Funds £000s	Fund Balances	2003-04 Revenue Fund £000s	2003-04 Capital Fund £000s	2003-04 Total Funds £000s
545	66	611	Opening Balances at 1 April	541	65	606
28	1	29	Expenditure	36	-	36
24	-	24	Income	24	-	24
(4)	(1)	(5)	Surplus/(Deficit)	(12)	-	(12)
541	65	606	Closing Balances at 31 March	529	65	594

2002-03 £000s	Balance Sheet as at 31 March 2004	2003-04 £000s
13	Investments - External	13
593	Investments - Loans Fund	581
<b>606</b>		<b>594</b>
	<b>Financed By:-</b>	
65	Capital Funds	65
541	Revenue Funds	529
<b>606</b>		<b>594</b>

## Charities and Trusts – Origins and Purpose

Name of Fund	Origin and Purpose	Manner Invested		
		Loans Fund £s	OTHER £s	
Robert Crawford's Bequest	To Provide Books For Public Library	6,424	1,600	Govt. Stock
Robert Cumming's Bequest	To Provide annuity For Testators Legatee Remainder For Maintenance Of Indigent Orphans Natives Of Kilmarnock/Ayrshire	3,125		
John Fulton's Soup Kitchen Trust	To Distribute Soup To The Poor	27,648	100	Govt. Stock
Murdoch's Trust	To Provide An Annual Payment To One Poor Aged Deserving Person Resident In Kilmarnock	3,122		
Misses Parker's Bequest	To Provide Payments To Females Suffering From Incurable Diseases	1,831		
Tannock's Trust	To Provide Annuities To Females	3,054		
Archibald Taylor Fund	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescence For Certain Class Of Spinsters	375,385		
Matthew L. Cochran's Bequest	To Provide Holidays For Elderly Deserving People Resident in Kilmarnock	14		
Mair Bequest	To Provide Relief To Deserving Poor Natives Or Inhabitants Of Newmilns	115,594		
B.C. Roxburgh Bequest	To Be Used For The Benefit Of The Of Citizens Of Darvel	21,160		
Newmilns Benevolent Association	To make grants for the alleviation of illness to persons residing in Newmilns and Greenholm	1,948		
East Ayrshire Emergency Relief Trust	To provide assistance within East Ayrshire Council for any organisation, body, individual resident or person within the district suffering, or affected by hardship, poverty or distress as a consequence of any emergency, natural disaster, flood, subsidence	-	7,522	Bank Deposit
Graham Ramage Trust	For Cumnock Senior Citizens Club	1,033	1,367	Govt. Stock
Sommerville Trust	Relief of Poor - Sorn Parish	557		
Misses Murray Legacy Trust	Relief of Poor - Old Cumnock Parish	1,433	500	Govt. Stock
D Smiths Trust	To Maintain Burial Grounds	899		
Mrs E McWhirter Trust	To Maintain Burial Grounds - Dalmellington Burial Grounds	240	824	Govt. Stock
Dalmellington Cemetery Trust	To Maintain Burial Grounds	77		
R Mitchell Trust	Upkeep of Lair - Mauchline Cemetery	15	50	Govt. Stock
Mrs H S Wilson Trust	Upkeep of Lair - New Cumnock Cemetery	46	122	Govt. Stock
Dalrymple Cemetery Trust	To Maintain Burial Grounds	33	100	Govt. Stock
Polish Patients Fund	Upkeep of Memorial Stone - Mauchline	3	11	Govt. Stock
Miss A Stevenson Trust	Upkeep of Lair - Mauchline Cemetery	133		
Mrs C Gordon Trust	Upkeep of Lair/Headstone Auchinleck Cemetery	133		
Miss J Leiper Young Trust	Upkeep of Lair/Headstone Mauchline Cemetery	133		
Miss J.M.M. Cuthbert Executory	Upkeep of Lair/Headstone Stair Cemetery	133		
GAA Trust	To Maintain Burial Grounds	3,367	922	Heritable Property
Gavin Memorial Fund	To Provide Prizes for Schools in Dalmellington	1,185		
Brown Prize Fund	To Provide Prizes for Dux Boy & Girl at Cumnock Academy	241		
Hon. Alex Shaw Prize	To provide prizes at Kilmarnock Academy	109		
Morton Steven Dux Medal	To provide A Dux Medal at Kilmarnock Academy	405		
Latta Dux Medal	To provide A Dux Medal at Cumnock Academy	207		
Jas. Mackie Memorial Prize	To provide prizes at Kilmarnock Academy	91		
Hunter Stewart Fund	To provide A Dux Medal at Doon Academy	98		
Hood Endowment	To provide prizes at Loudoun Academy	74		
Arch. Hood Prize	To provide prizes at Newmilns Loudoun Academy	144		
A.B. Carswell Prize	To provide prizes at Loudoun Academy	284		
William Wilson Memorial Prize	To provide a cash prize for leadership (Girl) at Auchinleck Academy	125		
Margaret Wilson Memorial Prize	To provide a cash prize for leadership (Boy) at Auchinleck Academy	95		
McKenzie Prizes	To provide prizes for nature study at Auchinleck Academy	98		
Galston Town Council Dux Medal	To provide Dux medals at Galston junior secondary & St Sophia's RCS	160		
George Mason Prize Fund	To provide a prize for Art at Grange Academy	42		
Robert C. Grant Prize Fund	To provide prizes at Kilmarnock Academy	166		
Miss Mary C. Smith Memorial Prize	To provide prizes at Loanhead Primary School	43		
Marion Hamilton Memorial Prize	To provide bursaries at Auchinleck Academy	41		
Sarah B Campbell	To provide bursaries for Bellsbank Primary School	2,056		
Jean G Glennie	To provide prizes at Auchinleck Academy	50		
John Minto Prize Fund	To provide a prize at Loanhead Primary	113		
W S Oughton Memorial Prize Fund	To provide a prize at Doon Academy	60		
Sir Alexander Fleming Prize Fund	To provide a prize for science at Loudoun Academy	244		
John C. Kennedy Trust	To provide a prize at Bellsbank Primary School	6,305		
Agnes Smith Campbell Prize Fund	To provide a prize at Doon Academy	427		
T K Stevenson Memorial Prize	To provide prizes at Greenmill Primary	75		
		<b>580,478</b>	<b>13,118</b>	

## Charities and Trusts – Capital and Revenue Accounts

	Amount of Fund at 31 March 2003		Expenditure During Year		Income During Year		Amount of Fund at 31 March 2004	
	Capital £s	Revenue £s	Capital £s	Revenue £s	Capital £s	Revenue £s	Capital £s	Revenue £s
Robert Crawford's Bequest	2,650	5,080	-	-	-	294	2,650	5,374
Robert Cumming's Bequest	3,080	7,758	-	(7,986)	-	273	3,080	45
John Fulton's Soup Kitchen Trust	1,443	33,562	-	(8,500)	-	1,243	1,443	26,305
Murdoch's Trust	100	2,902	-	-	-	120	100	3,022
Misses Parker's Bequest	1,365	396	-	-	-	70	1,365	466
Tannock's Trust	2,255	682	-	-	-	117	2,255	799
Archibald Taylor Fund	17,599	345,386	-	(2,059)	-	14,459	17,599	357,786
Matthew L. Cochran's Bequest	660	39	(646)	(53)	-	14	14	-
Mair Bequest	15,378	110,647	-	(15,711)	-	5,280	15,378	100,216
B. C. Roxburgh Bequest	10,796	10,752	-	(1,224)	-	836	10,796	10,364
Newmilns Benevolent Association	-	1,728	-	-	-	220	-	1,948
East Ayrshire Emergency Relief Trust	-	7,392	-	-	-	130	-	7,522
Graham Ramage Trust	1,837	469	-	-	-	94	1,837	563
Sommerville Trust	119	417	-	-	-	21	119	438
Misses Murray Legacy Trust	500	1,360	-	-	-	73	500	1,433
D. Smith's Trust	100	765	-	-	-	34	100	799
Mrs E. McWhirter Trust	824	203	-	-	-	37	824	240
Dalmellington Cemetery Trust	58	16	-	-	-	3	58	19
R Mitchell Trust	50	12	-	-	-	3	50	15
Mrs H S Wilson Trust	122	39	-	-	-	7	122	46
Dalrymple Cemetery Trust	100	28	-	-	-	5	100	33
Polish Patients Fund	11	3	-	-	-	-	11	3
Miss A. Stevenson Trust	100	27	-	-	-	6	100	33
Mrs C. Gordon Trust	100	27	-	-	-	6	100	33
Miss J. Leiper Young Trust	100	27	-	-	-	6	100	33
Miss J.M.M. Cuthbert Executory	100	27	-	-	-	6	100	33
GAA Trust	922	3,238	-	-	-	129	922	3,367
Gavin Memorial Fund	1,040	100	-	-	-	45	1,040	145
Brown Prize Fund	216	5	-	-	-	20	216	25
Hon. Alex Shaw Prize	100	5	-	-	-	4	100	9
Morton Steven Dux Medal	207	183	-	-	-	15	207	198
Latta Dux Medal	143	95	-	(40)	-	9	143	64
Jas. Mackie Memorial Prize	65	23	-	-	-	3	65	26
Hunter Stewart Fund	94	-	-	-	-	4	94	4
Hood Endowment	100	1	(26)	(4)	-	3	74	-
Arch. Hood Prize	100	39	-	-	-	5	100	44
A.B. Carswell Prize	216	54	-	-	-	14	216	68
William Wilson Memorial Prize	109	11	-	-	-	5	109	16
Margaret Wilson Memorial Prize	109	12	(14)	(16)	-	4	95	-
McKenzie Prizes	44	50	-	-	-	4	44	54
Galston Town Council Dux Medal	150	14	-	(10)	-	6	150	10
George Mason Prize Fund	45	-	(3)	(2)	-	2	42	-
Robert C. Grant Prize Fund	164	50	-	(55)	-	7	164	2
Miss Mary C Smith Memorial Prize	50	1	(7)	(3)	-	2	43	-
Marion Hamilton Memorial Prize	50	-	(9)	(2)	-	2	41	-
Sarah B Campbell	259	1,719	-	-	-	78	259	1,797
Jean G Glennie	52	1	(2)	(3)	-	2	50	-
John Minto Prize Fund	100	8	-	-	-	5	100	13
W S Oughton Memorial Prize Fund	30	27	-	-	-	3	30	30
Sir Alexander Fleming Prize Fund	200	40	-	(5)	-	9	200	44
John C Kennedy Trust	1,000	5,063	-	-	-	242	1,000	5,305
Agnes Smith Campbell Prize Fund	400	26	-	(15)	-	16	400	27
T K Stevenson Memorial Prize	50	22	-	-	-	3	50	25
	<b>65,462</b>	<b>540,531</b>	<b>(707)</b>	<b>(35,688)</b>	<b>-</b>	<b>23,998</b>	<b>64,755</b>	<b>528,841</b>

## Statement on the System of Internal Financial Control

This statement is given in respect of the statement of accounts for East Ayrshire Council. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

Any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Council's system of internal financial control throughout the financial year is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes: -

- Comprehensive budgeting systems;
- Setting targets to measure financial and other performance;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts and targets;
- Clearly defined capital expenditure guidelines; and
- Formal project management disciplines, as appropriate.

Internal Audit within East Ayrshire Council is responsible directly to the Chief Executive for the independent appraisal of the Council's internal systems of control. The Chief Auditor has planned and undertaken audit work in order to derive sufficient and appropriate audit evidence as to the adequacy and effectiveness of the Council's systems of internal controls. Based on the evidence collected, Internal Audit is of the opinion that reasonable assurance can be placed upon the systems of internal controls in operation.

Our review of the effectiveness of the system of internal financial control is informed by: -

- The work of managers within the Council;
- The work of the internal auditors as described above; and
- The external auditors in their annual audit letter and other reports.

To ensure the adequacy of the systems of internal controls within the Council, agreed improvement plans are identified with the appropriate Council officers at the conclusion of all audits throughout the year. An ongoing review process is in place to monitor the progress on the implementation of these issues and to assist managers in the performance of their duties and responsibilities in these areas. In particular there is an ongoing commitment to strengthen risk management arrangements.

Chief Executive

24 June 2004

Executive Head of Finance

24 June 2004

## Statement of Responsibilities for the Statement of Accounts

### *The Authority's Responsibilities*

The authority is required: -

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For East Ayrshire Council, that officer is the Executive Head of Finance.

### *The Executive Head of Finance's Responsibilities*

The Executive Head of Finance is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASSAC Code of Practice on Local Authority Accounting in the United Kingdom, is required to present fairly the financial position of the authority at 31 March 2004 and its income and expenditure for the year.

In preparing this statement of accounts, the Executive Head of Finance has: -

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice unless otherwise indicated;
- Kept proper accounting records and introduced procedures to ensure that these are kept up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Corporate Governance Statement of Assurance

East Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, 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 Ayrshire Council's affairs and the stewardship of the resources at its disposal. To this end, East Ayrshire Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: : A Keystone for Community Government. A copy of the code, the update on the 2003/04 Action Plan and the current year's Action Plan can be downloaded from the Council's website at [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk) or can be obtained from Council Headquarters, London Road, Kilmarnock (01563) 576000.

During 2003/04, East Ayrshire Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both adequate and effective in practice. Specifically, a further review of governance arrangements was undertaken and the conclusion from this review was that the Council complies in all major aspects with the terms of the Framework for Corporate Governance in Local Government. Demonstrating its commitment to ensuring that these arrangements are improved on a continuous basis, the Council has agreed an Improvement Action Plan that will be implemented over the course of 2004/05.

As part of the review of the Council's corporate governance arrangements, Service Directors have reviewed their own areas of specific responsibility and have each confirmed that they are satisfied that these arrangements are robust and operating effectively.

The Council will continue to review its corporate governance arrangements and take any further steps as are required to further enhance these arrangements and will review their implementation and operation as part of the next annual review.

Fiona Lees

Chief Executive

24 June 2004

Councillor John Knapp

Chair Corporate Governance Committee

24 June 2004

## Glossary of Terms

The following definitions are intended to be of assistance to the reader: -

### ***Accruals***

The concept that income and expenditure are recognised as they are earned or incurred, not as money received or paid.

### ***Actuarial Gains and Losses (Pensions)***

The changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or
- (b) the actuarial assumptions have changed.

### ***Asset Management Revenue Account***

The Asset Management Revenue Account is used to administer technical accounting adjustments requiring to be made within the accounts in relation to fixed assets, such that there is no impact on the Council Tax.

### ***Average Discounted Market Value***

The market value of a particular Council dwelling less the average discount entitlement under the Right to Buy legislation.

### ***Capital Charges***

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

### ***Capital Expenditure***

Expenditure on the acquisition of a fixed asset or expenditure which adds to, and not merely maintains, the value of an existing fixed asset.

### ***Capital Financed from Current Revenue (CFCR)***

This relates to revenue income which is used to pay for capital projects.

### ***Capital Financing Cost***

This represents the annual cost of financing the sums borrowed by the Council to fund capital programmes, being the repayment of debt, interest on monies borrowed and expenses incurred in managing the debt portfolio.

### ***Community Assets***

Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### ***Contingency***

A condition which exists at the balance sheet date where the outcome will be confirmed only on the occurrence, or non-occurrence, of one or more uncertain future events.

### ***Corporate and Democratic Core***

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

## Glossary of Terms

### ***Current Service (Pensions) Cost***

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### ***Curtailments (Pensions)***

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

### ***Depreciation***

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes.

### ***Depreciated Historic Cost***

The historic cost of a particular asset less the depreciation written off over the life of that asset to date.

### ***Depreciated Replacement Cost***

The replacement cost of a particular asset less the depreciation written off over the life of that asset to date.

### ***Emoluments***

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax). Employers' Pension contributions are excluded.

### ***Exceptional Items***

All items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### ***Expected Return on Pension Assets***

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### ***Financial Reporting Standard (FRS)***

Financial Reporting Standards are issued by the Accounting Standards Board and define proper accounting practice for a given transaction or event.

### ***Fixed Assets***

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### ***Government Grants***

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the authority.

### ***Impairment***

A reduction in the value of a fixed asset below the valuation held on the balance sheet.

## Glossary of Terms

### ***Infrastructure Assets***

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### ***Interest Cost (Pensions)***

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### ***National Non Domestic Rates Pool***

All non domestic rates collected by local authorities are remitted to the national pool and, thereafter, distributed to councils by the Scottish Executive.

### ***Net Book Value***

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

### ***Net Realisable Value***

The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

### ***Non-Operational Assets***

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### ***Operating Leases***

A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

### ***Operational Assets***

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### ***Past Service Costs (Pensions)***

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### ***Prior Year Adjustments***

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### ***Related Party Transactions***

A related party transaction is the transfer of assets or liabilities, or the performance of services, by, to, or for a related party irrespective of whether a charge is made.

## Glossary of Terms

### ***Service Expenditure Analysis (SEA)***

The Service Expenditure Analysis groups together expenditure on services within headings or divisions as defined in the Best Value Accounting Code of Practice.

### ***Specific Government Grants***

These are grants received from Central Government in respect of a specific purpose or service.

### ***Stocks***

Comprise the following categories:

- (a) Goods or other assets purchased for resale;
- (b) Consumable stores;
- (c) Raw materials and components purchased for incorporation into products for sale;
- (d) Products and services in intermediate stages of completion;
- (e) Long-term contract balances; and
- (f) Finished goods.

### ***Trading Operations***

The term Trading Operations is used to cover both Direct Labour Organisations (DLOs) established under the Local Government, Planning and Land Act 1980 and DSOs established under the Local Government Act 1988.

### ***Unapportionable Central Overheads***

These are overheads for which no user directly benefits and which should not be apportioned to services.

### ***Useful Life***

The period over which the local authority will derive benefits from the use of a fixed asset.

## **Independent Auditors' Report**

The audit of East Ayrshire Council's Accounts for 2003/04 will be carried out by Price Waterhouse Coopers between July and September 2004 and the figures contained herein are subject to audit. The Auditors' certificate relative to the accounts is expected in October 2004 and the audited accounts will be presented to the Council for approval thereafter.