

**EAST AYRSHIRE COUNCIL**  
**COUNCIL MEETING – 24 JUNE 2004**  
**ABSTRACT OF ACCOUNTS 2003/04**

**Report by Executive Head of Finance**

**1 PURPOSE OF REPORT**

- 1.1 To submit the Annual Accounts for 2003/04 to the Council and to seek approval to forward them to the Controller of Audit.

**2 BACKGROUND**

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

**3 INTRODUCTION**

- 3.1 The Abstract of Accounts show the actual figures for 2003/04 and the equivalent amounts for 2002/03.

**4 2003/04 OUT-TURN**

**4.1 Overall Position**

The cumulative surplus on the General Services Revenue Account at 31 March 2004 is 7.266m. There are commitments of £3.577m however to be set against this balance arising from the carry forward of projects against which there is earmarked funding and the Council's budget carry forward scheme. After allowing for such items an uncommitted balance of £3.689m can be identified.

**4.2 Trading Operations**

The Local Government in Scotland Act 2003 effectively repealed the legislation covering CCT which has been in place since 1980 and which led to the creation of DLOs and DSOs.

- 4.3 Under the 1980 Act DLOs and DSOs had a statutory financial target of break even which meant that separate Trading Accounts had to be maintained and that Authorities had to include a summary of DLO/DSO statements in their Accounts. Legislation also required that Authorities publish separate Annual Reports for DLOs and DSOs. Following the introduction of the 2003 Act these requirements are no longer relevant and guidance on the use of trading accounts has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

- 4.4** In line with the guidance a review of potential Trading Operations requiring disclosure in the accounts was carried out and concluded that whilst no new disclosure requirements were evident, all of the Trading Accounts maintained by the Council and disclosed previously should continue to be disclosed on the basis that the services' charging arrangements have not moved significantly from the former CCT arrangements and that the Trading Accounts maintained are regarded as an essential performance management mechanism. The new act allows this to be reviewed on a case by case basis however and Departments will consider the efficiency, effectiveness and appropriateness of these arrangements as part of their service review programme over the next three years.
- 4.5** In line with the new act it is proposed that the necessary textual changes should be made to the Council's Scheme of Delegation and Administration to replace the terms "DLO" and "DSO" with "Trading Operation".

## 5 APPROPRIATIONS

### 5.1 Renewals and Repairs Fund

- 5.1.1** The Housing Revenue Account shows a closing balance for the year of £0.215m. As in previous years Members are asked to approve the transfer of this surplus to the Renewals and Repairs Fund. The net effect of these transactions would be a closing balance of £1.122m available for the HRA within the Fund. In addition, Members should note that the Housing Committee in November 2003 approved the transfer of £0.300m from the Fund to the Housing Revenue Account. Options for best utilisation of this sum are still being evaluated and the transfer was not completed in 2003/04 but should be made in the current financial year.
- 5.1.2** All Trading Operations achieved surpluses for the year and in accordance with previously approved Council policy on year-end flexibility it is proposed to transfer the approved element of those surpluses to the Renewals and Repairs Fund, with the individual amounts earmarked for the relevant Trading Operation.

	Budgeted Surplus	Actual Surplus	Variance	Surplus to Renewals and Repairs Fund (50% of Variance or £0.100m)	Balance to General Fund
	'£000	£000	£000	£000	£000
Onsite	133	191	58	29	162
Roads	30	110	80	40	70
Vehicle Maintenance	10	63	53	26	37
Street Lighting	0	10	10	5	5
Refuse Collection	25	81	56	29	52
Street Cleaning	20	49	29	14	35
Leisure Management	12	35	23	11	24
Outdoor Amenities	29	35	6	4	31
Building and Works	486	1051	565	100	951
	<b>745</b>	<b>1625</b>	<b>880</b>	<b>258</b>	<b>1367</b>

## **5.2 Capital Fund**

- 5.2.1** The Council previously approved the establishment of a Capital Fund and it is proposed to transfer capital receipts totalling £0.243m to the Fund. In addition it is proposed that financial support totalling £1.015m received through the Better Neighbourhood Services Fund to enable the inclusion of improved community facilities within the new Shortlees community primary school being commissioned as part of the Council's Building learning Communities PPP Project should be credited to the Capital Fund. This would result in a closing balance of £2.638m.
- 5.2.2** The financial plan for the Building learning Communities PPP Project envisages that the land on which the existing facilities are built will be declared surplus once occupation of the new buildings is complete. The proceeds from the sale of this land, currently estimated to be in excess of £4.5m, would be credited to the Capital Fund.
- 5.2.3** In considering the ongoing revenue consequences of the project it would be beneficial for the Council to apply the Capital Fund where possible in order to limit the use of private sector funding. The balance of the fund is projected to be in the region of £5.5m by 31 March 2006 and it is proposed that the Council resolve to commit this sum from the fund to the project with the fund being replenished with the proceeds from the sale of the surplus land. In the event that the balance in the Fund is less than £5.5m at the date when the commitment is required, the shortfall would be borrowed under the Prudential Framework and repaid once the land sale receipts were received.

## **6 PUBLIC INSPECTION**

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

## **7 RECOMMENDATIONS**

It is recommended that members:

- 7.1** approve the textual changes to the Scheme of Delegation and Administration indicated in paragraph 4.5;
- 7.2** approve the transfer of £0.215m from the Housing Revenue Account to the Renewals and Repairs Fund;
- 7.3** approve the transfer of £0.258m from Trading Operations to the Renewals and Repair Fund;
- 7.4** approve the transfer of £1.258m to the Capital Fund indicated in paragraph 5.2.1;
- 7.5** approve the application of the capital fund to the Building learning Communities PPP Project as set out in paragraph 5.2;

**7.6** approve the Annual Accounts for 2003/04 accordingly and instruct that they be forwarded to the Controller of Audit; and

**7.7** otherwise note the contents of this report.

Alex McPhee  
**Executive Head of Finance**

AMcP/JP  
11 June 2004  
ENC (2)

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

**NIL**

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