

**EAST AYRSHIRE COUNCIL**  
**COUNCIL MEETING – 23 JUNE 2005**  
**FINANCIAL STATEMENTS 2004/05**  
**Report by Executive Head of Finance**

**1 PURPOSE OF REPORT**

- 1.1** To submit the Financial Statements for the year ended 31 March 2005 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 Financial Statements show the actual figures for 2004/05 and the equivalent amounts for 2003/04. The Statements are set out in the format required by The Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.

**4 2004/05 OUT-TURN**

**4.1 Overall Position**

- 4.1.1** Gross revenue expenditure for the year was £333.701m. This represents the running costs of all council services and illustrates the significant size and complexity of the Council's business.
- 4.1.2** The accounts show capital expenditure in the year of £28.202m. This represents a considerable level of investment in Council assets including schools, roads, flood prevention and housing.
- 4.1.3** For 2004/05 there was a revenue fund surplus of £8.703m. Of this, £4.022m is earmarked for use by individual departments in terms of the Councils budgetary arrangements. This arises from a variety of sources including slippage against planned commitments, income in excess of targeted levels, and limited national availability of staff in certain professional areas.

4.1.4 The main sources of the uncommitted balance for the year of £4.681m are shown below;

Source	£m
Trading Services Surplus in Excess of Estimate	2.087
Less Transfer to Renewal & Repairs Fund	-0.390
Contingency Fund Not Required	0.650
Improvement in Council Tax Yield	0.632
Changes to Benefits Grant Regulations	0.624
Reduction in Debt Charges	0.578
Other Issues	0.500
<b>Total</b>	<b>4.681</b>

4.1.5 The cumulative balance stands at £16.613m of which £7.103m is already earmarked for use. The remaining £9.510m amounts to 4.5% of net expenditure. The Council's reserves strategy sets a maximum level of 4% or £8.395m. In February 2005, in determining the budget for 2005/06, Members indicated that the use of balances in excess of the optimum level will be considered as part of the budget process for 2006/07. It is the case however that balances should only be used to fund one-off or time limited issues and not to cover ongoing costs of services.

## 4.2 Trading Operations

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

4.2.2 A review of potential Trading Operations requiring disclosure in the accounts carried out in 2004 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.

4.2.3 All of the Council's trading operations delivered an outcome better than their statutory financial target.

## 5 APPROPRIATIONS

### 5.1 Renewals and Repairs Fund

- 5.1.1** The Housing Revenue Account shows a closing balance for the year of £0.344m. 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 £1.521m available for the HRA within the Fund
- 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.

Trading Operation	Budgeted Surplus	Actual Surplus	Variance	Proposed Transfer to Renewals and Repairs Fund	Balance to General Fund
	£000	£000	£000	£000	£000
Onsite	269	296	27	14	282
Roads	30	104	74	37	67
Vehicle Maintenance	10	47	37	18	29
Street Lighting	0	37	37	18	19
Refuse Collection	25	52	27	14	38
Street Cleaning	20	92	72	36	56
Leisure Management	12	33	21	10	23
Outdoor Amenities	29	197	168	143	54
Building and Works	600	2,224	1,624	100	2,124
<b>Total</b>	<b>995</b>	<b>3,082</b>	<b>2,087</b>	<b>390</b>	<b>2,692</b>

- 5.1.3** The surplus achieved in the Outdoor Amenities account is higher than expected due to unavoidable slippage on essential repairs. It is proposed that provision for these works estimated at £0.118m be transferred to the Renewals and Repairs Fund and released back to the department in 2005/06 to ensure that the repairs can be completed.

### 5.2 Capital Fund

- 5.2.1** The Council previously approved the establishment of a Capital Fund. It has been the practice to credit income from the sale of surplus assets to the fund and it is proposed that this be continued. In order to ensure that adequate resources are available for the management of assets including costs of assessment,

demolition and disposal it is proposed that a Property Disposal Fee be levied on all such sales with effect from 2004/05. This would result in a net credit to the Capital Fund of £2.488m for the year and a closing balance of £5.255m.

## **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 transfer of £0.344m from the Housing Revenue Account to the Renewals and Repairs Fund;
- 7.2** approve the transfer of £0.390m from Trading Operations to the Renewals and Repairs Fund and the release of £0.118m for Outdoor Amenity repairs in 2005/06;
- 7.3** approve the transfer of £2.488m to the Capital Fund indicated in paragraph 5.2.1;
- 7.4** approve the Annual Accounts for 2004/05 accordingly and instruct that they be forwarded to the Controller of Audit; and
- 7.5** otherwise note the contents of this report.

Alex McPhee  
**Executive Head of Finance**

AMcP/JP  
14 June 2005  
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### **LIST OF BACKGROUND PAPERS**

**NIL**

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