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This statement reports the net revenue expenditure for the year for all Council services and the funding of this expenditure by Government Grants and local taxation. The cumulative balance on the general fund is detailed.	
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The 2002/2003 accounts of the Council are detailed on pages 8-34, 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 2002 : A Statement of Recommended Practice.

### ***Accounting Policies***

The Statement of Accounting Policies detailed on pages 4-7 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 2002/2003 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, with the Housing Revenue Account relating to those activities associated with the provision of council housing.

The Consolidated Revenue Account on page 8 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 9-15 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 2003.

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 8 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 2002/2003 the statement reports a surplus for the year of £2.140M, which when added to the opening balance of £1.164M results in a cumulative balance of £3.304M as at 31 March 2003.

It should be noted that there are significant commitments against this balance in 2003/2004 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 2002/2003 to create flexibility and to assist medium term financial planning. After allowing for all such items an uncommitted balance of £1.524M can be identified as at 31 March 2003.

The Consolidated Revenue Account highlights that income from Council Tax amounted to £34.570M during 2002/2003, 18% of total funding. During 2002/2003 a council tax of £966.60 was levied in respect of Band D properties.

The largest source of funding received by the Council is Government Grants in the form of Revenue Support Grant

The average rent level set for the year amounted to £36.89 per week.

### **Direct Labour and Direct Service Organisations (DLO/DSO's)**

The Council is obliged by statute to account for the operations of its direct labour and direct service organisations. The statement on pages 19-20 summarises the income, expenditure and resultant surplus in respect of each of the Council's DLO/DSO's. There is a statutory requirement for each direct labour / direct service organisation to at least break even, and all of the Councils DLO/DSO's exceeded this financial objective in 2002/2003.

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 services of DLO/DSO's.

### **Financial Performance**

	<b>General Fund Balance £000s</b>	<b>HRA Balance £000s</b>	<b>Renewals &amp; Repairs Fund £000s</b>	<b>Capital Fund £000s</b>	<b>Total £000s</b>
<b>Fund Balances &amp; Reserves</b>					
Balance as at 1 April 2002	1,164	-	666	621	2,451
Net Surplus/Enhancement for the year	2,140	241	-	-	2,381
Balance transferred	-	(241)	559	759	1,077
<b>Balance as at 31 March 2003</b>	<b>3,304</b>	<b>-</b>	<b>1,225</b>	<b>1,380</b>	<b>5,909</b>

### **Capital Expenditure**

Capital expenditure during 2002/2003 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.

	<b>Capital Consent £000s</b>	<b>Actual Borrowing £000s</b>	<b>Variance £000s</b>	<b>%</b>
Housing - HRA	3,343	3,237	(106)	(3.17%)
General Services	8,418	8,020	(398)	(4.73%)

Gross Capital Expenditure in 2002/2003 amounted to £20.265M of which £10.135M was spent on General Fund Services and £10.130M on the Housing Programme.

	Education	Social Work	Community	Development	Policy &	Housing -	<b>General</b>	<b>Housing -</b>	<b>TOTAL</b>
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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 2003 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 budgets rigorously over the year have contributed to the excellent financial performance. I would also acknowledge the considerable efforts of staff in the Finance Department which were required to produce the necessary information and to prepare the accounts within the statutory timescale.

Alexander McPhee, ACMA  
**Director of Finance**  
26 June 2003

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002: 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 and Capital Transactions***

Revenue and capital transactions have been recorded on an accruals basis in accordance with the Code of Practice. Accordingly, sums due to or from the Council 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 2003.

Provisions for liabilities of uncertain timing or amount have been recognised in accordance with Financial Reporting Standard (FRS) 12. 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

In line with the requirements of the Code, provision has been made for bad and doubtful debts in respect of:

- Community Charge
- Council Tax
- Non Domestic Rates
- Housing Rents
- Other Debtors

## ***Pension Costs***

In accordance with the transitional arrangements in place in relation to the implementation of FRS 17, the cost of providing pensions for employees is charged to the revenue account in accordance with the statutory requirements governing the pension schemes to which the Council contributes. Full disclosure in respect of pensions is contained within the notes to the Consolidated Revenue Account and Balance Sheet.

The Council participates in two different pension schemes, both of which provide members with defined benefits related to pay and length of service:

### **Teachers' Pension Scheme**

The teachers' scheme is an unfunded scheme administered by the Scottish Executive. The pension cost charged to the accounts being the contribution rate set by the Scottish Executive.

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

Other Employees are eligible to join the Strathclyde Pension Fund, part of the Local Government Superannuation

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

Central and Support Services Costs have been fully allocated to service departments and divisions of service in accordance with the Best Value Accounting Code of Practice.

## ***Loans Fund Interest***

Loans Fund interest has been calculated in accordance with the LASAAC Guidance Note 2. 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 2003.

## ***Deferred Charges and Long Term Prepayments***

In accordance with the recommendations of the Code of Practice in relation to deferred charges and long term prepayments. Certain costs incurred by the Council in relation to the restructure of its borrowings have been retained on the balance sheet and will be written off over the periods benefiting from any such restructure(s).

## ***VAT***

VAT is included within the relevant revenue or capital accounts only to the extent that it is not recoverable from HM Customs and Excise.

## ***Capital Accounting***

All service revenue accounts receive a capital charge for fixed assets used in the provision of services. The total charge covers the annual provision for depreciation, where appropriate, together with a capital financing charge determined by applying a notional interest charge to the net asset value. For 2002/2003 this interest rate is fixed at 6% for all assets by CIPFA/LASAAC. In order to comply with statutory requirements in relation to council housing, capital charges levied against the Housing Revenue Account are equivalent to the statutory loan charges. No capital charges are made to the Common Good or Trust Funds.

## ***Fixed Assets***

All expenditure on the acquisition, creation, or enhancement of fixed assets has been capitalised on an accruals basis. The basis of valuation is as follows;

*Council dwellings are valued on the basis of average discounted market value*

Infrastructure Assets are valued on the basis of depreciated historic cost.

## ***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

## ***Investments***

Investments are recorded within the Consolidated Balance Sheet at cost.

## ***Stocks and Work-In-Progress***

Consumable Stocks and Work-In-Progress are valued on a cost price basis, except in the case of the Building & Works DLO 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 1991/1992 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 is scheduled to be made during 2003/2004.

## ***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 paid into the Fund. Advances are made to departments to finance capital expenditure during the year, with all such advances being repaid by equal annual instalments of principal spread over the appropriate period.

## ***Capital Fund***

Capital receipts received during the financial year are transferred to a Capital Fund established by the Council.

previous system of capital accounting and their initial revaluation, plus the surpluses or deficits on any subsequent revaluation, 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.

Such capital reserves are not available for distribution.

- A Usable Capital Receipts Reserve, which represents the capital receipts available to finance capital expenditure in future years.

### ***Year End Budget Flexibility***

Departments which generate managed savings are permitted to carry forward such balances into the next financial year. In compliance with 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 approved that a proportion of any surplus in excess of that budgeted may be transferred to the Renewals and Repairs Fund, with the remaining balance being transferred to the General Fund.

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

In accordance with FRS 3, 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.

### ***Accounting Policies***

In accordance with FRS 18 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 present fairly the financial position of the Council.

### ***Corporate Governance***

The Council has approved and adopted a code of corporate governance which is consistent with the principals and 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 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.

87,642		Education	98,818	6,424	92,394
(179)		Housing Revenue Account	32,939	33,180	(241)
1,911		General Fund Housing	29,249	27,529	1,720
29,845		Social Work	49,520	13,774	35,746
41,497		Community Services	48,118	4,153	43,965
15,059		Development Services	22,009	5,175	16,834
-	3	Homes and Technical Services	4,469	4,469	-
-	3	Central Services & Corporate Resources	20,650	20,650	-
2,099		Miscellaneous Services	2,086	98	1,988
2,303		Other Specific Budget Items	2,721	-	2,721
4,412	16	Corporate & Democratic Core	4,402	-	4,402
1,379	17	Unapportionable Central Overheads	1,356	-	1,356
2,538	3	Unallocated Central Services and Corporate Resources	3,073	407	2,666
<b>188,506</b>		<b>Net Cost of Services</b>	<b>319,410</b>	<b>115,859</b>	<b>203,551</b>
(1,113)		Net Surplus on DSOs and DLOs			(1,491)
(3,515)	4	Asset Management Revenue Account			(3,845)
(131)		Interest on Revenue Balances			(145)
314	5	Premiums arising from Debt Restructure written off			314
<b>184,061</b>		<b>Net Operating Expenditure</b>			<b>198,384</b>
		<b>Appropriations</b>			
(66)		Transfer from HRA Balances			-
(8,743)		Transfer to Capital Financing Reserve			(6,631)
1,081		Contribution to Insurance Fund			1,670
245	6	Contribution to Renewals and Repairs Fund			559
<b>176,578</b>		<b>Amount to be met from Government Grants and Council Tax</b>			<b>193,982</b>
		<b>Sources of Finance</b>			
91,472		Revenue Support Grant			105,843
36,664		Non-Domestic Rate Income			40,484
15,824		Specific Grants			15,225
32,778		Council Tax			34,570
<b>176,738</b>		<b>Income from Government Grants and Council Tax</b>			<b>196,122</b>
<b>(160)</b>		<b>Net General Fund Surplus for the year</b>			<b>(2,140)</b>
<b>(1,004)</b>		<b>Balances on General Fund Brought Forward</b>			<b>(1,164)</b>
<b>(1,164)</b>		<b>Surplus on General Fund Carried Forward</b>			<b>(3,304)</b>

It should be noted that there are significant commitments against this balance in 2003/2004 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 2002/2003 to create flexibility and to assist medium term financial planning. After allowing for all such items an uncommitted balance of £1.524M can be identified as at 31 March 2003.

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

The service summary at page 8 is presented below on a subjective basis.

<b>What the money was spent on:-</b>		
<b>2001-02 Actual £000s</b>		<b>2002-03 Actual £000s</b>
96,818	Employee Costs	101,973
28,279	Property Costs	29,650
5,618	Transport Costs	6,080
23,610	Supplies & Services	29,975
56,844	Third Party Payments	65,719
2,540	Transfer Payments	2,021
208	Provision for Bad Debts	436
23,983	Central Support Costs	24,325
32,893	Funding Costs	31,033
26,737	Housing Benefit Payments	28,198
<b>297,530</b>	<b>Cost of Council Services</b>	<b>319,410</b>
(1,113)	Trading Services Surplus	(1,491)
1,081	Contribution to Insurance Fund	1,670
245	Contribution to Renewals and Repairs Fund	559
(66)	Transfer from HRA Balances	-
(12,075)	Capital Accounting Adjustment	(10,307)
<b>285,602</b>	<b>Total Expenditure</b>	<b>309,841</b>

<b>Where the money came from:-</b>		
31,776	Housing Rents	31,503
77,248	Other Income	84,356
<b>109,024</b>	<b>Income Related to Council Services</b>	<b>115,859</b>
91,472	Revenue Support Grant	105,843
15,824	Specific Grants	15,225
20,000	Other Grants	10,000

for work undertaken in relation to procurement and technical support. A surplus of £0.184M against direct costs has arisen during 2002/2003. This is included in the support cost allocation in accordance with 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.

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.

	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net £000s</b>
<b>Central Services &amp; Corporate Resources</b>			
<b>Central Services</b>			
Finance	5,905	5,905	-
Democratic Process	697	697	-
Corporate Office Accommodation	2,056	2,056	-
Cost of Tax Collection	924	-	924
Administration of Housing Benefits	1,506	-	1,506
	<b>11,088</b>	<b>8,658</b>	<b>2,430</b>
<b>Corporate Resources</b>			
Central Management Support	115	115	-
Chief Executive Office	607	607	-
Administration & Legal Services *	1,975	1,788	187
Personnel Services	1,337	1,337	-
Information Technology	4,087	4,087	-
Corporate Development & Communication	617	617	-
Childrens Panel	49	-	49
	<b>8,787</b>	<b>8,551</b>	<b>236</b>
<b>TOTAL</b>	<b>19,875</b>	<b>17,209</b>	<b>2,666</b>

\* Unallocated Support Costs - District Court/Licensing Board

	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net £000s</b>
<b>Homes &amp; Technical Services</b>			
Contracting & Technical Services	(245)	(245)	-
Property Services	537	537	-
Central Repairs Account	1,686	1,686	-
<b>TOTAL</b>	<b>1,978</b>	<b>1,978</b>	<b>-</b>

	<b>Gross</b>	<b>Gross</b>	

15,484	Depreciation	15,413
12,420	Loans Fund Interest	11,783
244	Loans Fund Expenses	154
<b>28,148</b>	<b>Total Expenditure</b>	<b>27,350</b>
(33,026)	Capital Charges	(31,163)
(33)	Notional Interest on DLO/DSO Stock Balance	(32)
<b>(33,059)</b>	<b>Total Income</b>	<b>(31,195)</b>
<b>(4,911)</b>	<b>Total Net Expenditure / Income</b>	<b>(3,845)</b>

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. This is a requirement of the Local Authority Accounting Code of Practice. The effect is to charge services as follows: -

	<b>Total Assets Utilised £000s</b>	<b>Capital Charges Made £000s</b>	<b>Loan Charges Paid £000s</b>
Housing Revenue Account*	177,542	9,492	9,492
General Fund Housing	-	-	832
Education	158,275	13,203	2,573
Social Work	9,606	893	763
Community Services	21,266	1,933	1,530
Development Services	42,019	3,924	4,055
Policy & Resources	9,370	1,589	1,286
DLO/DSO's	786	161	359
	<b>418,864</b>	<b>31,195</b>	<b>20,890</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 2002/03 the Council did not enter into any new transactions in respect of the repurchase of loans; the resultant movement in long term prepayments is as follows: -

		<b>£000s</b>	<b>£000s</b>
Balance as at 1 April 2002			10,744
Premiums / (Discounts) during year		-	
Less: balance written off during year		(314)	(314)
			<b>10,430</b>
<b>Represented by:</b>	<b>Prior Years £000s</b>	<b>2002/03 £000s</b>	<b>Total £000s</b>

2001/02 Balance £000s		Transfers from the Fund £000s	Transfers to the Fund £000s	2002/03 Balance £000s
666	Housing Revenue Account	(200)	441	907
	Building & Works		100	100
	Onsite		74	74
	Roads		-	-
	Vehicle Maintenance		25	25
	Refuse Collection		15	15
	Street Cleansing		24	24
	Leisure Management		6	6
	Outdoor Amenities		74	74
<b>666</b>	<b>Renewals &amp; Repairs Fund Balance</b>	<b>(200)</b>	<b>759</b>	<b>1,225</b>

### **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 2003 the balance on the fund amounted to £1.067M, a revenue contribution of £1.670M having been made in 2002/03.

### **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 received during 2002/03 amounted to £0.258M, (2001/02: £0.341M).

	Income £000s
Onsite Services	184
Outdoor Amenities DSO	4
Refuse Collection DSO	25
Street Cleansing DSO	45
	<b>258</b>

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

The Council's expenditure under this statute, which is for the benefit of local residents, is limited to the product of £3.80 and the population of the Council's area. For 2002/03 the limit was £0.458M. Expenditure amounted to £0.428M (2001/02: £0.413M) and is included within service spending.

	within this band
£40,000 - £49,999	53
£50,000 - £59,999	26
£60,000 - £69,999	-
£70,000 - £79,999	5
£80,000 - £89,999	1
£90,000 - £99,999	1
£100,000 +	-
<b>TOTAL</b>	<b>86</b>

## **Note 12 ~ Pension Costs**

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. This being a 'final salary' based scheme it is not possible for these accounts to fully comply with all the disclosure requirements of the Accounting Code of Practice. The scheme is supported by contributions from both employees and employers. During 2002/03 the Council contributed £6.396M (or 12.8% of total pensionable pay) to the scheme. In addition, contributions totalling £1.356M (or 2.7% of total pensionable pay) were made in respect of added years.

The capital cost of discretionary increases in pensions payments as at 31 March 2003 is £11.412M, £0.616M is in respect of 2002/03 and £10.796M is in respect of previous years.

£1.480M has been remitted to the Strathclyde Pension Fund during 2002/03 in order to meet future pension liabilities in respect of added years and early retirements. 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 last actuarial valuation of the fund took place as at 31 March 2002.

The disclosures required in relation to the implementation of FRS17 are detailed in Note 11 to the Consolidated Balance Sheet, page 26.

### **(2) Teachers**

The Teachers' Pension scheme is administered by the Scottish Executive. Contributions by East Ayrshire Council during 2002/03 amounted to £2.764M (or 7.2% of pensionable pay). The employers' contribution is set at 7.2%. In addition, contributions totalling £0.124M (or 0.3% of pensionable pay) were made in respect of added years.

## Note 15 ~ Related Party Transactions

During 2002/03 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	105,843	
Non-Domestic Rates	40,484	
Housing Benefit Subsidy	26,668	
Council Tax Benefit Subsidy	7,479	
Specific Grants	15,225	
Enterprise Ayrshire	721	
Housing Support Grant	340	
Better Neighbourhood Services Fund	1,973	
Modernising Local Government Fund	525	
Coalfield Social Inclusion Partnership	1,951	
<b>Capital Grants</b>		
New Deal for Schools	659	
Housing - Energy Efficiency	233	
<b>Related Companies</b>		
Kilmarnock Leisure Centre Trust		130
<b>Related Bodies</b>		
Strathclyde Police Joint Board		18,145
Strathclyde Fire Brigade Joint Board		5,110
Strathclyde Passenger Transport Authority		3,526
Ayrshire Valuation Joint Board		595
Authorities Buying Consortium		37
East Ayrshire North Social Inclusion Initiative		65
Ayrshire Electronic Community		65
Strathclyde Pension Fund		7,752
Scottish Office Pensions Agency		2,888

## Note 16 ~ 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 £2.208M in respect of Corporate Management and £2.194M 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

The Register of General Notice of Members' 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.

### **Note 19 ~ Operating Lease Rentals**

The Council leases a variety of assets by operating leases. The assets involved are mainly 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 £3.586M in 2002/03 (2001/02: £2.590M). The unexpired commitment on these at 31 March 2003 is £8.928M.

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

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, in order to focus on managerial accountability and to enhance clarity of understanding.

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

<b>2001/02 Actual £000</b>		<b>2002/03 Actual £000</b>	<b>2002/03 Actual £000</b>
87,641	<b>Education Services</b>		92,394
3,124	<b>Housing Services</b>		2,854
10,694	<b>Culture &amp; Related Services</b>		10,679
8,381	<b>Environmental Services</b>		9,688
11,798	<b>Roads &amp; Transport Services</b>		13,700
6,148	<b>Planning &amp; Development Services</b>		6,282
29,945	<b>Social Work</b>		36,051
4,645	Corporate & Democratic Core	4,642	
1,379	Unapportionable Central Overheads	1,356	
1,400	Central Services to the Public	1,460	
22,636	Precepts & Levies including Police & Fire	23,850	
102	Other Operating Income & Expenditure	(896)	
<b>30,162</b>	<b>Central Services</b>	<b>30,412</b>	30,412
<b>187,893</b>	<b>Net Total Cost</b>		<b>202,060</b>

31,730	Gross Rates levied and contributions in lieu	31,590
	<b>Less</b>	
(4,876)	Reliefs and other reductions	(4,330)
(1,207)	Provision for bad and doubtful debts	(953)
25,647		26,307
(928)	Prior Years-Pool	(666)
11,992	Contribution from National Non-Domestic Rate Pool	14,881
36,711	Net Income	40,522
(47)	Adjustments and Pre-Pool Years	(38)
<b>36,664</b>		<b>40,484</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 2002/03 was £0.478.

<b>Analysis of Rateable Values at 1st April 2002:</b>	<b>Number</b>	<b>£000s</b>
Shops (inc. restaurants)	1,103	17,145
Offices	469	4,105
Hotels, Boarding Houses etc.	44	555
Industrial and Freight Transport Subjects	549	16,300
Formula Valued	7	4,371
Miscellaneous Subjects	1,080	18,116
Other	771	7,704
<b>Total</b>	<b>4,023</b>	<b>68,296</b>

40,244	Gross Council Tax levied, contributions in lieu and penalties	42,578
	<b>Less</b>	
(471)	Council Tax Benefits (Net of Government Grant)	(388)
(4,323)	Discounts and Reductions	(4,815)
(1,899)	Provision for bad and doubtful debts	(2,160)
(273)	Previous Years	(247)
(500)	Community Charge	(398)
<b>32,778</b>	<b>Total Income from Council Tax</b>	<b>34,570</b>

During 2002/03 Community Charge (Poll Tax) arrears of £0.120M have been collected, being offset against the balance sheet debtor. In accordance with the Accounting Code of Practice, a review of the provision for the non recovery has been carried out and an additional provision of £0.398M has been made.

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

2001-02		Disabled									2002-03
Total	Bands	A	A	B	C	D	E	F	G	H	Total
52,984	Properties		27,235	9,408	4,084	5,097	4906	2,131	414	37	53,312
(899)	Exemptions		(842)	(114)	(35)	(24)	(21)	(3)	-	(3)	(1,042)
-	Disabled relief	59	25	(55)	19	7	(41)	(10)	(3)	(1)	-
(17,637)	Discounts (25%)	(21)	(12,270)	(3,000)	(1,194)	(1,031)	(873)	(221)	(44)	(1)	(18,655)
(778)	Discounts (50%)	-	(534)	(100)	(47)	(51)	(28)	(16)	(3)	(2)	(781)
<b>47,288</b>	<b>Total equivalent</b>	<b>54</b>	<b>23,084</b>	<b>8,439</b>	<b>3,746</b>	<b>4,797</b>	<b>4,612</b>	<b>2,055</b>	<b>399</b>	<b>32</b>	<b>47,216</b>
	Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
<b>39,230</b>	<b>Band 'D' equivalents</b>	<b>30</b>	<b>15,389</b>	<b>6,564</b>	<b>3,330</b>	<b>4,797</b>	<b>5,637</b>	<b>2,968</b>	<b>665</b>	<b>64</b>	<b>39,444</b>
(1,962)	Bad Debt provision										(1,972)
<b>37,268</b>	<b>COUNCIL TAX BASE (Band D Equivalents)</b>										<b>37,472</b>

The figures shown in the table above indicate the number of properties as at 2 September 2002.

### *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 2002/03 was £966.60.

BAND	2002-03 £ per year
A	644.40
B	751.80
C	859.20
D	966.60
F	1,181.40

£000s	Housing Revenue Account	£000s
	<b>Expenditure</b>	
3,357	Supervision and Management	3,693
11,656	Repairs and Maintenance	11,649
9,991	Capital Charges	9,492
521	Homeless Persons	662
208	Increase in Provision for Bad Debts	436
7,026	Other Expenditure	7,007
<b>32,759</b>	<b>Total Expenditure</b>	<b>32,939</b>
	<b>Income</b>	
31,776	Rents - Council Houses	31,503
669	Rents - Other	906
448	Housing Support Grant	340
-	Other Government Grants	150
-	Recharges	54
12	Interest	12
33	Miscellaneous	215
<b>32,938</b>	<b>Total Income</b>	<b>33,180</b>
<b>(179)</b>	<b>(Surplus) / Deficit for the Year</b>	<b>(241)</b>
(66)	HRA (Surplus)/Deficit brought forward from Previous Year	-
(100)	Appropriation from Renewals & Repairs Fund	(200)
345	Appropriation to Renewals & Repairs Fund	441
-	<b>Net (Surplus) / Deficit Charged To General Fund</b>	-

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

## Housing Stock

2001-02	House Type	2002-03		
		Flat	House	Total
2,982	One Bedroom	2,008	903	2,911
8,358	Two Bedroom	4,068	3,923	7,991
5,108	Three Bedroom	847	3,923	4,770
366	Four Bedroom	25	324	349
2	Five Bedroom	2	-	2
<b>16,816</b>		<b>6,950</b>	<b>9,073</b>	<b>16,023</b>

## Rental Information

2001-02	Rental Information	2002-03
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	STATUTORY			NON-STATUTORY			TOTAL		
	Income £000s	Expend £000s	(Surplus)/ Deficit £000s	Income £000s	Expend £000s	(Surplus)/ Deficit £000s	Income £000s	Expend £000s	(Surplus)/ Deficit £000s
Catering DSO	3,156	2,974	(182)	718	711	(7)	3,874	3,685	(189)
Other Catering DSO	466	454	(12)			-	466	454	(12)
Cleaning of Buildings DSO	2,260	2,246	(14)	2,798	2,738	(60)	5,058	4,984	(74)
School Crossing Patrols	322	317	(5)			-	322	317	(5)
Roads DLO	4,784	4,757	(27)			-	4,784	4,757	(27)
Vehicle Maintenance DSO	1,207	1,148	(59)			-	1,207	1,148	(59)
Refuse Collection DSO	2,617	2,565	(52)			-	2,617	2,565	(52)
Street Cleansing DSO	1,645	1,583	(62)			-	1,645	1,583	(62)
Leisure Management DSO	1,028	1,008	(20)			-	1,028	1,008	(20)
Outdoor Amenities DSO	4,887	4,712	(175)			-	4,887	4,712	(175)
Building & Works DLO	13,169	12,353	(816)			-	13,169	12,353	(816)
<b>TOTAL</b>	<b>35,541</b>	<b>34,117</b>	<b>(1,424)</b>	<b>3,516</b>	<b>3,449</b>	<b>(67)</b>	<b>39,057</b>	<b>37,566</b>	<b>(1,491)</b>

The Council has approved that DLO's and DSO's may transfer to the Renewals & Repairs Fund a proportion of any surplus in excess of that budgeted with the remaining balance being transferred to the General Fund.

	Surplus Transferred to Renewals & Repairs Fund £000s	Surplus Transferred to General Fund £000s	Total (Surplus) / Deficit £000s
Catering DSO	(66)	(123)	(189)
Other Catering DSO	-	(12)	(12)
Cleaning of Buildings DSO	(8)	(66)	(74)
School Crossing Patrols	-	(5)	(5)
Roads DLO	-	(27)	(27)
Vehicle Maintenance DSO	(25)	(34)	(59)
Refuse Collection DSO	(15)	(37)	(52)
Street Cleansing DSO	(24)	(38)	(62)
Leisure Management DSO	(6)	(14)	(20)
Outdoor Amenities DSO	(74)	(101)	(175)

example, catering for staff.

This classification is in accordance with the Code of Practice for Compulsory Competition.

192,790	Council Dwellings	1	175,800	
200,418	Other Land and Buildings		192,185	
26,880	Infrastructure		27,680	
7,074	Vehicles, Plant and Equipment		7,003	
300	Community Assets		150	
427,462	<b>Operational Assets</b>			402,818
12,611	Investment Properties		13,181	
1,219	Surplus Assets		2,865	
13,830	<b>Non Operational Assets</b>			16,046
10,744	<b>Long-Term Prepayment</b>	<b>CRA 5</b>		10,430
<b>452,036</b>	<b>TOTAL ASSETS</b>			<b>429,294</b>
	<b>CURRENT ASSETS</b>			
967	Stocks and Work in Progress		1,381	
26,115	Debtors	2	19,471	
-	Investment	4	18,800	
36	Cash		40	
<b>27,118</b>				<b>39,692</b>
	<b>LESS:</b>			
	<b>CURRENT LIABILITIES</b>			
27,706	Creditors	3	34,040	
73	Temporary Borrowing	4	213	
3,445	Bank Overdraft		6,149	
<b>31,224</b>				<b>40,402</b>
<b>(4,106)</b>	<b>NET CURRENT LIABILITIES</b>			<b>(710)</b>
<b>447,930</b>	<b>TOTAL</b>			<b>428,584</b>
	<b>REPRESENTED BY:</b>			
193,078	Borrowing Repayable after 12 months	4		192,290
176,594	Fixed Asset Restatement Reserve			149,837
74,743	Capital Financing Reserve			79,481
3,515	Fund Balances and Other Reserves	5		6,976
<b>447,930</b>	<b>TOTAL</b>			<b>428,584</b>

Fixed Assets are included in the Balance Sheet at their current asset value as at 31 March 2003. The basis of valuation is disclosed separately in the Statement of Accounting Policies, pages 5-6.

### Information Held on Assets

The main assets held by the Council as at 31 March 2003 are as follows: -

	Numbers as at 31 March 2003		Numbers as at 31 March 2003
<b>Council Dwellings</b>	16,023	<b>Operational Equipment</b>	
		Vehicles	206
<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)	578
Day Centres	3	Highway Bridges	622
Car Parks	36	Street Lighting Units	17,000
Social Work Homes	9	Illuminated Signs	2,100
Assessment Centres	5		
Depots	9		
Sports Centres	8	<b>Community Assets</b>	
Swimming Pools	2	Parks (Acres)	114
Halls	18	Cemeteries (Acres)	118
Public Conveniences	9	Playing Fields/Open Spaces (Acres)	1,848
Council Offices	21		
Industrial Units	114		
Shops	42		
Libraries	27		
Museums	6		

### Funding of Capital Expenditure

Capital Expenditure during 2002/03 was funded as follows:-

	Housing Revenue Account £000s	General Fund £000s	Total £000s
Borrowing	3,448	7,433	10,881
Usable Capital Receipts	2,382	2,043	4,425

Category	£000s	£000s	£000s	£000s	£000s	£000s
Council Dwellings	192,790	7,608	(7,765)	(7,627)	(9,206)	175,800
Other Land & Buildings	200,418	30	-	(4,923)	(3,340)	192,185
Infrastructure	26,880	1,867	-	(1,067)	-	27,680
Vehicles, Plant & Equipment	7,074	1,363	(44)	(1,236)	(154)	7,003
Community Assets	300	-	-	(150)	-	150
Investment Properties	12,611	1	(141)	(394)	1,104	13,181
Surplus Assets	1,219	222	(687)	-	2,111	2,865
<b>TOTALS</b>	<b>441,292</b>	<b>11,091</b>	<b>(8,637)</b>	<b>(15,397)</b>	<b>(9,485)</b>	<b>418,864</b>

Service Analysis						
Housing Revenue Account	194,717	7,609	(7,789)	(7,697)	(9,162)	177,678
General Fund Services	245,671	3,482	(817)	(7,627)	(320)	240,389
Trading Services	904	-	(31)	(73)	(3)	797
<b>TOTALS</b>	<b>441,292</b>	<b>11,091</b>	<b>(8,637)</b>	<b>(15,397)</b>	<b>(9,485)</b>	<b>418,864</b>

### Note 2 ~ Debtors

2001-02 £000s		2002-03		
		Gross Debtor £000s	Less Provision £000s	Debtor £000s
6,281	Arrears of Local Taxation - Council Tax	21,392	17,250	4,142
2,515	Arrears of Local Taxation - Non-Domestic Rates	6,761	4,632	2,129
718	Arrears of Local Taxation - Community Charge	9,465	9,265	200
1,026	Housing Rents	1,324	664	660
2,357	VAT and Income Tax Recoverable	2,426		2,426
13,218	Other Income Due	10,521	607	9,914
<b>26,115</b>	<b>Total</b>			<b>19,471</b>

### Note 3 ~ Sundry Creditors

(Repayable on demand or within 12 months)

2001-02 £000s		2002-03 £000s
2,209	Loan Interest accrued	1,925
25,497	Other	32,115
<b>27,706</b>	<b>Total</b>	<b>34,040</b>

	Investments	<365 Days	1 Yr	1-3 Yrs	Yrs	Yrs	Total	Borrowing	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	%
Banks/Monetary Sector	9,500	48	150	625	-	34,601	35,376	35,424	18.5%
Building Societies	3,000	-	-	-	-	-	-	-	0.0%
Financial Institutions	-	-	-	500	-	-	500	500	0.3%
Local Authorities	3,300	-	-	-	-	-	-	-	0.0%
Public Works Loan Board	-	-	15	360	147	154,131	154,653	154,653	80.7%
Public Corporations	-	-	-	-	-	-	-	-	0.0%
Central Government	-	-	-	-	-	-	-	-	0.0%
Other Sources	3,000	-	-	-	-	1,000	1,000	1,000	0.5%
	<b>18,800</b>	<b>48</b>	<b>165</b>	<b>1,485</b>	<b>147</b>	<b>189,732</b>	<b>191,529</b>	<b>191,577</b>	<b>100.0%</b>
Investment in Common Good							183	183	
Investment in Trusts & Bequests							593	593	
Covenant Scheme							150	150	
<b>TOTAL</b>	<b>18,800</b>	<b>48</b>	<b>165</b>	<b>1,485</b>	<b>147</b>	<b>189,732</b>	<b>192,455</b>	<b>192,503</b>	

### Note 5 ~ Fund Balances and Other Reserves

2001-02		2002-03
£000s		£000s
1,044	Insurance Fund	1,067
1,164	General Fund Surplus / (Deficit)	3,304
20	Baird Institute Reserve	-
666	Renewals & Repairs Fund	1,225
621	Capital Fund	1,380
<b>3,515</b>	<b>Total</b>	<b>6,976</b>

The 2002/003 General Fund Surplus, £3.304M, includes significant commitments against this balance in 2003/2004, as noted in Note 1 to the Consolidated Revenue Account, page 9.

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

As part of the terms and conditions of employment the Council offers retirement benefits to its employees. Although these benefits will not actually be paid until employees retire, the Council's commitment to make such payments requires to be disclosed at the time employees earn their future entitlement.

Accordingly, 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. The Council participates in 2 formal schemes, the Local Government Superannuation (Scotland) Scheme as administered by the Strathclyde Pension Scheme and the Teachers Pension Scheme which is

	31 March 2003 £000s	31 March 2002 £000s
Share of assets in Strathclyde Pension Fund	143,323	174,680
Estimated Liabilities in Strathclyde Pension Fund	(179,677)	(147,998)
<b>Net Assets/(Liabilities) in Strathclyde Pension Fund</b>	<b>(36,354)</b>	<b>26,682</b>
Estimated Liabilities for Discretionary Pensions	18,745	17,684
<b>Net Pension Asset/(Liability) and Pension Reserve</b>	<b>(55,099)</b>	<b>8,998</b>

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, etc. 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 2002 %
Rate of Inflation	2.50	2.80
Rate of Increase in Salaries	4.00	4.30
Rate of Increase in Pensions	2.50	2.80
Rate of Discounting Scheme Liabilities	6.10	6.40

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:-

	Long Term Return %	31 March 2003 %	31 March 2002 %
Equity Investments	8.00	74.00	78.00
Bonds	4.80	12.00	10.00
Other Assests & Liabilities	5.70	14.00	12.00
		<b>100</b>	<b>100</b>

The movement in the net pension (asset)/liability for the year to 31 March 2003 is as follows:

	£000s
Net Pensions asset/(liability) at 1 April 2002	8,998
Movements in year:	
Current Service Cost	(6,826)
Employers Contributions Payable to Fund	6,754
Retirement Benefits Payable to Pensioners	(200)
Past Service Costs	(1,377)

Differences between the expected and actual return on assets	(47,938)	14.71
Differences between actuarial assumptions about liabilities and actual experience	(16,225)	25.29
	<b>(64,163)</b>	<b>100.00</b>

It should be noted that this is a snapshot of the position at 31 March 2003 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.

### **Note 7 ~ Commitments and Guarantees**

The Council has a commitment to indemnify and reimburse the trustees of the Kilmarnock Leisure Centre Trust to the extent of any loss incurred in each financial year.

The Council guarantees the deposits taken by Cumnock Municipal Bank. As at 31 March 2003 the funds deposited with the Bank amounted to £0.048M. These are invested by the Bank on short-term deposit with the Council. This ensures that the interests of the Council are protected.

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 a number of applications for equal pay at various stages of completion. In addition, the Council has received 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. The final outcome of these issues is not certain at this time. No financial provision has been made in the 2002/2003 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:

<b>General Fund</b>	<b>£000s</b>	<b>Housing</b>	<b>£000s</b>
Education Schemes - retentions, etc.	70	Sheltered Housing - safety & improvement	575
		Kitchen Refurbishment	322
		Modernisation of Non Traditional Stock	150
		Demolition Works	45
		Gas Central Heating	40
		Re-Roofing	37
		Other Miscellaneous Schemes	29
<b>Total</b>	<b>70</b>	<b>Total</b>	<b>1,198</b>

East Ayrshire Council is a constituent member of the West of Scotland Loans Fund Ltd. As at 31 March 2003, the Council's involvement stands at £0.648M. In the event of the Fund being wound up, a contingent liability of £0.326M 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

new financial system of the Council will be fully Euro compliant.

### ***Note 10 ~ Baird Institute Reserve***

During 2002/2003 the Council approved the utilisation of the funds held in the Baird Institute Reserve towards the cost of alterations to the institute in order to enhance disabled access.

### ***Note 11 ~ Contingent Gain – Firefighters Dispute***

The Council is seeking reimbursement of £0.072m from the Strathclyde Fire Brigade Joint Board for the additional costs incurred by the Council during industrial action undertaken by firefighters up to 31 March 2003.

No provision has been made for this item within the 2002/2003 accounts as it is uncertain whether the claim will be realised.

### ***Note 12 ~ Contingent Liabilities and Post Balance Sheet Events***

All contingent liabilities relating to 2002/2003 have been disclosed as appropriate.

No post balance sheet events have transpired post 31 March 2003; accordingly no provisions or disclosures are required.

118,314	Other Operating Costs	127,895	
8,958	Housing Benefit Paid Out	9,940	
25,450	NDRI Contributable to Pool	26,676	
10,502	Precept Paid	14,578	
258,888		280,189	
	<b>Income</b>		
(13,997)	Rents (after rebates)	(13,245)	
(33,278)	Council Tax Income	(34,570)	
(101,974)	Revenue Support Grant/NDRI	(120,421)	
(36,664)	NDRI Distributable from Pool	(40,484)	
(25,450)	Precept Income	(26,676)	
(24,944)	DSS Grants for Rebates	(26,668)	
(15,824)	Other Government Grants	(15,225)	
(29,834)	Fees, Charges and Other Income	(39,256)	
(281,965)		(316,545)	
(23,077)	<b>Net Cash In-flow from Revenue Activities</b>		<b>(36,356)</b>
	<b>SERVICING OF FINANCE</b>		
12,619	Interest and Leasing Charges	11,939	
(99)	Interest Received	(96)	
12,520	<b>NET CASH OUTFLOW FROM SERVICING OF FINANCE</b>		<b>11,843</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Expenditure</b>		
14,130	Purchase of Fixed Assets	11,091	
4,758	Other Capital Cash Payments	8,653	
18,888		19,744	
	<b>Income</b>		
(6,747)	Sale of Fixed Assets	(9,709)	
(1,290)	Capital Grants Received	(892)	
(152)	Other Capital Cash Payments/Income	(1,378)	
(8,189)		(11,979)	
10,699	<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>		<b>7,765</b>
142	<b>Net Cash (In-flow) / Out-flow before Financing</b>		<b>(16,748)</b>
	<b>FINANCING</b>		
	<b>Expenditure</b>		
34,423	Repayments of Amounts Borrowed	23,663	
-	New Short-Term Deposits	218,162	
34,423		241,825	
	<b>Income</b>		
-	New Loans Raised	(17,707)	
(32,270)	New Short-term Loans	(5,308)	
-	Short-term Deposits Repaid	(199,362)	
(32,270)		(222,377)	
	<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>40,148</b>

	2003	2002	2001
<b>(Surplus)/Deficit per the Financial Statement</b>		(2,140)	(160)
<b>Non Cash Transactions</b>			
Contributions to Reserves	(562)		(252)
Contributions to Capital	(4,067)		(4,373)
Non Cash Movements Relating to Loans Fund	(17,124)		(16,875)
Other Movements	416	(21,337)	1,213
		(23,477)	(20,287)
<b>Movements in Working Capital</b>			
Increase in Stock and Work in Progress	414		228
Increase in Debtors	(6,645)		70
Increase in Deferred Charge	(314)		(314)
Increase in Creditors	(6,334)	(12,879)	(2,614)
			(2,630)
<b>Net Cash Flow from Revenue Activities</b>		<b>(36,356)</b>	<b>(23,077)</b>

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

	As at 31 March 03 £000s	As at 31 March 02 £000s	Movement £000s
Cash	40	36	(4)
Bank Overdraft	(6,149)	(3,445)	2,704
<b>(Increase) / Decrease in Cash</b>	<b>(6,109)</b>	<b>(3,409)</b>	<b>2,700</b>

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

	£000s
<b>Specific Grants</b>	
Police Board	8,942
Sheltered Employment	14
Council Tax / Housing / Benefit Administration	424
In Service Teacher Training	187
Education - Gaelic Language	141
Social Work - Mental Illness Specific Grant	305
Social Work - Child Care Training Grant	45
Excellence Fund	4,617
Continuing Professional Development - Teachers	329
Probationary Teachers	221
	15,225

Temporary Loans	5,318
PWLB	17,667
Local Bonds	-
Market Loans	-
Other Loans	528
Covenant Repaid	150
Short-term Deposits	(199,362)
	(175,699)
<b>New Loans</b>	
Temporary Loans	(5,308)
PWLB	-
Market Loans	(17,700)
Other Loans	(7)
Short-term loans	218,162
	195,147
<b>Cash Outflow from Financing</b>	<b>19,448</b>

<b>Fund Balances &amp; Reserves</b>							
Balance as at 1 April 2002	1,164	20	1,044	666	-	621	3,515
Net Surplus/(Deficit)	2,140	(20)	23	559	-	759	3,461
<b>Balance as at 31 March 2003</b>	<b>3,304</b>	<b>-</b>	<b>1,067</b>	<b>1,225</b>	<b>-</b>	<b>1,380</b>	<b>6,976</b>

The Council operates an Internal Insurance Fund with the balance being carried forward to provide for future insurance premiums and uninsured losses.

	<b>Fixed Asset Restatement Reserve £000s</b>	<b>Capital Financing Reserve £000s</b>	<b>Usable Capital Receipts Reserve £000s</b>
<b>Capital Reserves</b>			
Balance as at 1 April 2002	176,594	74,743	-
Revaluation of Assets During the Year	(9,467)	-	-
<b>Effects of Fixed Assets Disposals</b>			
Value of Assets Disposed of	(8,637)	-	-
Proceeds from Asset Disposals	-	-	11,220
Capital Receipts Applied / Capital Income	-	11,220	(11,220)
Impairment Loss	-	(18)	-
Depreciation of Assets	-	(15,246)	-
Debt Redemption During Year	-	4,715	-
Expenditure Not Increasing Asset Values During Year	(8,653)	-	-
Capital Expenditure Financed From Revenue		4,067	-
<b>Balance as at 31 March 2003</b>	<b>149,837</b>	<b>79,481</b>	<b>-</b>

	Darvel £000s	Cumnock £000s	Kilmarnock £000s	Newmilns £000s	Stewarton £000s	Total £000s
Capital Balance 1 April 2002	-	1	153	-	-	154
Revenue Balance 1 April 2002	1	1	16	2	1	21
	<b>1</b>	<b>2</b>	<b>169</b>	<b>2</b>	<b>1</b>	<b>175</b>
<b>Expenditure During Year</b>						
Capital	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
<b>Income During Year</b>						
Capital	-	-	-	-	-	-
Revenue	-	-	7	-	1	8
						-
Capital Balance at 31 March 2003	-	1	153	-	-	154
Revenue Balance at 31 March 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>

### Summary of Charities and Bequests

2001-02 Revenue Fund £000s	2001-02 Capital Fund £000s	2001-02 Total Funds £000s	Fund Balances	2002-03 Revenue Fund £000s	2002-03 Capital Fund £000s	2002-03 Total Funds £000s
551	67	618	Opening Balances at 1 April	545	66	611
29	1	30	Expenditure	28	1	29
23	-	23	Income	24	-	24
<b>(6)</b>	<b>(1)</b>	<b>(7)</b>	<b>Surplus/(Deficit)</b>	<b>(4)</b>	<b>(1)</b>	<b>(5)</b>
545	66	611	Closing Balances at 31 March	541	65	606

2001-02 £000s	Balance Sheet as at 31 March 2003	2002-03 £000s
13	Investments - External	13
598	Investments - Loans Fund	593
<b>611</b>		<b>606</b>

John Fulton's Soup Kitchen Trust	To Distribute Soup To The Poor	34,905	100	Govt. Stock
Murdoch's Trust	To Provide An Annual Payment To One Poor Aged Deserving Person Resident In Kilmarnock	3,002		
Misses Parker's Bequest	To Provide Payments To Females Suffering From Incurable Diseases	1,761		
Tannock's Trust	To Provide Annuities To Females	2,937		
Archibald Taylor Fund	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescence For Certain Class Of Spinsters	362,985		
Matthew L. Cochrans Bequest	To Provide Holidays For Elderly Deserving People Resident in Kilmarnock	699		
Mair Bequest	To Provide Relief To Deserving Poor Natives Or Inhabitants Of Newmilns	126,025		
B.C. Roxburgh Bequest	To Be Used For The Benefit Of The Of Citizens Of Darvel	21,548		
Newmilns Benevolent Association	To make grants for the alleviation of illness to persons residing in Newmilns and Greenholm	1,728		
Kilmarnock & Loudoun Emergency Relief Trust	To provide assistance within the District of Kilmarnock & Loudoun 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, severe weather, or fire, or for such other reason as the trustees may agree	-	7,392	Bank Deposit
Graham Ramage Trust	For Cumnock Senior Citizens Club	939	1,367	Govt. Stock
Sommerville Trust	Relief of Poor - Sorn Parish	536		
Misses Murray Legacy Trust	Relief of Poor - Old Cumnock Parish	1,360	500	Govt. Stock
D Smiths Trust	To Maintain Burial Grounds	865		
Mrs E McWhirter Trust	To Maintain Burial Grounds - Dalmellington Burial Grounds	203	824	Govt. Stock
Dalmellington Cemetery Trust	To Maintain Burial Grounds	74		
R Mitchell Trust	Upkeep of Lair - Mauchline Cemetery	12	50	Govt. Stock
Mrs H S Wilson Trust	Upkeep of Lair - New Cumnock Cemetery	39	122	Govt. Stock
Dalrymple Cemetery Trust	To Maintain Burial Grounds	28	100	Govt. Stock
Polish Patients Fund	Upkeep of Memorial Stone - Mauchline	3	11	Govt. Stock
Miss A Stevenson Trust	Upkeep of Lair - Mauchline Cemetery	127		
Mrs C Gordon Trust	Upkeep of Lair/Headstone Auchinleck Cemetery	127		
Miss J Leiper Young Trust	Upkeep of Lair/Headstone Mauchline Cemetery	127		
Miss J.M.M. Cuthbert Executory	Upkeep of Lair/Headstone Stair Cemetery	127		
GAA Trust	To Maintain Burial Grounds	3,238	922	Heritable Property
Gavin Memorial Fund	To Provide Prizes for Schools in Dalmellington	1,140		
Brown Prize Fund	To Provide Prizes for Dux Boy & Girl at Cumnock Academy	221		
Hon. Alex Shaw Prize	To provide prizes at Kilmarnock Academy	105		
Morton Steven Dux Medal	To provide A Dux Medal at Kilmarnock Academy	390		
Latta Dux Medal	To provide A Dux Medal at Cumnock Academy	238		
Jas. Mackie Memorial Prize	To provide prizes at Kilmarnock Academy	88		
Hunter Stewart Fund	To provide A Dux Medal at Doon Academy	94		
Hood Endowment	To provide prizes at Loudoun Academy	101		
Arch. Hood Prize	To provide prizes at Newmilns Loudoun Academy	139		
A.B. Carswell Prize	To provide prizes at Loudoun Academy	270		
William Wilson Memorial Prize	To provide a cash prize for leadership (Girl) at Auchinleck Academy	120		
Margaret Wilson Memorial Prize	To provide a cash prize for leadership (Boy) at Auchinleck Academy	121		
McKenzie Prizes	To provide prizes for nature study at Auchinleck Academy	94		
Galston Town Council Dux Medal	To provide Dux medals at Galston junior secondary & St Sophia's RCS	164		
George Mason Prize Fund	To provide a prize for Art at Grange Academy	45		
Robert C Grant Prize Fund	To provide prizes at Kilmarnock Academy	214		
Miss Mary C Smith Memorial Prize	To provide prizes at Loanhead Primary School	51		
Marion Hamilton Memorial Prize	To provide bursaries at Auchinleck Academy	50		
Sarah B Campbell	To provide bursaries for Bellsbank Primary School	1,978		
Jean G Glennie	To provide prizes at Auchinleck Academy	53		
John Minto Prize Fund	To provide a prize at Loanhead Primary	108		
W S Oughton Memorial Prize Fund	To provide a prize at Doon Academy	57		

Robert Cumming's Bequest	3,080	15,715	-	(8,529)	-	572	3,080	7,758
John Fulton's Soup Kitchen Trust	1,443	35,155	-	(3,050)	-	1,457	1,443	33,562
Murdoch's Trust	100	2,789	-	-	-	113	100	2,902
Misses Parker's Bequest	1,365	328	-	-	-	68	1,365	396
Tannock's Trust	2,255	570	-	-	-	112	2,255	682
Archibald Taylor Fund	17,599	334,380	-	(2,820)	-	13,826	17,599	345,386
Matthew L. Cochran's Bequest	1,310	-	(650)	-	-	39	660	39
Mair Bequest	15,378	116,519	-	(10,884)	-	5,012	15,378	110,647
B. C. Roxburgh Bequest	10,796	11,171	-	(1,259)	-	840	10,796	10,752
Newmilns Benevolent Association	-	1,522	-	-	-	206	-	1,728
Kilmarnock & Loudoun Emergency Relief Trust	-	7,248	-	-	-	144	-	7,392
Graham Ramage Trust	1,837	1,379	-	(1,025)	-	115	1,837	469
Sommerville Trust	119	397	-	-	-	20	119	417
Misses Murray Legacy Trust	500	1,291	-	-	-	69	500	1,360
D. Smith's Trust	100	732	-	-	-	33	100	765
Mrs E. McWhirter Trust	824	168	-	-	-	35	824	203
Dalmellington Cemetery Trust	58	13	-	-	-	3	58	16
R Mitchell Trust	50	10	-	-	-	2	50	12
Mrs H S Wilson Trust	122	32	-	-	-	7	122	39
Dalrymple Cemetery Trust	100	23	-	-	-	5	100	28
Polish Patients Fund	11	3	-	-	-	-	11	3
Miss A. Stevenson Trust	100	23	-	-	-	4	100	27
Mrs C. Gordon Trust	100	23	-	-	-	4	100	27
Miss J. Leiper Young Trust	100	23	-	-	-	4	100	27
Miss J.M.M. Cuthbert Executory	100	23	-	-	-	4	100	27
GAA Trust	922	3,127	-	(12)	-	123	922	3,238
Gavin Memorial Fund	1,040	56	-	-	-	44	1,040	100
Brown Prize Fund	216	6	-	(20)	-	19	216	5
Hon. Alex Shaw Prize	100	7	-	(5)	-	3	100	5
Morton Steven Dux Medal	207	187	-	(20)	-	16	207	183
Latta Dux Medal	143	105	-	(20)	-	10	143	95
Jas. Mackie Memorial Prize	65	30	-	(10)	-	3	65	23
Hunter Stewart Fund	101	-	(7)	(3)	-	3	94	-
Hood Endowment	100	6	-	(10)	-	5	100	1
Arch. Hood Prize	100	43	-	(10)	-	6	100	39
A.B. Carswell Prize	216	52	-	(10)	-	12	216	54
William Wilson Memorial Prize	109	17	-	(10)	-	4	109	11
Margaret Wilson Memorial Prize	109	16	-	(10)	-	6	109	12
McKenzie Prizes	44	56	-	(10)	-	4	44	50
Galston Town Council Dux Medal	150	18	-	(10)	-	6	150	14
George Mason Prize Fund	50	-	(5)	(1)	-	1	45	-
Robert C. Grant Prize Fund	164	61	-	(20)	-	9	164	50
Miss Mary C Smith Memorial Prize	50	4	-	(5)	-	2	50	1
Marion Hamilton Memorial Prize	50	8	-	(10)	-	2	50	-
Sarah B Campbell	259	1,644	-	-	-	75	259	1,719
Jean G Glennie	52	4	-	(5)	-	2	52	1
John Minto Prize Fund	100	10	-	(5)	-	3	100	8
W S Oughton Memorial Prize Fund	30	25	-	-	-	2	30	27
Sir Alexander Fleming Prize Fund	200	20	-	(5)	-	2	200	40

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 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.

Chief Executive

26 June 2003

Director of Finance

26 June 2003

- 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 Director of Finance.

### ***The Director of Finance's Responsibilities***

The Director 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 2003 and its income and expenditure for the year.

In preparing this statement of accounts, the Director 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.

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 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 the year, East Ayrshire Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically, it has undertaken a further review of its arrangements and has concluded that the Council complies in all major aspects with the terms of the Framework for Corporate Governance in Local Government. The Council now procures strategic risk audit services in relation to corporate governance and the management of risk within the Council in order to strengthen further the Council's arrangements in this regard.

On the basis of Service Directors' individual Statements of Assurance in relation to corporate governance arrangements for their areas of responsibility, I am satisfied that the Council's corporate governance arrangements are adequate and are 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.

David Montgomery  
Chief Executive

26 June 2003

### ***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

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

### ***Direct Labour Organisation (DLO) and Direct Service Organisation (DSO)***

The terms Direct Labour Organisation (DLO) and Direct Service Organisation (DSO) are 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.

### ***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.

### ***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.

### ***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.

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

### ***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.

### ***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.

### ***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.

