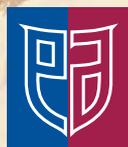


EAST AYRSHIRE COUNCIL

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# Statement of Accounts 2007 | 2008



East Ayrshire  
COUNCIL

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## Introduction

The Statement of Accounts summarises the Council's financial transactions for the year ended 31 March 2008 and shows the financial position at that date.

The accounting practice which governs the Council's accounts continues to undergo significant change with a view to harmonisation of public and private sector statements. As a result the figures in the Income and Expenditure Account (IEA) need to be read in conjunction with the Statement of Movement on the General Fund Balance to appreciate how the financial performance for the year has impacted on the Council's general reserves.

The Council's IEA shows a deficit of £17.866m which is mainly due to accounting adjustments relating to the writing down of the value in the Balance Sheet of schools included as part of the Council's Public Private Partnership (PPP) project. The Statement of Movement on the General Fund Balance then shows the statutory adjustments to this figure in order to bring out the final position as it impacts upon the Council's General Reserves which show an increase of £11.560m. Included in this is a transfer of £5.877m from the Insurance Fund and underspends in service departments of £5.683m which departments carry forward under the Council's Reserves Strategy.

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 Statement of Accounts. In respect of Trading Operations, 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.

The variances against budget are shown below;

	Budget 2007/2008 £m	Actual 2007/2008 £m	Total £m
Educational and Social Services	154.465	152.994	(1.471)
Neighbourhood Services	68.273	67.529	(0.744)
Corporate Support	13.820	13.237	(0.583)
Finance and Asset Management	49.921	47.859	(2.062)
<b>Departmental Expenditure</b>	<b>286.479</b>	<b>281.619</b>	<b>(4.860)</b>
Central Services - Capital Financing Costs, Insurance, Miscellaneous etc	22.642	18.903	(3.739)
Significant Trading Operations	(2.315)	(2.465)	(0.150)
Total Income - Council Tax and Housing Benefit	(302.786)	(305.341)	(2.555)
Utilisation of Previous Years Balances	(4.020)	-	4.020
Proposed Transfer to Renewals and Repairs	-	1.601	1.601
<b>General Fund Surplus for the Year</b>	<b>-</b>	<b>(5.683)</b>	<b>(5.683)</b>
Dissolution of Insurance Fund	-	(5.877)	(5.877)
<b>Surplus for the Year</b>	<b>-</b>	<b>(11.560)</b>	<b>(11.560)</b>

The Council budgeted to break even in 2007/2008 and the major variations to this were;

In Educational and Social Services schools carried forward balances of £0.553m partly as a result of receiving funding at the end of the financial year which they were unable to spend. This will be retained by the individual schools for use in future years. In addition savings were made on energy costs and additional unbudgeted income was received from the Scottish Government.



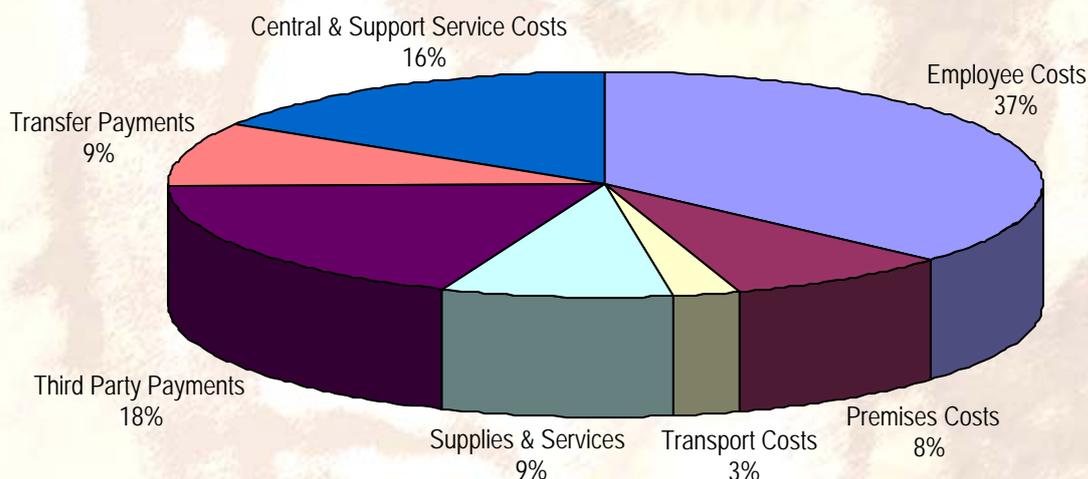
**Statement of Accounts 2007/2008**  
**Explanatory Foreword by the Executive Head of Finance and Asset Management**

In Neighbourhood Services the position was assisted by additional income from higher usage of sports and leisure facilities and reduced waste disposal costs due to better recycling performance.

Corporate Support showed savings in employee costs mainly due to staff turnover and the time taken to fill vacancies. In Finance and Asset Management, expenditure of £1.023m on repairs to public buildings was committed but not completed by the year-end and fee income in the Technical Services division was £0.928m higher than budgeted reflecting good performance on the delivery of capital projects.

The favourable variance in Central Services arises mainly from reduced debt servicing costs of £1.125m and a reduction in insurance premiums of £1.377m as insurers took account of the Council's commitment to good risk management practices. This has also led to a decision to dissolve the Insurance Fund and transfer the balance to the General Fund. Improvements in collection of previous years Council Tax together with more new houses coming on-stream during the year meant that income from Council Tax was considerably higher than budgeted.

In the Housing Revenue Account (HRA) savings in debt and insurance costs were used to finance additional repairs expenditure of £0.949m with an overall surplus of £0.654m. The subjective summary of financial performance is shown below:



The overall position on Council Reserves is as shown below;

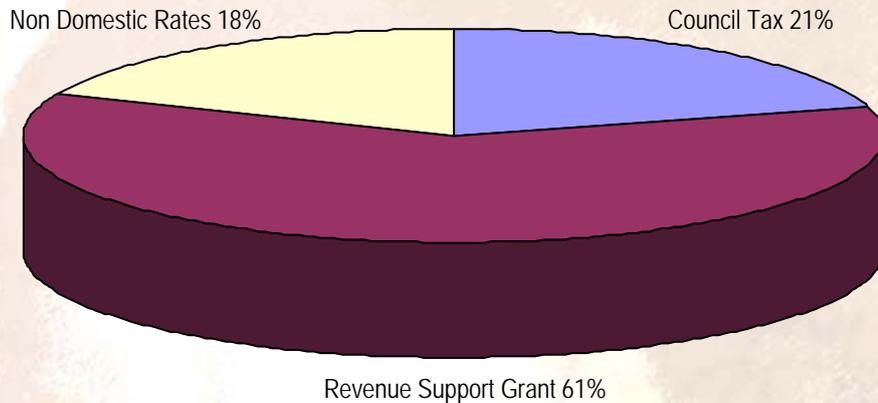
	General Fund Balance £m	HRA Balance £m	Renewals & Repairs £m	Insurance Fund £m	Capital Fund £m	Total £m
Opening Balance as at 1 April 2007	21.267	1.401	4.508	5.574	13.793	46.543
Net Surplus for the Year	5.683	0.654	-	-	-	6.337
Transfers from Fund	5.877	-	-	(5.877)	-	-
Transfers to Fund	-	-	1.601	-	2.439	4.040
Annual Interest	-	-	0.246	0.303	0.752	1.301
<b>Closing Balance as at 31 March 2008</b>	<b>32.827</b>	<b>2.055</b>	<b>6.355</b>	<b>-</b>	<b>16.984</b>	<b>58.221</b>

The Council's budgetary arrangements allow departments to earmark balances for future known commitments and £26.630m of the cumulative General Fund balance of £32.827m is currently specifically earmarked. This results in a cumulative uncommitted balance of £6.197m which is at the lower end of the range specified in the Council's reserves strategy which sets an optimum level of between 2% and 4% of net budgeted expenditure which equates to between £6.136m and £12.272m.



### Sources of Income

Income from Council Tax was £48.362m and the Band 'D' tax level was £1,188.99. The largest source of funds was Revenue Support Grant which amounted to £142.963m.



### Interest Payable

Interest paid in the year was £12.343m and relates to accumulated long term historical borrowing of £194.235m as shown on the Balance Sheet on page 20 and Note 11 to the Financial Instruments shown on page 26.

### Capital Expenditure

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2007/2008 on General Fund Services was £39.174m. Housing capital spending was £15.787m. Capital expenditure was partly financed by government grants and capital receipts.

Expenditure	£m	Financed by	£m
Education Services	9.630	Government Grants	15.739
Social Work	2.129	Capital Receipts	7.246
Housing Services	15.809	Capital Financed from Revenue	4.070
Cultural & Related Services	8.005	Borrowing	27.906
Environmental Services	11.313		<b>54.961</b>
Roads & Transportation	5.067		
Planning & Development	0.012	<b>Represented by</b>	<b>£m</b>
Central Services to the Public	0.489	General Fund Services	39.174
Corporate & Democratic Core	2.507	Housing	15.787
	<b>54.961</b>		<b>54.961</b>

### Public Private Partnership – Provision of School Buildings

The Council has entered into a Public Private Partnership for the provision of certain educational buildings. The provider is required to ensure the availability of these buildings to a pre-agreed standard. The provider continued construction work during the year on replacement educational buildings. During 2007/2008, £0.859m was paid to the contractor under the terms of the agreement.

### Significant Trading Operations

The Statement on Page 25 summarises the financial performance of each of the Council's significant Trading Operations. Capital charges have been removed and depreciation charged for the use of capital assets. However, an additional note has been provided which highlights the charge which would have applied had capital charges been charged to each significant trading operation.



### **Equal Pay Compensation**

A number of claims for equal pay compensation have been lodged at employment tribunals. The outcome of these claims cannot be determined at this time and therefore no provision has been made in the Statement of Accounts.

### **Budget Performance - Housing Revenue Account**

The Housing Revenue Account (HRA) on page 40 reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing (Scotland) Act 1987. Expenditure on Council Housing is financed entirely from rents and related housing income and the average weekly rent charge for the year based on 52 weeks is £46.80.

The HRA Income and Expenditure Account shows a deficit of £3.918m. In order to give a full presentation of the financial performance the balance on this account needs to be adjusted by £4.572m as shown on Page 41. Once this accounting adjustment is made the actual financial position for 2007/2008 is an HRA surplus of £0.654m which when added to the 2007/2008 surplus brought forward results in a cumulative total £2.055m being carried forward.

### **Pension Fund**

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2008 disclosed a deficit position for the Council of £1.883m. It is important to note that this is simply a snapshot of the position at that time. The calculation is prepared only for the purposes of FRS17 reporting requirements and is not relevant for funding purposes. The latest long-term triennial funding valuation of the Fund for the purposes of setting employers' actual contributions was at 31 March 2005 and contributions to the Fund continue in line with current actuarial advice. A further valuation of the Fund was carried out at 31 March 2008 and the data is currently being analysed by the fund actuaries.

### **Common Good, Trusts and Bequests**

The Council acts as the sole Trustee and administers various Common Good funds relating to the areas of the former burghs together with a number of charitable trusts and bequests. These funds do not represent assets available to the Council and as such are not included in the Council's Balance Sheet. In addition, the Council also administers Trusts which are controlled by external trustees. Details are included in Pages 45 to 47.

### **The Group Accounts**

The SORP requires authorities with interests in other entities to enhance their Statement of Accounts with information about their interest in subsidiaries, associates and joint ventures in a set of group accounts. It provides comprehensive accounting requirements for consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures that will ensure group accounts provide a complete picture of the Council's control over other entities.

The Group Statement of Accounts show East Ayrshire Council's share of the assets and liabilities of the group associates which are Strathclyde Joint Police Board, Strathclyde Fire & Rescue Joint Board, Ayrshire Valuation Joint Board, Strathclyde Partnership for Transport incorporating the Strathclyde Passenger Transport Authority and Strathclyde Concessionary Travel Scheme Joint Committee, and the Kilmarnock Leisure Centre Trust. These include significant pension liabilities for Strathclyde Police and Strathclyde Fire and Rescue Joint Boards.



## Explanation of the Statements

The **Income and Expenditure Account (IEA)**, brings together all of the functions of the Council and summarises the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the financial position of the Council before allowing for the adjustments required by statute to raise council tax. This accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions. The **Statement of Movement on the General Fund Balance** provides the necessary reconciliation.

Whilst the IEA brings together all of the functions of the Council, there will be other gains and losses in its Balance Sheet that are not recognised in the Income and Expenditure Account. The **Statement of Total Recognised Gains and Losses (STRGL)**, is the statement that brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

The **Balance Sheet** shows the assets and liabilities of the Council utilised in the provision of its services. The statement details the net worth of the Council split between the revenue and capital resources available to meet future expenditure, unrealised gains and losses (particularly in relation to the revaluation of fixed assets), and statutory accounting requirements.

The **Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The **Housing Revenue Account Income and Expenditure Account** details the income and expenditure on HRA services included in the whole Council Income and Expenditure Account. However, this does not provide the appropriate basis on which rent levels are determined.

The **Statement of Movement on the Housing Revenue Account Balance** shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

The **Council Tax Income Account** details the net income raised from council taxes levied under the Local Government Finance Act 1992. The **Non-Domestic Rate Account** highlights the income from the rate levied on non-domestic property under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992.

## Acknowledgements

The work of elected members and officers in all departments who have monitored and managed the financial resources under their control over the year has contributed to the favourable financial position that the Council is now in. I also want to acknowledge the considerable input of those in the Finance and Asset Management Service who supported those efforts. Finally, I want to express my gratitude to those in Finance who worked exceptionally hard to ensure that these Statement of Accounts could be completed to a high standard within the statutory timescale.

Alexander McPhee ACMA  
Executive Head of Finance and Asset Management  
26 September 2008



The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 under the historic cost convention, other than changes resulting from the revaluation of certain categories of fixed assets. The following accounting policies used in its preparation have been reviewed in line with changes made to the ACOP following the introduction of FRS18 "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 Statement of Accounts present fairly the position at year end.

### Major Changes in Accounting Practice

The 2007 Statement of Recommended Practice (the SORP) introduced a number of significant changes to the main financial statements designed to achieve greater convergence between the Accounting Code of Practice (ACOP) and the wider UK Generally Accepted Accounting Practices (GAAP).

The following changes have been introduced this year for the first time:

- The re-measurement of "financial instruments" (investments, lending and borrowing). Loans receivable and payable are now carried at amortised cost in the Balance Sheet. Investments are carried at "fair value". Premiums on debt restructuring are written-off completely to the Income and Expenditure Account;
- The introduction of a new accounting reserve, the Financial Instruments Adjustment Account arising from the restatement to amortised cost or fair value. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council;
- The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve represents gains on revaluation of fixed assets not yet realised through sales and the Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

The 2006/2007 comparative figures have been brought forward unchanged from the 2006/2007 Statement of Accounts in accordance with the SORP requirements except where adjustments are required to assets and liabilities in accordance with LAAP73 "Closure of the 2007/08 Accounts and Use of Resources Assessments". All adjustments to balances as a result of the recognition, extinguishment and re-measurement of financial instruments have been made to the opening balances for 2007/2008 i.e. disclosed as a prior period adjustment in the Balance Sheet. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received. In particular:

- All salaries and wages earned up to 31 March 2008 are included in the Statement of Accounts;
- fees, charges and rents due are accounted for at the date the Council provides the relevant goods or services;
- suppliers' invoices paid in the first two weeks of April have been included together with specific accruals in respect of further material items provided the goods and services were received in 2007/2008;
- work is charged as expenditure when it is completed or as works in progress if incomplete;
- interest receivable and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.



## Financing Costs

The Council operates a Loans Fund and all loans raised are paid into the Fund. Advances are made to departments to finance capital expenditure during the year. Repayments to the Loans Fund are calculated using the annuity method. Interest has been calculated and allocated to the Income and Expenditure Account in accordance with guidance from the Local Authorities Scotland Accounts Advisory Committee (LASAAC).

Costs associated with debt restructuring (premiums) are charged to Net Operating Expenditure in the Income and Expenditure Account in the year of extinguishment of the original debt in accordance with accounting regulations. Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The amount of capital expenditure financed through the General Fund and statutory Housing Revenue Account is disclosed separately in these Statements as has the statutory provision for the repayment of debt.

## Interest Receivable and Investment Income

The amount for interest receivable in the Income and Expenditure Account is based on the carrying amount of the asset, factored by the effective rate of interest for the loan. For the Council's short-term deposits and most of its other lending, the interest disclosed is the amount receivable for the year in the loan agreement. For the Council's external investments the income from dividends and interest is included in the Income and Expenditure Account when it becomes receivable by the Council.

## Government Grants

Government Grants are recognised as income at the date the Council satisfies the conditions of entitlement to the grant and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure such as the Revenue Support Grant are credited to the Income and Expenditure Account after Net Operating Expenditure.

## Retirement Benefits

The Council participates in two formal schemes, the Local Government Superannuation Scheme which is administered by Strathclyde Pension Fund and the Teachers' Scheme. The Council is not required to record information related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government.

In accordance with Financial Reporting Standard No 17 - Retirement Benefits (FRS17) the Council has disclosed certain information concerning assets, liabilities, income and expenditure relating to the pension scheme for its employees. The accounting standard FRS17 requires that an organisation must account for retirement benefits when committed. This involves recognising the Council's share of the net pension asset or liability in Strathclyde Pension Fund and a pension reserve in its Balance Sheet. The revenue account also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.



## VAT

Income and expenditure excludes any amounts related to VAT as this is collected and payable to HMRC and all VAT paid by the Council is recoverable from them.

## Central and Support Services Costs

Costs of central and support services are charged to services that benefit from the supply or service in accordance with the principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of Corporate and Democratic Core (costs relating to the Council's status as a multi-functional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties).

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis, provided that it benefited the Council for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council has in place a five 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 Council's Property Service who are qualified members of the Royal Institute of Chartered Surveyors (RICS).

**Operational Land and Properties and other Operational Assets:** These are valued at the lower of net current replacement cost or net realisable value in existing use.

**Other Land and Buildings and 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 within the statutory 5-year rolling programme by RICS professional staff under the direction of the Executive Head of Finance and Asset Management. Surplus assets held for sale are not exempt from depreciation.

**Vehicles, Plant and Equipment and Infrastructure Assets:** These are valued at depreciated historical cost.



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

**Assets Under Construction:** Assets are valued at historic cost. Depreciation is not charged until the asset becomes operational although the asset under construction may suffer impairment.

**Investments :** relate to short term investments and are recorded within the Balance Sheet at market value.

**Investment Properties :** Investment properties are valued at Open Market Value.

### 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:

Council Dwellings	25 years	Operational Buildings	20-60 years
Community Assets	20-25 years	Investment Properties	20-25 years
Operational Equipment	2-20 years		

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

The values of each category of assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified and is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account. Otherwise it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account. However it is noted that for the 2007/2008 Statement of Accounts the Revaluation Reserve will have a zero opening balance and accordingly it will not be possible to offset any impairments.

### Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts are credited to the Capital Fund, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.



### Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and;
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### Operating Leases

Rentals payable for operating leases are charged to the relevant service revenue account on a straight line basis over the term of the lease.

### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, factored by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are charged to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.



## Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset factored by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the derecognition of the asset are included in the Income and Expenditure Account.

## Stocks and Work-in-Progress

Consumable Stocks and Work-In-Progress are valued on a cost price basis except in the case of Building and 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.

## Public Private Partnership (PPP)

PPP contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PPP contractor. Payments made by the Council under a contract are charged to revenue to reflect the value of services received in each financial year.

A prepayment for services receivable under the contract arises when assets are transferred to the control of the contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the Council at the end of the contract is treated as a contribution to the contractor and is accounted for as a prepayment. The prepayment is charged to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax.

Payments made at the start of the contract which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost. An assessment has been made of the net present value of assets passed to the PPP which will return to the Council at the end of the scheme and a Deferred Consideration has been created in the Council's Balance Sheet.

Where assets created or enhanced under the PPP scheme are to pass to the Council at the end of the scheme at a cost less than fair value (including nil residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

Government grants received for PPP schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.



### Capital and Other Reserve Funds

The Council has a Capital Fund which is credited with all net capital receipts except where they are related to a specific project. The Renewal and Repairs Fund is credited with a proportion of trading services surpluses and other funds available at the Council's discretion for use on appropriate projects. The Capital Receipts Reserve holds the proceeds of fixed assets available to meet future capital investment.

The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former records unrealised gains arising since 1 April 2007 from holding fixed assets not yet realised through sales and the latter provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. These reserves are matched by fixed assets within the Balance Sheet and are not resources available to the Council.

The Pension Reserve arises from the FRS17 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council's share of the Pension Fund net liability chargeable, to the Income and Expenditure Account.



## 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. The Executive Head of Finance and Asset Management has been designated as that officer in East Ayrshire Council.

## The Executive Head of Finance and Asset Management's Responsibilities

The Executive Head of Finance and Asset Management is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing this Statement of Accounts, the Executive Head of Finance and Asset Management has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates which were reasonable, prudent and complied with the Code of Practice;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- Signed and dated the Statement of Accounts.

The Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2008.



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

### East Ayrshire Council

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 2007/2008 with consideration for post balance sheet events, for which there have been none, 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 systems of internal control. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom.

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. The work of Internal Audit is informed by analysis of the risk to which the Council is exposed and annual plans are based on this analysis. Internal Audit activity during the year was based on the planned work programme contained in the Annual Audit Plan approved by the Risk and Audit Scrutiny Group on 24 April 2007.

The Council's Chief Internal Auditor provides a report on internal audit activity which includes his independent opinion on the adequacy and effectiveness of the Council's system of internal control, together with recommendations for improvement, where necessary. Based on the evidence collected in the conduct of the planned work programme, Internal Audit is of the opinion that reasonable assurance can be placed upon the systems of internal control in operation.

The Council's 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.

Audit plans are prepared following full consultation with the Chief Executive, Executive Head of Finance and Asset Management, and Executive Directors.



Internal audit reports are presented to the relevant Executive Director, and include appropriate recommendations and agreed actions which, when implemented, will improve the overall control environment. As part of Internal Audit monitoring procedures, copies of all audit assignment reports, including follow-ups, are presented to the Chief Executive, the Executive Head of Finance and Asset Management, the Council's External Auditor and, where appropriate, to the Council Monitoring Officer.

Internal Audit routinely undertake follow-up work on all major audit assignments in order to assess progress on the implementation of audit recommendations. Where agreed audit recommendations have not been fully implemented by the time of the audit follow-up, the Executive Director is asked to sign a client assurance statement confirming that any outstanding actions will be implemented, and the timescales involved.

### Basis of Internal Audit Opinion

Based on an evaluation of the control environment, it is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2008;
- the audit work undertaken by Internal Audit in previous audit years;
- audit follow-up work to test progress on implementation of agreed actions;
- findings/conclusions arising from work carried out by the Council's External Auditors and;
- knowledge of the Council's governance, risk management and performance framework.

### Opinion

Internal Audit staff have carried out a wide range of audit assignments in 2007/2008. End to end core systems reviews have been completed in Council Tax and Non-Domestic Rates, cross boundary assignments have been completed on absence management, energy management and internet and email arrangements, and local and national assignments have been completed around procurement. A range of other work has also been completed. The agreed actions arising from all of this work will, when implemented, further strengthen the control framework.

The overall opinion of the Chief Internal Auditor, based on the work carried out, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2008. The objectives of internal controls have been substantially met.

The Chief Internal Auditor has drawn attention to three specific areas for improvement and following advice from him Executive Directors have initiated work to improve the accuracy of internal charging for repairs and maintenance, ensure compliance with Council guidance on Following the Public Pound and further strengthen the control environment in Social Work.

### Associate Entities

Assurance on the internal financial controls in place within the entities is provided by the statements on the System of Internal Financial Control included within the annual Statement of Accounts of the individual organisations. The Kilmarnock Leisure Centre Trust is not required to publish a Statement on the System of Internal Financial Control however, their external auditor has undertaken a review of the internal controls operating within the Trust and provided reasonable assurance in terms of the internal financial controls. Following this review, the Centre Manager has completed and signed a Statement on the System of Internal Financial Control for the Trust. The Statement on the System of Internal Financial Control for each group entity will be subject to audit by their respective auditors.

Fiona Lees  
Chief Executive  
26 September 2008

Alexander McPhee ACMA  
Executive Head of Finance and Asset Management  
26 September 2008



Statement of Accounts 2007/2008  
Corporate Governance Assurance Statement

East Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted. East Ayrshire Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunity requirements and to contribute to the achievement of sustainable development.

In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of East Ayrshire Council's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish Authorities. A copy of the Code, the update on the 2007/2008 Action Plan and the 2008/2009 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 2007/2008, 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, the Council's governance arrangements have been reviewed and tested against the requirements of the new CIPFA/SOLACE Framework. The conclusion from this review was that the Council complies in all major aspects with the terms of the new Framework. 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 2008/2009.

As part of the review of the Council's corporate governance arrangements, Executive Directors and Heads of Service 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 to identify opportunities for further enhancement and will review their implementation and operation as part of the next annual review.



Fiona Lees  
Chief Executive  
26 September 2008



Councillor Douglas Reid  
Leader of the Council  
26 September 2008



**Statement of Accounts 2007/2008**  
**Income and Expenditure Account for the Year ended 31 March 2008**

This Account summarises the resources that have been generated and consumed in providing and managing Council services during the year. It includes all day-to-day expenses and related income as well as transactions measuring the value of fixed assets consumed and the projected value of retirement benefits earned by employees.

2006-2007		Gross	Gross	2007-2008
Net		Expenditure	Income	Net
Expenditure				Expenditure
£m	Service	£m	£m	£m
104.147	Education Services	155.473	(28.551)	126.922
51.723	Social Work	75.689	(20.905)	54.784
1.930	Housing Services	84.198	(79.981)	4.217
12.840	Cultural & Related Services	16.449	(3.009)	13.440
11.070	Environmental Services	14.244	(3.184)	11.060
14.198	Roads & Transport Services	19.286	(4.299)	14.987
11.479	Police Services	11.406	-	11.406
6.462	Fire Services	6.621	-	6.621
4.230	Planning & Development Services	11.195	(8.545)	2.650
3.011	Central Services to the Public	2.890	(0.750)	2.140
3.464	Corporate & Democratic Core	3.516	-	3.516
(2.796)	Non Distributed Costs	0.969	-	0.969
1.800	Exceptional Item - Equal Pay	-	-	-
<b>223.558</b>	<b>Net Cost of Services</b>	<b>401.936</b>	<b>(149.224)</b>	<b>252.712</b>
-	Gains on Disposal of Fixed Assets			(2.082)
(2.530)	Net Surplus on Trading Operations			(2.465)
11.420	Interest Payable and similar charges			12.343
(2.454)	Interest and Investment Income			(3.543)
(2.828)	Pensions Interest Cost and Expected Return on Pension Assets			(4.221)
<b>227.166</b>	<b>Net Operating Expenditure</b>			<b>252.744</b>
(46.170)	Council Tax			(48.362)
(136.423)	Revenue Support Grant			(142.963)
(44.356)	Non-Domestic Rates			(43.553)
<b>0.217</b>	<b>Deficit for the Year</b>			<b>17.866</b>

The balance on this account is not in accordance with the statutory provisions that specify the net expenditure that councils need to take into account when setting council tax, the main differences being:

- capital investment is accounted for as it is financed rather than when the fixed assets are consumed;
- interest on borrowing and lending is accounted for when it is payable or receivable rather than the effective interest rate over the period of the loan;
- premiums and discounts arising from debt restructuring are amortised over the period of the replacement loan in accordance with Scottish Government Regulations rather than at the time the original loan is extinguished and;
- retirement benefits are charged as amounts become payable to pensions funds rather than as future benefits are earned.

In order to give a full presentation of the financial performance of the Council during the year the balance on Income and Expenditure Account needs to be reconciled in the Statement of Movement on the General Fund Balance (Page 18).



**Statement of Accounts 2007/2008**  
**Statement of Movement on the General Fund Balance**

The Income and Expenditure Account shows the Council's actual financial performance for the year measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis. The Statement of Movement on the General Fund Balance compares the Council's spending against the council tax that it raised for the year taking into account the use of reserves built up in the past and contributions to funds and reserves. This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund.

2006-2007 £m		2007-2008 £m
0.217	Deficit for the year on the Income & Expenditure Account	17.866
(4.371)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(29.426)
<b>(4.154)</b>	<b>Increase in the General Fund Balance for the Year</b>	<b>(11.560)</b>
(17.113)	General Fund Balance brought forward	(21.267)
<b>(21.267)</b>	<b>General Fund Balance carried forward</b>	<b>(32.827)</b>

The following note provides further analysis of the net additional amount required by statutory and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.

2006-2007 £m		2007-2008 £m
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(0.005)	Amortisation of Intangible Fixed Assets	(0.056)
(22.916)	Depreciation and Impairment of Fixed Assets	(44.082)
0.739	Government Grants Deferred amortisation matching depreciation and impairment	0.973
-	Net gain on sale of fixed assets	2.083
-	Capital Element of PPP Unitary Payment	0.118
(10.464)	Amount by which pension costs calculated in accordance with the SORP are different from the Contributions due under the pension scheme regulations	(12.565)
-	Differences between the amounts credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt.	(0.248)
<b>(32.646)</b>		<b>(53.777)</b>
	<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
7.687	Statutory Provision for the Repayment of Debt	7.384
12.560	Employers Contributions payable to the Strathclyde Pensions Fund and retirement benefits payable direct to pensioners	14.697
1.762	Capital expenditure charged in year to the General Fund Balance	4.071
<b>22.009</b>		<b>26.152</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
1.401	Housing Revenue Account Balance	0.654
4.865	Net transfer to or from earmarked reserves	(2.455)
<b>(4.371)</b>	<b>Net additional movement required to be credited to the General Fund Balance for the Year</b>	<b>(29.426)</b>



Statement of Accounts 2007/2008  
Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its worth. In addition to the deficit on the Income and Expenditure Account, it includes gains relating to the revaluation of fixed assets and actuarial gains on pensions.

The gain on revaluation of fixed assets and the actuarial gain on pension assets represent gains from re-measuring certain assets and liabilities to current value at the balance sheet date and do not contribute to the resources that can be used to fund the Council's services.

2006-2007		2007-2008
£m		£m
0.217	Deficit for the year on the Income & Expenditure Account	17.866
(25.781)	Surplus on the revaluation of fixed assets	(7.483)
(35.740)	Actuarial gains on pension assets and liabilities	(48.138)
-	Adjustments arising from the transitional arrangements for Financial Instruments	15.578
<b>(61.304)</b>	<b>Total Recognised (Gains) and Losses for the Year</b>	<b>(22.177)</b>



Statement of Accounts 2007/2008  
Balance Sheet

31 March 2007		Note	31 March 2008
£m			£m
0.016	<b>Intangible Assets</b>		
	Software Licences	23	0.211
<b>514.564</b>	<b>Operational Assets</b>	<b>24</b>	<b>498.225</b>
174.809	Council Dwellings		176.889
296.503	Other Land and Buildings		276.443
4.532	Vehicles, Plant and Equipment		5.593
38.720	Infrastructure Assets		39.300
<b>20.957</b>	<b>Non-Operational Assets</b>	<b>24</b>	<b>46.691</b>
14.389	Investment Properties		13.517
2.273	Assets Under Construction		28.889
4.295	Surplus Assets Held for Disposal		4.285
<b>14.838</b>	<b>Deferred Premium on Early Repayment of Debt</b>		<b>-</b>
<b>0.110</b>	<b>Long-Term Debtors &amp; Prepayments</b>		<b>3.495</b>
-	Deferred Consideration		1.610
<b>550.485</b>	<b>Total Long-Term Assets</b>		<b>550.232</b>
<b>82.232</b>	<b>Current Assets</b>		<b>69.847</b>
1.074	Stock and Work-in-Progress		0.708
26.638	Debtors	31	27.440
54.477	Investments		41.650
0.043	Cash and Bank		0.049
<b>(47.616)</b>	<b>Current Liabilities</b>		<b>(47.011)</b>
(2.642)	Borrowing Repayable on demand within 12 months		(2.085)
(43.139)	Creditors	32	(38.066)
(1.835)	Bank Overdraft		(6.860)
<b>34.616</b>	<b>Net Current Assets</b>		<b>22.836</b>
(190.785)	Borrowing Repayable within a period in excess of 12 months	11	(192.150)
(0.218)	Deferred Liabilities - Finance Leases	2	(0.148)
(13.063)	Government Grants Deferred		(27.828)
(52.153)	Liability related to Defined Benefit Pension Schemes	22	(1.883)
<b>328.882</b>	<b>Total Assets Less Liabilities</b>		<b>351.059</b>
	<b>Financed by:</b>		
-	Revaluation Reserve		7.292
334.492	Capital Adjustment Account		303.256
-	Financial Instruments Adjustment Account		(15.827)
(52.153)	Pensions Reserve		(1.883)
21.267	General Fund Balance		32.827
1.401	Housing Revenue Account		2.055
13.793	Capital Fund		16.984
5.574	Insurance Fund		-
4.508	Renewals and Repair Fund		6.355
<b>328.882</b>	<b>Total Net Worth</b>		<b>351.059</b>

Alexander McPhee ACMA

Executive Head of Finance and Asset Management

26 September 2008



**Statement of Accounts 2007/2008**  
**Single Entity and Group Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising on revenue transactions and expenditure on capital activities. For the purpose of this statement, cash is defined as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.

31 March 2007		Note	31 March 2008
£m			£m
	<b>Revenue Activities</b>		
	<b>Cash Outflows</b>		
164.627	Cash Paid to and on Behalf of Employees		172.664
162.769	Other Operating Cash Payments		178.294
10.500	Housing Benefit Paid Out		11.791
<b>337.896</b>			<b>362.749</b>
	<b>Cash Inflows</b>		
(11.972)	Rents (after rebates)		(13.157)
(37.055)	Council Tax Receipts		(38.514)
(18.935)	Non-Domestic Rate Receipts from National Pool		(19.651)
(25.618)	Non-Domestic Rate Receipts		(25.557)
(136.423)	Revenue Support Grant		(142.963)
(10.392)	DWP Grants for Benefits		(11.880)
(48.869)	Other Government Grants	37	(52.798)
(74.592)	Cash Received for Goods and Services		(79.787)
<b>(363.856)</b>			<b>(384.307)</b>
<b>(25.960)</b>	<b>Net Cash Inflow from Revenue Activities</b>	<b>34</b>	<b>(21.558)</b>
	<b>Returns on Investments and Servicing of Finance</b>		
	<b>Cash Outflows</b>		
10.937	Interest Paid		11.116
	<b>Cash Inflows</b>		
(2.516)	Interest Received		(3.160)
<b>8.421</b>	<b>Net Cash Outflow from Servicing of Finance</b>		<b>7.956</b>
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
32.372	Purchase of Fixed Assets		54.278
<b>32.372</b>			<b>54.278</b>
	<b>Cash Inflows</b>		
(13.938)	Sale of Fixed Assets		(8.686)
(6.624)	Capital Grants Received		(14.793)
-	Other Capital Cash Receipts		-
<b>(20.562)</b>			<b>(23.479)</b>
<b>11.810</b>	<b>Net Cash Outflow / (Inflow) from Capital Activities</b>		<b>30.799</b>
<b>(5.729)</b>	<b>Net Cash Outflow / (Inflow) Before Management of Liquid Resources</b>		<b>17.197</b>
	<b>Management of Liquid Resources</b>		
	<b>Cash Outflows</b>		
5.250	Net Increase / (Decrease) in Short-Term Deposits		(12.800)
-	Net Increase / (Decrease) in Other Liquid Resources		-
<b>5.250</b>	<b>Net Cash Inflow Before Financing</b>	<b>36</b>	<b>(12.800)</b>
	<b>Financing</b>		
	<b>Cash Outflows</b>		
0.071	Repayments of Amounts Borrowed		0.557
0.063	Capital Element of Finance Lease Rental Payments		0.066
<b>0.134</b>			<b>0.623</b>
	<b>Cash Inflows</b>		
-	New Short-Term Loans Raised		-
<b>0.134</b>	<b>Net (Increase) / Decrease in Financing</b>		<b>0.623</b>
<b>(0.345)</b>	<b>Net (Increase) / Decrease in Cash</b>		<b>5.020</b>



Statement of Accounts 2007/2008  
Notes to the Core Statements

**Note 1 – Local Government (Goods & Services) Act 1970**

The Local Government (Goods & Services) Act 1970 allows the Council to provide goods and services to other public bodies and requires the Council to keep a separate account of agreements entered into under this legislation.

2006-07 Surplus £m	Significant Trading Operation	2007-08 Income £m	2007-08 Expenditure £m	2007-08 Surplus £m
(0.016)	Roads	(0.091)	0.090	(0.001)
(0.003)	Vehicle Maintenance	(0.040)	0.036	(0.004)
<b>(0.019)</b>	<b>Total</b>	<b>(0.131)</b>	<b>0.126</b>	<b>(0.005)</b>

**Note 2 – Leases**

The Council leases a variety of assets i.e. property, vehicles, computers, photocopiers and items of plant.

	Finance Costs £m	Lease Costs £m	Total Finance Leases £m	Operating Leases £m
Vehicles & Plant	0.012	0.066	0.078	1.564
Central Heating Leases	-	-	-	0.915
IT Equipment	-	-	-	0.215
Property	-	-	-	0.477
	<b>0.012</b>	<b>0.066</b>	<b>0.078</b>	<b>3.171</b>

The Council is committed at 31 March 2008 to make payments under operating leases in 2008/2009 and future years as follows:-

	Vehicles & Plant £m	Information Technology £m	Property £m	Total Leases £m
Leases expiring in 2008-09	1.378	0.191	0.507	2.076
Leases expiring between 2009-10 and 2013-2014	2.109	0.013	1.491	3.613
Leases expiring after 2013-14	-	-	0.399	0.399
<b>Total Liabilities at 31 March 2008</b>	<b>3.487</b>	<b>0.204</b>	<b>2.397</b>	<b>6.088</b>

This Note details the value of assets held under finance leases by the Council together with the outstanding liability for future leasing costs.

	Vehicles, Plant & Equipment £m	Total Finance Leases £m
<b>Value at 1 April 2007</b>	0.283	0.283
Additions	-	-
Revaluations	-	-
Depreciation	(0.066)	(0.066)
Disposals	-	-
<b>Value at 31 March 2008</b>	<b>0.217</b>	<b>0.217</b>
<b>Future Liability</b>		
Obligations payable in 2008/09	0.069	0.069
Obligations payable between 2009/10 to 2013/14	0.148	0.148
Obligations payable after 2013/14	-	-
<b>Total Liabilities at 31 March 2008</b>	<b>0.217</b>	<b>0.217</b>



### Note 3 – 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, that have not been disclosed elsewhere in the Statement of Accounts.

	2007-08 Income £m	2007-08 Expenditure £m
<b>Central Government &amp; Government Agencies</b>		
<b>Revenue Grants</b>		
Housing Benefit Subsidy	31.561	
Specific Scottish Executive Revenue Grants	8.339	
Council Tax Benefit Subsidy	9.438	
Supporting People Grant	7.609	
Community Planning Partnership Funding	2.731	
Administration of Housing Benefit Grants	1.642	
Private Sector Housing Grants	0.903	
Enterprise Ayrshire	0.437	
Education Maintenance Allowance	0.727	
Housing Support Grant	0.232	
<b>Scottish Executive Capital Grants</b>		
Schools Fund	3.610	
NHS Ayrshire & Arran	0.443	
Flood Prevention	9.152	
Strathclyde Partnership for Transport	0.685	
20 mph School Zones	0.271	
Cycling, Walking & Safer Streets	0.206	
Historic Scotland	0.004	
Westrans	0.011	
Sustrans	0.072	
Western Corridor	0.015	
Efficient Government Grant	0.792	
Early Years, Childcare and Play Fund	0.201	
<b>Related Companies</b>		
Kilmarnock Leisure Centre Trust		0.174
Visions		0.160
<b>Related Bodies</b>		
Strathclyde Police Joint Board		11.406
Strathclyde Fire & Rescue Joint Board		6.621
Strathclyde Partnership for Transport :-		
Strathclyde Passenger Transport Authority		1.867
Strathclyde Passenger Transport Executive		3.562
Strathclyde Concessionary Travel Scheme		0.173
Ayrshire Valuation Joint Board		0.666
Authorities Buying Consortium (Scotland Excel from 1 April 2008)		0.028
East Ayrshire North Challenge Fund		0.043



Statement of Accounts 2007/2008  
Notes to the Core Statements

**Note 4 – Local Government Act 1986 – Section 5**

This Act requires the Council to maintain a separate account for publicity is the amounts to follow are included within service expenditure.

2006-07 £m		2007-08 £m
0.077	Recruitment Advertising	0.093
0.168	Publicity & Promotion	0.231
0.054	Statutory Advertising	0.070
0.140	Advertising Other	0.164
<b>0.439</b>	<b>Total</b>	<b>0.558</b>

**Note 5 – Members’ Allowances and Interests**

Under the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, there are now four levels of remuneration payments for Councillors, depending on the responsibilities of the Councillor. These are Leader of the Council, Provost, Senior Councillor and Councillor. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's Political Management Structure. All other Councillors, other than the Leader of the Council and the Provost will receive the basic remuneration as prescribed by the Regulations. Remuneration is subject to income tax and national insurance deductions. In line with the Regulations the public record of Members' Expenses for 2007/2008 and the Register of General Notice of Members' Registerable Interests are available for inspection during normal working hours at the Finance and Asset Management Service, Greenholm Street, Kilmarnock as well as on the Council's website [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk) and are shown below. The list of Members' Appointments to Outside Bodies is also available for inspection.

2006-07 £m		2007-08 £m
-	Basic Pay	0.539
0.214	Basic Allowances	0.025
0.240	Responsibility Allowances	0.028
0.454		0.592
0.018	Subsistence	0.007
0.048	Travel Expenses	0.034
0.006	Telephone Expenses	0.002
0.072		0.043
<b>0.526</b>	<b>Total</b>	<b>0.635</b>

**Note 6 – Audit Costs**

2006-07 £m		2007-08 £m
0.101	Audit Scotland Recharge	0.104
0.204	External Audit Fee	0.204
<b>0.305</b>	<b>Total</b>	<b>0.308</b>

**Note 7 – Officers’ Remuneration**

This Note provides an analysis of Council officers whose total remuneration excluding pensions exceeded £50,000.

2006-07 Total		2007-08 Officers	2007-08 Teachers	2007-08 Total
10	£50,000 - £59,999	5	12	17
19	£60,000 - £69,999	10	7	17
3	£70,000 - £79,999	2	-	2
3	£80,000 - £89,999	4	-	4
1	£90,000 - £99,999	-	-	-
1	£100,000 - £110,000	1	-	1
<b>37</b>	<b>Total</b>	<b>22</b>	<b>19</b>	<b>41</b>



### Note 8 – Agency Expenditure and Income

Scotland Excel, which replaced the Authorities Buying Consortium (abc) on 1 April 2008, provides a purchasing service to the Council, obtaining and passing on discounts for bulk purchasing on behalf of the twelve unitary authorities in the former Strathclyde Regional Council area. Payments of £0.028m were made to abc during 2007/2008 in respect of this. The Council bills and collects Domestic Water and Waste Water charges on behalf of Scottish Water along with its own Council Tax. During 2007/2008 the Council received £0.282m for providing this service.

### Note 9 – Significant Trading Operations Summary Statements

The Statements show the surplus arising from the significant trading operations as required by the Local Government in Scotland Act 2003. Under the Act each significant trading operation must account for its activities under proper accounting practice and must break even over a three year rolling period. Details of significant trading operations and their surpluses have been included in the Council's Income and Expenditure Account in accordance with the SORP.

Current Trading Operations	2007-08 Turnover £m	2007-08 Expenditure £m	2007-08 Actual £m	2006-07 Actual £m	2005-06 Actual £m	3 Year Actual £m
Vehicle Maintenance	(1.709)	1.655	(0.054)	(0.087)	(0.076)	(0.217)
Roads	(8.013)	7.924	(0.089)	(0.064)	(0.063)	(0.216)
Building & Works	(22.670)	20.348	(2.322)	(2.379)	(3.088)	(7.789)
<b>Net Surplus</b>	<b>(32.392)</b>	<b>29.927</b>	<b>(2.465)</b>	<b>(2.530)</b>	<b>(3.227)</b>	<b>(8.222)</b>

In order to satisfy the requirement of competition law, recharges for internal work done by the trading operations following competition with the private sector have been priced to include the cost of capital recovery. The SORP does not permit charges for the cost of capital and as a result the accounts for Vehicle Maintenance show a surplus of £0.054m that would be reduced to £0.023m if capital charges had been made. Roads would have reduced from £0.089m to £0.069m and Building and Works from £2.322m to £2.297m had capital charges been made.

### Note 10 – Prior Period Adjustments for Financial Instruments

The Balance Sheet figures at 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/2007 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The balance of £248.738m on the FARA has been added to the balance of £85.754m on the Capital Financing Account to form the balance at 31 March 2007 of £334.492m for the new Capital Adjustment Account. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The date of transition to the new accounting arrangements for Financial Instruments is 1 April 2007. In accordance with the regulations the figures prior to 31 March 2007 have not been restated. A prior period adjustment arising from the re-measurement and extinguishment of certain balances for borrowing, lending and investments from 1 April 2007 has been included as follows:

	£m
Re-measurement of Lender Option Borrower Option (LOBO) loans at amortised cost	0.740
Extinguishment of Premiums and Discounts on Debt Restructuring	14.838
<b>TOTAL</b>	<b>15.578</b>



### Note 11 - Financial Instruments Balances

	Long-Term		Current	
	31 March 2008 £m	31 March 2007 £m	31 March 2008 £m	31 March 2007 £m
<b>Financial Liabilities at amortised cost</b>				
Bank Overdraft	-	-	(6.860)	(1.835)
Loans	(192.150)	(190.785)	(2.085)	(2.642)
<b>Total Borrowings</b>	<b>(192.150)</b>	<b>(190.785)</b>	<b>(8.945)</b>	<b>(4.477)</b>
<b>Loans and Receivables at amortised cost</b>				
Deposits	-	-	41.650	54.477
Mortgage Debts	0.082	0.110	-	-
<b>Total Investments</b>	<b>0.082</b>	<b>0.110</b>	<b>41.650</b>	<b>54.477</b>

### Note 12 - Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets			Total
	Liabilities Measured at Amortised Cost £m	Loans and Receivables £m	Available For Sale Assets £m	Fair Value through the Income & Expenditure A/c £m	£m
Interest Expense	11.132	-	-	-	11.132
Losses on Derecognition	-	-	-	-	-
Impairment Losses	-	-	-	-	-
<b>Interest Payable and Similar Charges</b>	<b>11.132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.132</b>
Interest Income	-	(3.133)	-	-	(3.133)
Gains on Derecognition	-	-	-	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>(3.133)</b>	<b>-</b>	<b>-</b>	<b>(3.133)</b>
Gains on Revaluation	-	-	-	-	-
Losses on Revaluation	-	-	-	-	-
Amounts Recycled to the I&E Account after Impairment	-	-	-	-	-
<b>Surplus Arising on Revaluation of Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Gain)/Loss for the Year</b>	<b>11.132</b>	<b>(3.133)</b>	<b>-</b>	<b>-</b>	<b>7.999</b>

The amounts above are the actual amounts due or receivable on external loans and investments and have been charged through the internal loans fund to the Income and Expenditure Account.



### Note 13 - Fair Value of Financial Instruments Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2008		31 March 2007	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
PWLB Debt	(124.631)	(156.080)	(124.744)	(149.225)
Non PWLB Debt	(69.604)	(76.944)	(69.860)	(70.775)
<b>Total Debt</b>	<b>(194.235)</b>	<b>(233.024)</b>	<b>(194.604)</b>	<b>(220.000)</b>
Bank Overdraft	(6.860)	(6.860)	(1.835)	(1.835)
Trade Creditors	(16.429)	(16.429)	(19.297)	(19.297)
<b>Total Financial Liabilities</b>	<b>(217.524)</b>	<b>(256.313)</b>	<b>(215.736)</b>	<b>(241.132)</b>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

	31 March 2008		31 March 2007	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Investments (Bank & Building Societies) < 1 year	41.650	41.650	54.477	54.477
Mortgage Debt	0.082	0.082	0.110	0.110
Accounts Receivable	3.465	3.465	4.129	4.129
Council Tax	1.301	1.301	0.613	0.613
Non-Domestic Rates	0.100	0.100	0.459	0.459
Housing Rents	0.278	0.278	0.386	0.386
<b>Total Financial Assets</b>	<b>46.876</b>	<b>46.876</b>	<b>60.174</b>	<b>60.174</b>



The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments, and includes accrued interest. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

The carrying amount at 31 March 2007 of non-PWLB debt has been adjusted by £1.178m to be shown on a consistent basis with the 31 March 2008 figures.

#### **Note 14 - Disclosure of Nature and Extent of Risk Arising from Financial Instruments**

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing Risk – the possibility that the Council might require to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

#### **Note 15 – Financial Instruments Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are established through a legal framework set out in the Local Government (Scotland) Act 2003 and the associated regulations. These require the Council to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA), Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways by:

- Formally adopting the requirements of the Code of Practice;
- approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing, the exposure to fixed and variable rates, exposure to the maturity structure of its debt and the maximum annual exposures to investments maturing beyond a year;
- approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported to and approved by the Council before the start of each financial year. These items are reported within the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Elected Members.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.



### Note 16 – Financial Instruments Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Gross Debtor at 31 March 2008 £m	Historical Experience of Default Adjusted for Market Conditions at 31 March 2008 %	Estimated Maximum Exposure to Default £m
Deposits with banks and building societies	41.650	0.0%	-
Customers	5.942	41.7%	2.477
<b>Gross Capital Expenditure</b>	<b>47.592</b>		<b>2.477</b>

The historical experience of default for deposits with banks and building societies has been taken from Moody's, a credit rating organisation used by the Council and applies to the period 1982 – 2005.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council has an obligation to collect council tax, non-domestic rates and to provide other services. It is Council policy to bill and to recover all such amounts due and the values above reflect the cumulative amount of such debts outstanding at 31 March 2008 which the Council is still taking action to recover.

### Note 17 – Financial Instruments Liquidity Risk

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through cash flow management procedures required by the Code of Practice.

### Note 18 – Financial Instruments Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.



The approved prudential indicator limits for the maturity structure of debt is the key parameter used to address this risk. The Council approved Treasury and Investment Strategy addresses the main risks and the operational risks are assessed within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt and;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	£m
< 1 year	25.374
1 - 2 years	0.854
2 - 5 years	0.096
5 - 10 years	5.320
Over 10 years	185.880
<b>TOTAL</b>	<b>217.524</b>

The maturity analysis of financial assets is as follows:

	£m
< 1 year	41.674
> 1 year	0.058
<b>TOTAL</b>	<b>41.732</b>

All other liabilities total £5.144m and are due to be paid in less than one year and are not shown in the table above.

#### Note 19 – Financial Instruments Market Risk

**Interest Rate Risk** - The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments would impact on the Income and Expenditure Account and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The market and forecast interest rates are monitored within the year to adjust exposures appropriately. If all interest rates had been 1% higher, with all other variables held constant, the likely financial effect would have been (the impact of a 1% fall in interest rates would be as below but with the movements being reversed);

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on investments	(0.526)
<b>TOTAL</b>	<b>(0.526)</b>
Share of overall impact credited to the HRA	(0.029)



**Price Risk** – The Council is not exposed to risks arising from exposure to movement in share prices.

**Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

#### Note 20 – Schools Public Private Partnership

The Council has entered into a Public Private Partnership for the provision of schools buildings, maintenance and other facilities. The agreement provides the Council with 6 replacement or renovated schools and the provider is required to maintain these schools to a high standard.

When the agreement ends in August 2038 the schools will be handed back to the Council with a guarantee of no major maintenance requirements for a five year period. Under this agreement the Council is committed to paying the following sums (in cash terms at today's prices):

Future Repayments Period	£m
2008-2013	40.000
2013-2018	45.700
2018-2023	50.400
2023-2028	55.700
2028-2033	61.800
2033-2038	68.700
2038-2039	4.900
<b>TOTAL</b>	<b>327.200</b>

The Council transferred one school valued at £1.670m during the year. Accounting for PPP transactions requires this sum to be charged to the Education Services Revenue Account over the life of the contract. A charge of £0.060m has been made in 2007/2008 which leaves a balance on this account of £1.610m however, the charge does not represent a real charge to the Income and Expenditure Account as the debit is matched by an appropriation from the Capital Adjustment Account.

It is estimated that at the end of the schools PPP contract the net depreciated replacement cost of the schools returning to the Council will be £52.360m. PPP accounting arrangements require this sum to be recognised in the Council's Balance Sheet over the life of the contract, initially as a long-term debtor with the full value transferring to Fixed Assets at the end of the contract.

#### Note 21 – School Delegated Budgets

Amounts included in balances held for schools under delegated schemes are £1.683m and are committed to be spent.



## Note 22 – Pension Costs

### 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 and as such is subject to the full accounting requirements of FRS17. The scheme is supported by contributions from both employees and employers intended to balance the pensions liability with investments assets.

### Transactions Relating to Retirement Benefits

The cost of retirement benefits under FRS17 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. Therefore, an adjustment is made in the Statement of Movement in the General Fund Balance on Page 18.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:-

2006-2007 £m	Pension Costs	2007-2008 £m
	<b>Net Cost of Services</b>	
16.029	Current Service Cost	15.922
(4.235)	Past Service Cost	0.684
1.498	Curtailments	0.180
	<b>Net Operating Expenditure</b>	
23.030	Interest Cost	25.175
(25.858)	Expected Return on Assets in the Scheme	(29.396)
<b>10.464</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>12.565</b>
(10.464)	Net Charges made for Retirement Benefits in accordance with FRS17	(12.565)
12.560	Employers Contributions Payable to Strathclyde Pension Fund	14.697
<b>2.096</b>	<b>Net Pension Movement in Statement of Movement in General Fund balance</b>	<b>2.132</b>

### Assets and Liabilities in Relation to Retirement Benefits

As at 31 March 2008, the Council had the following assets and liabilities for pensions within the Strathclyde Pension Fund that have been included in the Balance Sheet: -

2006-2007 £m		2007-2008 £m
408.813	Share of Assets in Strathclyde Pension Fund	404.812
(460.966)	Estimated Liabilities in Strathclyde Pension Fund	(406.695)
<b>(52.153)</b>	<b>Net Pension Asset / (Liability) and Pension Reserve</b>	<b>(1.883)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The net liability of £1.883m has an impact on the net worth of the Council as recorded in the Balance Sheet. It should be noted that these book entries are based only on the snapshot position at 31 March 2008 for reporting purposes only. The statutory arrangements for funding the deficit mean the financial position of the Council remains assured as it will be made good by increased contributions over the remaining working life of the employees, as assessed by the actuary.



### Basis for Estimating Assets and Liabilities

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, with estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2005. The main assumptions used in their calculations have been:-

2006-2007 %		2007-2008 %
3.2	Rate of Inflation	3.6
4.7	Rate of Increase in Salaries	5.1
3.2	Rate of Increase in Pensions	3.6
5.4	Rate of Discounting Scheme Liabilities	6.9

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:-

2006-2007 %	Long-Term Return %		2007-2008 %	Expected Long- Term Return %
73	7.8	Equity Investments	73	7.7
12	4.9	Bonds	14	5.7
10	5.8	Property	10	5.7
5	4.9	Cash	3	4.8

### Actuarial Gains and Losses

Actuarial gains identified as movements on the Pension Reserve are analysed into the following categories:

2003-04		2004-05		2005-06		2006-2007			2007-2008	
£m	%	£m	%	£m	%	£m	%		£m	%
37.358	14.5	9.745	3.4	59.469	15.8	0.312	0.1	Difference between the expected and actual return on assets	(41.880)	(10.3)
(0.278)	(0.1)	(1.235)	(0.3)	6.477	1.4	0.541	0.1	Difference between actuarial assumptions about liabilities and actual experience	(0.401)	(0.1)
-	-	(72.432)	(18.7)	(55.274)	(11.8)	34.887	7.6	Changes in the demographic and financial assumptions used to estimate liabilities	90.419	22.2
37.080		(63.922)		10.672		35.740		<b>Actuarial (Loss) / Gain in Pension Fund</b>	<b>48.138</b>	

### The Scottish Teachers' Superannuation Scheme

This Scheme is administered by the Scottish Government and 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 2007/2008 amounted to £6.240m, 13.5% of pensionable pay (2006/2007 £5.632m, 12.5% of pensionable pay). In addition, contributions totalling £0.411m, 0.89% of pensionable pay, were made in respect of discretionary payments (2006/2007 £0.327m, 0.73% of pensionable pay). Unlike the Local Government Scheme, the Council is not required to apply FRS17 disclosures in respect of the Teachers Superannuation Scheme as the liability for payment of pensions rests ultimately with the Scottish Government. Therefore the costs recorded within the Income and Expenditure Account in respect of this scheme are the actual contributions made during the year.



## Note 23 – Intangible Assets

This Note details the movement in intangible assets held by the Council.

Intangible Assets	2007-2008 £m
Gross Book Value as at 1 April 2007	0.027
Expenditure	0.251
Gross Book Value as at 31 March 2008	0.278
Less:	
Amortisation b/fwd 1 April 2007	0.011
Amortisation for Year	0.056
Balance as at 31 March 2008	0.067
Net Book Value as at 1 April 2007	0.016
Net Book Value as at 31 March 2008	0.211

## Note 24 – Fixed Assets

This Note details the movement in each classification of fixed asset held by the Council.

OPERATIONAL ASSETS						Non Operational Assets £m	Total £m
	Council Dwellings £m	Other Land & Buildings £m	Vehicles Plant and Equipment £m	Infrastructure £m	Community Assets £m		
Gross Book Value at 1 April 2007	198.891	312.295	6.317	47.175	-	23.012	587.690
Expenditure	15.787	6.328	2.533	4.418	-	25.644	54.710
Disposals at Cost	(3.768)	(3.389)	(0.040)	-	-	(2.275)	(9.472)
Revaluations	-	(0.739)	-	-	-	3.391	2.652
Impairments	-	(19.392)	(0.234)	(0.003)	-	(0.077)	(19.706)
Reclassifications	-	-	-	-	-	-	-
Gross Book Value at 31 March 2008	210.910	295.103	8.576	51.590	-	49.695	615.874
Less:							
Depreciation b/fwd 1 April 2007	24.082	15.792	1.785	8.455	-	2.055	52.169
Depreciation for Year	10.400	7.907	1.214	3.835	-	0.959	24.315
Depreciation on Assets Sold / Revalued	(0.461)	(5.039)	(0.016)	-	-	(0.010)	(5.526)
Balance at 31 March 2008	34.021	18.660	2.983	12.290	-	3.004	70.958
Net Book Value at 1 April 2007	174.809	296.503	4.532	38.720	-	20.957	535.521
Net Book Value at 31 March 2008	176.889	276.443	5.593	39.300	-	46.691	544.916



### Note 25 – Valuation of Fixed Assets

The following schedule shows the progress of the Council's 5 year rolling programme for the revaluation of fixed assets. The properties were valued by the Mr S McVie (MRICS), the Council's Principal Surveyor in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

Asset Type	Year
Council Dwellings	2008-2009
Assets greater than £0.500m	2009-2010
Assets less than £0.500m	2010-2011
Community Assets	2011-2012
De Minimis Assets	2012-2013

### Note 26 – Information on Assets Held

This Note gives a description of the range of assets that make up the fixed asset balances in the Balance Sheet.

31 March 2007	Asset	31 March 2008
13,596	<b>Council Dwellings</b>	13,330
	<b>Operational Buildings</b>	
17	Pre 5 Schools	17
46	Primary Schools	46
9	Secondary Schools	9
5	Special Schools	5
69	Community Education Centres	69
3	Day Centres	3
36	Car Parks	37
7	Social Work Homes	7
3	Assessment Centres	3
9	Depots	9
9	Sports Centres	9
1	Swimming Pools	1
18	Halls	18
4	Public Conveniences	4
21	Council Offices	21
85	Industrial Units	83
41	Shops	41
21	Libraries	21
6	Museums	6
	<b>Infrastructure Assets</b>	
115	Principal Roads (km's)	124
404	Non Principal Roads (km's)	404
603	Unclassified Roads (km's)	603
797	Highway Bridges	797
18,503	Street Lighting Units	18,962
1,500	Illuminated Signs	1,351
	<b>Community Assets</b>	
144	Parks (Acres)	144
129	Cemeteries (Acres)	129
1,911	Playing Fields / Open Spaces (Acres)	1,911
	<b>Operational Equipment</b>	
86	Vehicles	108



Statement of Accounts 2007/2008  
Notes to the Core Statements

### Note 27 – Capital Commitments

This Note provides a list of the significant contracts for capital investment that the Council has entered into.

General Fund		£m	Housing		£m
Scheme	Duration		Scheme	Duration	
Risk Management Centre	April 08 - May 08	0.175	Sprinkler Systems	April 08 - July 08	0.135
Galston Flood Prevention	April 08 - May 08	0.282	Reroofing	April 08 - May 08	0.276
Hillside Crescent Children's Home	April 08 - May 08	0.286	Overcladding	April 08 - May 08	0.281
Doon Valley Leisure Centre	April 08 - May 08	0.350	Ellisland Court	April 08 - August 08	0.925
Stewarton Academy Extension	April 08 - July 08	0.443	Kitchens & Bathrooms	April 08 - June 08	2.597
Stewarton Community Facilities	April 08 - July 08	1.066			
Netherthird Community Facility	April 08 - January 09	1.435			
Burns Monument Centre	April 08 - October 08	2.799			
Galston Primary New Build	April 08 - June 08	2.832			
<b>TOTAL</b>		<b>9.668</b>			<b>4.214</b>

### Note 28 – Net Assets Employed

2006-2007 £m		2007-2008 £m
340.740	General Fund	334.180
179.433	Housing Revenue Account	180.896
2.302	Trading Services	2.223
<b>522.475</b>	<b>TOTAL</b>	<b>517.299</b>

### Note 29 – Funding of Capital Expenditure

	General Fund £m	Housing Revenue Account £m	Total £m
Borrowing	22.632	5.274	27.906
Useable Capital Receipts	-	7.246	7.246
Specific Grants and Other Income	15.739	-	15.739
Capital Funded From Current Revenue (CFCR)	0.803	3.267	4.070
<b>Gross Capital Expenditure</b>	<b>39.174</b>	<b>15.787</b>	<b>54.961</b>

### Note 30 – Analysis of Assets Held at Current Value

	Council Dwellings £m	Other Land & Buildings £m	Vehicles Plant and Equipment £m	Infrastructure £m	Community Assets £m	Investment Properties £m	Total £m
Value at historical cost:	-	-	5.593	39.300	-	-	44.893
New Certified Valuation							
2007-08	-	104.457	-	-	-	0.050	104.507
2006-07	-	23.845	-	-	-	5.456	29.301
2005-06	-	3.321	-	-	-	2.526	5.847
2004-05	-	144.820	-	-	-	5.485	150.305
2003-04	176.889	-	-	-	-	-	176.889
<b>Total</b>	<b>176.889</b>	<b>276.443</b>	<b>5.593</b>	<b>39.300</b>	<b>-</b>	<b>13.517</b>	<b>511.742</b>



Statement of Accounts 2007/2008  
Notes to the Core Statements

### Note 31 – Debtors

An analysis of Debtors is provided in the following table.

2006-07 Net Debtor £m		2007/08		
		Gross Debtor £m	Provision £m	Net Debtor £m
0.613	Arrears of Local Taxation : Council Tax	20.816	19.785	1.031
0.459	: Non-Domestic Rates	1.870	1.770	0.100
0.386	Housing Rents	1.073	0.795	0.278
4.129	Accounts Receivable	5.942	2.477	3.465
4.979	VAT and Income Tax Recoverable	5.094	-	5.094
15.886	Other Income Due	20.921	3.449	17.472
<b>26.452</b>	<b>TOTAL</b>	<b>55.716</b>	<b>28.276</b>	<b>27.440</b>

### Note 32 – Creditors

An analysis of Creditors is provided in the following table.

2006-2007 £m		2007-2008 £m
19.297	Accounts Payable	16.429
4.946	Payroll Creditors	5.717
18.710	Other	15.920
<b>42.953</b>	<b>TOTAL</b>	<b>38.066</b>

### Note 33 – Movement in Reserves

This Note details the movements in reserves during the year.

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Capital Fund
	£m	£m	£m	£m	£m
Opening Balance as at 1 April 2007	-	334.493	0.000	(52.153)	13.793
Gains / Losses on the Fund	7.483	(31.428)	(15.827)	50.270	3.191
Net Amount Transferred Between Reserves	(0.191)	0.191	-	-	-
<b>Closing Balance as at 31 March 2008</b>	<b>7.292</b>	<b>303.256</b>	<b>(15.827)</b>	<b>(1.883)</b>	<b>16.984</b>

	General Fund Balance £m	Renewals and Repairs £m	Housing Revenue Account £m	Insurance Fund £m
Opening Balance as at 1 April 2007	21.267	4.508	1.401	5.574
Gains / Losses on the Fund	5.683	1.847	0.654	0.303
Net Amount Transferred Between Reserves	5.877	-	-	(5.877)
<b>Closing Balance as at 31 March 2008</b>	<b>32.827</b>	<b>6.355</b>	<b>2.055</b>	<b>-</b>



**Note 34 – Reconciliation of net (surplus) / deficit on the Income & Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement**

Notes 34 to 37 support the Cash Flow Statement shown on Page 21.

2006-2007 £m		2007-2008 £m
(25.960)	Net Cash Inflow from Revenue Activities	(21.558)
18.991	Financing & Capital Expenses	21.234
4.147	Contributions to / (from) Funds	(3.757)
	Movements in Working Capital :	
(0.014)	Increase in Stock and Work-in-Progress	0.365
(3.248)	Increase in Revenue Activity Debtors	1.786
0.510	Increase in Revenue Activity Creditors	(6.899)
0.019	Other	(3.385)
5.772	Net Additional Amount Required By Statute and Non-Statutory Proper Practices to be debited or credited to the General Fund Balance for the Year.	30.080
<b>0.217</b>	<b>Deficit / (Surplus) for the Year</b>	<b>17.866</b>

**Note 35 – Reconciliation of items under Financing and Management of Liquid Resources sections of the Cash Flow to the opening and closing Balance Sheet**

	Balance at 01/04/2007 £m	Cashflow £m	Balance at 31/03/2008 £m
Cash	0.044	0.005	0.049
Bank Overdraft	(1.835)	(5.025)	(6.860)
<b>Increase in Cash</b>	<b>(1.791)</b>	<b>(5.020)</b>	<b>(6.811)</b>
Debt Due after 1 Year	(191.002)	(1.296)	(192.298)
Debt Due within 1 Year	(0.644)	0.493	(0.151)
<b>Total Debt</b>	<b>(191.646)</b>	<b>(0.803)</b>	<b>(192.449)</b>
Temporary Lending / Short-Term Deposits	54.000	(12.800)	41.200
<b>Total</b>	<b>(139.437)</b>	<b>(18.623)</b>	<b>(158.060)</b>

**Note 36 – Reconciliation of Movement in Net Cash to Movement in Net Debt**

2006-2007 £m		2007-2008 £m
0.345	Increase / (Decrease) in Cash in Period	(5.020)
0.134	(Increase) / Decrease in Debt and Lease Financing	(0.803)
5.250	Increase / (Decrease) in Liquid Resources	(12.800)
<b>5.729</b>	<b>Movement in Debt in Period</b>	<b>(18.623)</b>
(145.166)	Net Debt as at 1 April 2007	(139.437)
<b>(139.437)</b>	<b>Net Debt as at 31 March 2008</b>	<b>(158.060)</b>



### Note 37 – Analysis of Government Grants

2006-2007 £m		2007-2008 £m
6.134	National Priorities Action Fund	6.362
0.321	Mental Health Grant	0.321
0.014	Sheltered Employment Grant	0.017
0.135	Gaelic	0.135
0.116	Social Work Training Grant	0.116
6.045	Other Government Grants	9.147
	<b>Other Grants</b>	
6.464	Supporting People	7.609
29.640	DWP Grants - Housing & Council Tax	29.091
<b>48.869</b>	<b>Cash Flow from Government Grants</b>	<b>52.798</b>

### Note 38 – Contingent Liabilities

The Council is a constituent member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at 31 March 2008 the Council's involvement stands at £1.391m and in the event of the Fund being wound up, a contingent liability of £0.455m exists in respect of European Development Fund Grants. The 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.

The Council has an obligation 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 once the reserves held by the Trust have been depleted. A contingent liability also exists in respect of Equal Pay compensation payments.

### Note 39 – Statement of Accounts

The unaudited Statement of Accounts were approved by a meeting of the Council held on 26 June 2008. The Executive Head of Finance and Asset Management, being the responsible officer for the Council's financial affairs, signed the unaudited Accounts on 26 June 2008. Events after 31 March 2008, the Balance Sheet date, have been considered up to the date of signing. The audited Statement of Accounts were authorised for issue on 26 September 2008.



**Statement of Accounts 2007/2008**  
**Housing Revenue Account Income and Expenditure Account**

The Housing Revenue Account (HRA), reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing (Scotland) Act 1987. It includes items to be taken into account in determining the surplus or deficit on the HRA for the year.

The amounts included in the HRA differ from the amounts in respect of HRA services included in the following Income and Expenditure Account which includes income and expenditure in accordance with the SORP rather than required by statutory and non-statutory practices.

2006-2007		2007-2008
Net Expenditure	Income	Net Expenditure
£m		£m
(31.180)	Dwelling Rents (Gross)	(31.623)
(0.927)	Non Dwelling Rents (Gross)	(0.961)
(0.227)	Housing Support Grant	(0.232)
(1.119)	Any Other Income	(1.185)
<b>(33.453)</b>		<b>(34.001)</b>
	<b>Expenditure</b>	
13.936	Repairs and Maintenance	14.998
4.361	Supervision and Management	4.191
9.073	Depreciation and Impairment of Fixed Assets	10.488
0.708	Bad and Doubtful Debt Provision	0.746
5.286	Any Other Expenditure	5.984
<b>33.364</b>		<b>36.407</b>
<b>(0.089)</b>	<b>Net Cost of HRA Services as Included in the whole Authority I&amp;E Account</b>	<b>2.406</b>
0.685	HRA Share of Corporate & Democratic Core	0.510
<b>0.596</b>	<b>Net Cost of HRA Services</b>	<b>2.916</b>
-	Gain on Disposal of HRA Fixed Assets	(1.994)
3.507	Interest Payable and similar charges	3.529
(0.303)	Interest and Investment Income	(0.340)
(0.117)	Pension Interest Cost and Expected Return on Pension Assets	(0.193)
<b>3.683</b>	<b>Deficit for the Year on HRA Services</b>	<b>3.918</b>

The Statement of Movement on the Housing Revenue Account Balance shows how the HRA Income and Expenditure Account surplus for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

2006-2007		2007-2008
£m		£m
3.683	(Surplus) / Deficit for the year on the HRA Income & Expenditure Account	3.918
(5.505)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the HRA Balance for the Year	(4.572)
<b>(1.822)</b>	<b>Increase in the HRA Balance for the Year</b>	<b>(0.654)</b>
-	Housing Revenue Account Balance brought forward	(1.401)
(1.401)	Housing Revenue Account Balance carried forward	(2.055)



Statement of Accounts 2007/2008  
Statement of Movement on the Housing Revenue Account Balance

The following note provides further analysis of the net additional amount required by statutory and non-statutory proper practices to be debited or credited to the HRA Balance for the year.

2006-2007		2007-2008
£m		£m
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>	
(9.073)	Depreciation and Impairment of Fixed Assets	(10.488)
-	Gain or loss on sale of HRA Fixed Assets	1.994
(0.436)	Net charges made for retirement benefits in accordance with FRS 17	(0.479)
<b>(9.509)</b>		<b>(8.973)</b>
	<b>Amounts not included in the HRA Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</b>	
0.448	Employer's contributions payable to Strathclyde Pension Fund	0.538
2.019	Loans Fund Principal	0.596
1.537	Capital expenditure funded by the HRA	3.267
<b>4.004</b>		<b>4.401</b>
<b>(5.505)</b>	<b>Net additional movement required to be credited to the Housing Revenue Account for the year</b>	<b>(4.572)</b>



### Note 40 – Housing Stock

The number and types of dwellings in the Council's housing stock is as follows:

2006-2007 Total		Flat	House	2007-2008 Total
2,629	One Bedroom	1,750	849	2,599
6,770	Two Bedroom	3,437	3,197	6,634
3,922	Three Bedroom	678	3,150	3,828
273	Four Bedroom	13	254	267
2	Five Bedroom	2	-	2
<b>13,596</b>	<b>Total</b>	<b>5,880</b>	<b>7,450</b>	<b>13,330</b>

### Note 41 – Rental Information

The amount of rent arrears and the provision considered necessary in respect of uncollected debts is shown in the table below.

2006-2007		2007-2008
£44.84	Average Weekly Rent (52 weeks)	£46.80
4.09%	Current Rent Arrears (as % of Rent Collectable)	2.90%
£0.974m	Total Rent Arrears	£1.073m
£0.588m	Provision for Bad Debt	£0.795m

### Note 42 – Loss on Void Properties

The Council is required to disclose the loss on void properties and in 2007/2008 this amounted to £1.135m. The comparator figure for 2006/2007 is £0.876m.



Statement of Accounts 2007/2008  
Council Tax Income Account and Supplementary Notes

**Council Tax Income**

Occupiers of domestic properties are liable to pay Council Tax. This is a tax levied by local authorities on domestic properties within their area.

Dwellings fall within a valuation band 'A' to 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2007/2008 was £1,188.99.

Properties can be exempt if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over. The discount is 50% where the property is not the sole or main residence of any person.

BAND	2007-08 £ per year
A	792.66
B	924.77
C	1,056.88
D	1,188.99
E	1,453.21
F	1,717.43
G	1,981.65
H	2,377.98

2006-2007 £m		2007-2008 £m
53.332	Gross Council Tax levied and contributions in lieu	55.181
	Deduct:	
0.181	Council Tax benefits (net of Government Grant)	0.140
(6.399)	Other discounts and reductions	(6.669)
(2.246)	Provision for bad and doubtful debts	(1.954)
1.200	Adjustments to previous years Council Tax	1.582
0.102	Arrears of Community Charge recovered during the year	0.082
<b>46.170</b>	<b>Net Council Tax Income Transferred to General Fund</b>	<b>48.362</b>

During 2007/2008 Community Charge arrears totalling £0.082m were collected. As there is no longer a balance sheet debtor for these arrears, the amounts collected result in a credit to the Council Tax Income Account.

**The Calculation of the Council Tax Base**

The figures shown in the table below indicate the number of properties as at 28 November 2006.

2006/07 Total	Bands	Disabled										2007/08 Total
		A	A	B	C	D	E	F	G	H		
53,858	Properties	0	26,664	9,344	4,372	5,538	5,389	2,479	542	40		54,368
(1,146)	Exemptions	0	(736)	(146)	(77)	(49)	(40)	(20)	(2)	(2)		(1,072)
0	Disabled Reliefs	125	(34)	(49)	10	20	(44)	(21)	(6)	(1)		-
(21,143)	Discounts (25%)	(47)	(13,844)	(3,451)	(1,398)	(1,250)	(998)	(322)	(50)	(4)		(21,364)
(651)	Discounts (50%)	0	(344)	(87)	(70)	(68)	(61)	(30)	(5)	(2)		(667)
<b>47,101</b>	<b>Total equivalent</b>	<b>113</b>	<b>22,261</b>	<b>8,243</b>	<b>3,921</b>	<b>5,162</b>	<b>5,025</b>	<b>2,343</b>	<b>519</b>	<b>35</b>		<b>47,622</b>
	Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9		
<b>39,772</b>	<b>Band 'D' equivalents</b>	<b>63</b>	<b>14,841</b>	<b>6,411</b>	<b>3,485</b>	<b>5,162</b>	<b>6,141</b>	<b>3,384</b>	<b>865</b>	<b>70</b>		<b>40,422</b>
(1,987)	Bad debt provision											(1,755)
<b>37,785</b>												<b>38,667</b>



**Statement of Accounts 2007/2008**  
**Non-Domestic Rate Income Account and Supplementary Notes**

Occupiers of non-domestic property are liable to pay Non-Domestic Rates. This is a tax levied by local authorities on occupiers of commercial property in their area.

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 Government. The national Non-Domestic Rate poundage set by the Scottish Government for 2007/2008 was £0.441.

2006-2007 £m		2007-2008 £m
31.723	Gross rates levied and contributions in lieu	31.133
(5.877)	Deduct:	(5.082)
(0.774)	Reliefs and reductions	(0.780)
	Provision for bad and doubtful debts	
25.072		25.271
(0.016)	Prior year pool	(0.042)
19.353	Contributions from National Non-Domestic Rate Pool	18.355
44.409	<b>Net Income</b>	<b>43.584</b>
(0.053)	Adjustments and pre-pool years	(0.031)
44.356	<b>Total</b>	<b>43.553</b>

### Analysis of Rateable Values

	Number	£m
Shops	1,073	21.429
Public Houses	115	1.892
Offices (including Banks)	501	5.257
Hotels, Boarding Houses etc	32	0.733
Industrial & Freight Transport Subjects	940	14.290
Leisure, Entertainment, Caravans and Holiday Sites	171	3.114
Garages and Petrol Stations	157	1.208
Cultural	21	0.184
Sporting Subjects	8	0.168
Education and Training	76	5.397
Public Service Subjects	214	4.019
Communications (Non-Formula)	3	0.015
Quarries, Mines	12	4.022
Petrochemical	2	0.141
Religious	92	0.740
Health Medical	71	3.491
Other	266	0.617
Care Facilities	51	1.575
Advertising	41	0.077
Undertaking	21	2.005
	<b>3,867</b>	<b>70.374</b>



Statement of Accounts 2007/2008  
Common Good, Trusts and Bequests and Supplementary Notes

The Council is the sole Trustee for various Common Good Funds relating to the areas of the former burghs together with a number of Charitable Trusts and Bequests. The Council administers these Funds but they are not assets available to the Council and have not been included in the Council's Balance Sheet.

### Summary of Common Good Funds

	Darvel £	Cumnock £	Kilmarnock £	Newmilns £	Stewarton £	Total £
Capital Balance 01/04/07	-	1,000.00	153,159.46	-	-	154,159.46
Revenue Balance 01/04/07	1,197.84	1,708.69	50,729.22	2,555.75	1,811.77	58,003.27
	1,197.84	2,708.69	203,888.68	2,555.75	1,811.77	212,162.73
<b>Expenditure During Year</b>						
Capital	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
<b>Income During Year</b>						
Capital	-	-	-	-	-	-
Revenue	62.19	140.63	10,585.57	132.69	94.06	11,015.14
Capital Balance 31/03/08	-	1,000.00	153,159.46	-	-	154,159.46
Revenue Balance 31/03/08	1,260.03	1,849.32	61,314.79	2,688.44	1,905.83	69,018.41
<b>Closing Balances at 31 March 2008</b>	<b>1,260.03</b>	<b>2,849.32</b>	<b>214,474.25</b>	<b>2,688.44</b>	<b>1,905.83</b>	<b>223,177.87</b>

### Summary of Trusts and Bequests

2006-07 Revenue Fund £	2006-07 Capital Fund £	2006-07 Total Funds £	Fund Balances	2007/08 Capital Fund £	2007/08 Revenue Fund £	2007/08 Total Funds £
440,260.50	48,344.94	488,605.44	Opening Balances 01/04/07	48,059.77	450,029.72	498,089.49
15,255.75	285.17	15,540.92	Expenditure	90.78	13,522.56	13,613.34
25,024.97	-	25,024.97	Income	-	30,161.22	30,161.22
9,769.22	(285.17)	9,484.05	Surplus / (Deficit)	(90.78)	16,638.66	16,547.88
<b>450,029.72</b>	<b>48,059.77</b>	<b>498,089.49</b>	<b>Closing Balances at 31 March 2008</b>	<b>47,968.99</b>	<b>466,668.38</b>	<b>514,637.37</b>

2006-07 £	Balance Sheet as at 31 March 2008	2007/08 £
13,932.30	Investments - External	14,184.84
484,157.19	Investments - Loans Fund	500,452.53
<b>498,089.49</b>		<b>514,637.37</b>
	<b>Financed By:</b>	
48,059.77	Capital Funds	47,968.99
450,029.72	Revenue Funds	466,668.38
<b>498,089.49</b>	<b>Closing Balance at 31 March 2008</b>	<b>514,637.37</b>



Statement of Accounts 2007/2008  
Common Good, Trusts and Bequests and Supplementary Notes

Trusts and Bequests

Name	Origin and Purpose	Loans Fund Fund £	Govt Stock Stock £	Total £
Robert Crawford's Bequest (SCO 19301)	To Provide Books For Public Library	7,923.99	1,600.00	9,523.99
Robert Cumming's Bequest (SCO 19298)	To Provide annuity For Testators Legatee Remainder For Maintenance Of Indigent Orphans Natives Of Kilmarnock/Ayrshire	2,153.50	0.00	2,153.50
John Fulton Soup Kitchen Trust (SCO 19300)	To Distribute Soup To The Poor	6,003.30	100.00	6,103.30
Murdoch's Trust (SCO 19305)	Provide An Annual Payment To One Poor Aged Deserving Kilmarnock Resident	3,784.38	0.00	3,784.38
Misses Parker's Bequest (SCO 19303)	To Provide Payments To Females Suffering From Incurable Diseases	2,220.15	0.00	2,220.15
Tannock's Trust (SCO 19304)	To Provide Annuities To Females	3,702.37	0.00	3,702.37
Archibald Taylor Fund (SCO 19308)	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescence For Certain Class Of Spinsters	421,832.91	0.00	421,832.91
Matthew L. Cochran's Bequest (SCO 19312)	To Provide Holidays For Elderly Deserving People Resident in Kilmarnock	16.87	0.00	16.87
B. C. Roxburgh Bequest	To Be Used For The Benefit Of The Citizens Of Darvel	20,963.00	0.00	20,963.00
East Ayrshire Emergency Relief Trust (SCO 24411)	Assistance for any organisation, body, resident or person suffering hardship, poverty or distress due to emergency, natural disaster, flood, subsidence, severe weather, or fire, or for such other reason as the trustees may agree	0.00	8,588.84	8,588.84
Newmilns Benevolent Assoc	For the alleviation of illness to persons residing in Newmilns and Greenholm	3,036.24	0.00	3,036.24
Graham Ramage Trust	For Cumnock Senior Citizens Club	708.23	1,367.00	2,075.23
Sommerville Trust	Relief of Poor - Sorn Parish	675.86	0.00	675.86
Misses Murray Legacy Trust	Relief of Poor - Old Cumnock Parish	1,820.37	500.00	2,320.37
D Smith Trust	To Maintain Burial Grounds	1,089.98	0.00	1,089.98
Mrs E McWhirter Trust	To Maintain Burial Grounds - Dalmellington Burial Grounds	421.09	824.00	1,245.09
Dalmellington Cemetery Trust	To Maintain Burial Grounds	93.24	0.00	93.24
R Mitchell Trust	Upkeep of Lair - Mauchline Cemetery	25.30	50.00	75.30
Mrs H S Wilson Trust	Upkeep of Lair - New Cumnock Cemetery	79.10	122.00	201.10
Dalrymple Cemetery Trust	To Maintain Burial Grounds	59.13	100.00	159.13
Polish Patients Fund	Upkeep of Memorial Stone - Mauchline	5.85	11.00	16.85
Miss A Stevenson Trust	Upkeep of Lair - Mauchline Cemetery	160.75	0.00	160.75
Mrs C Gordon Trust	Upkeep of Lair/Headstone Auchinleck Cemetery	160.75	0.00	160.75
Miss J Leiper Young Trust	Upkeep of Lair/Headstone Mauchline Cemetery	160.75	0.00	160.75
J M M Cuthbert Executory	Upkeep of Lair/Headstone Stair Cemetery	160.75	0.00	160.75
GAA Trust	To Maintain Burial Grounds	4,053.78	922.00	4,975.78
Gavin Memorial Fund	To Provide Prizes for Schools in Dalmellington	1,436.63	0.00	1,436.63
Brown Prize Fund	To Provide Prizes for Dux Boy & Girl at Cumnock Academy	341.23	0.00	341.23
Hon. Alex Shaw Prize	To provide prizes at Kilmarnock Academy	126.68	0.00	126.68
Morton Steven Dux Medal	To provide A Dux Medal at Kilmarnock Academy	257.07	0.00	257.07
Latta Dux Medal	To provide A Dux Medal at Cumnock Academy	74.07	0.00	74.07
James Mackie Memorial Prize	To provide prizes at Kilmarnock Academy	110.84	0.00	110.84
Hunter Stewart Fund	To provide A Dux Medal at Doon Academy	52.54	0.00	52.54
Hood Endowment	To provide prizes at Loudoun Academy	54.47	0.00	54.47
Arch. Hood Prize	To provide prizes at Newmilns Loudoun Academy	77.99	0.00	77.99
A B Carswell Prize	To provide prizes at Loudoun Academy	354.31	0.00	354.31
William Wilson Memorial Prize	To provide a cash prize for leadership (Girl) at Auchinleck Academy	151.11	0.00	151.11
Margaret Wilson Memorial Prize	To provide a cash prize for leadership (Boy) at Auchinleck Academy	0.00	0.00	0.00
McKenzie Prizes	To provide prizes for nature study at Auchinleck Academy	118.95	0.00	118.95
Galston Town Council Dux Medal	To provide Dux medals at Galston junior secondary & St Sophia's RCS	194.42	0.00	194.42
George Mason Prize Fund	To provide a prize for Art at Grange Academy	50.98	0.00	50.98
Robert C Grant Prize Fund	To provide prizes at Kilmarnock Academy	154.04	0.00	154.04
Mary C Smith Memorial Prize	To provide prizes at Loanhead Primary School	7.46	0.00	7.46
Sarah B Campbell	To provide bursaries for Bellsbank Primary School	2,493.07	0.00	2,493.07
Jean G Glennie	To provide prizes at Auchinleck Academy	38.10	0.00	38.10
John Minto Prize Fund	To provide a prize at Loanhead Primary	136.78	0.00	136.78
WS Oughton Memorial Prize	To provide a prize at Doon Academy	72.25	0.00	72.25
Sir Alexander Fleming Prize Fund	To provide a prize for science at Loudoun Academy	274.02	0.00	274.02
John C Kennedy Trust	To provide a prize at Bellsbank Primary School	7,643.82	0.00	7,643.82
Agnes S. Campbell Prize Fund	To provide a prize at Doon Academy	518.09	0.00	518.09
T K Stevenson Memorial Prize	To provide prizes at Greenmill Primary	90.98	0.00	90.98
Young Persons Challenge Fund	To support the life and work of young people in East Ayrshire	4,310.99	0.00	4,310.99
		500,452.53	14,184.84	514,637.37



Statement of Accounts 2007/2008  
Common Good, Trusts and Bequests and Supplementary Notes

Trusts and Bequests

Capital & Revenue Accounts	01-Apr-07		Expenditure in Year		Income in Year		31-Mar-08		
	Capital £	Revenue £	Capital £	Revenue £	Capital £	Revenue £	Total Capital £	Total Revenue £	Total £
Robert Crawford's Bequest	2,650.00	6,452.80	0.00	0.00	0.00	421.19	2,650.00	6,873.99	9,523.99
Robert Cumming's Bequest	2,045.39	0.00	0.00	0.00	0.00	108.11	2,045.39	108.11	2,153.50
John Fulton's Soup Kitchen Trust	1,443.00	4,300.61	0.00	0.00	0.00	359.69	1,443.00	4,660.30	6,103.30
Murdoch's Trust	100.00	3,494.40	0.00	0.00	0.00	189.98	100.00	3,684.38	3,784.38
Misses Parker's Bequest	1,365.00	743.70	0.00	0.00	0.00	111.45	1,365.00	855.15	2,220.15
Tannock's Trust	2,255.00	1,261.51	0.00	0.00	0.00	185.86	2,255.00	1,447.37	3,702.37
Archibald Taylor Fund	17,599.00	395,533.52	0.00	(12,797.17)	0.00	21,497.56	17,599.00	404,233.91	421,832.91
Matthew L. Cochrans Bequest	13.91	2.11	0.00	0.00	0.00	0.85	13.91	2.96	16.87
B. C. Roxburgh Bequest	10,796.00	9,735.65	0.00	(637.00)	0.00	1,068.35	10,796.00	10,167.00	20,963.00
East Ayrshire Emergency Relief Trust	0.00	8,336.30	0.00	0.00	0.00	252.54	0.00	8,588.84	8,588.84
Newmilns Benevolent Association	0.00	2,739.12	0.00	0.00	0.00	297.12	0.00	3,036.24	3,036.24
Graham Ramage Trust	1,837.00	152.44	0.00	0.00	0.00	85.79	1,837.00	238.23	2,075.23
Sommerville Trust	119.00	522.93	0.00	0.00	0.00	33.93	119.00	556.86	675.86
Misses Murray Legacy Trust	500.00	1,710.74	0.00	0.00	0.00	109.63	500.00	1,820.37	2,320.37
D Smith Trust	100.00	935.26	0.00	0.00	0.00	54.72	100.00	989.98	1,089.98
Mrs E McWhirter Trust	824.00	369.79	0.00	0.00	0.00	51.30	824.00	421.09	1,245.09
Dalmellington Cemetery Trust	58.00	30.56	0.00	0.00	0.00	4.68	58.00	35.24	93.24
R Mitchell Trust	50.00	22.33	0.00	0.00	0.00	2.97	50.00	25.30	75.30
Mrs H S Wilson Trust	122.00	70.04	0.00	0.00	0.00	9.06	122.00	79.10	201.10
Dalrymple Cemetary Trust	100.00	51.99	0.00	0.00	0.00	7.14	100.00	59.13	159.13
Polish Patients Fund	11.00	5.11	0.00	0.00	0.00	0.74	11.00	5.85	16.85
Miss A Stevenson Trust	100.00	52.68	0.00	0.00	0.00	8.07	100.00	60.75	160.75
Mrs C Gordon Trust	100.00	52.68	0.00	0.00	0.00	8.07	100.00	60.75	160.75
Miss J Leiper Young Trust	100.00	52.68	0.00	0.00	0.00	8.07	100.00	60.75	160.75
Miss J M M Cuthbert Executory	100.00	52.68	0.00	0.00	0.00	8.07	100.00	60.75	160.75
GAA Trust	922.00	3,850.28	0.00	0.00	0.00	203.50	922.00	4,053.78	4,975.78
Gavin Memorial Fund	1,040.00	324.51	0.00	0.00	0.00	72.12	1,040.00	396.63	1,436.63
Brown Prize Fund	216.00	97.40	0.00	0.00	0.00	27.83	216.00	125.23	341.23
Hon. Alex Shaw Prize	100.00	20.32	0.00	0.00	0.00	6.36	100.00	26.68	126.68
Morton Steven Dux Medal	207.00	100.53	0.00	(65.00)	0.00	14.54	207.00	50.07	257.07
Latta Dux Medal	109.35	0.00	(35.28)	(4.72)	0.00	4.72	74.07	0.00	74.07
James Mackie Memorial Prize	65.00	40.28	0.00	0.00	0.00	5.56	65.00	45.84	110.84
Hunter Stewart Fund	64.53	0.00	(11.99)	(3.01)	0.00	3.01	52.54	0.00	52.54
Hood Endowment	47.15	4.59	0.00	0.00	0.00	2.73	47.15	7.32	54.47
Arch. Hood Prize	100.00	3.32	(22.01)	(7.99)	0.00	4.67	77.99	0.00	77.99
A B Carswell Prize	216.00	118.18	0.00	0.00	0.00	20.13	216.00	138.31	354.31
William Wilson Memorial Prize	109.00	34.52	0.00	0.00	0.00	7.59	109.00	42.11	151.11
Margaret Wilson Memorial Prize	9.17	0.00	(9.17)	0.00	0.00	0.00	0.00	0.00	0.00
McKenzie Prizes	44.00	68.98	0.00	0.00	0.00	5.97	44.00	74.95	118.95
Galston Town Council Dux Medal	150.00	34.66	0.00	0.00	0.00	9.76	150.00	44.42	194.42
George Mason Prize Fund	42.05	6.37	0.00	0.00	0.00	2.56	42.05	8.93	50.98
Robert C Grant Prize Fund	133.33	12.98	0.00	0.00	0.00	7.73	133.33	20.71	154.04
Miss Mary C Smith Memorial Prize	16.83	0.00	(9.37)	(0.63)	0.00	0.63	7.46	0.00	7.46
Sarah B Campbell	259.00	2,108.92	0.00	0.00	0.00	125.15	259.00	2,234.07	2,493.07
Jean G Glennie	41.06	0.00	(2.96)	(2.04)	0.00	2.04	38.10	0.00	38.10
John Minto Prize Fund	100.00	29.91	0.00	0.00	0.00	6.87	100.00	36.78	136.78
W S Oughton Memorial Prize Fund	30.00	38.62	0.00	0.00	0.00	3.63	30.00	42.25	72.25
Sir Alexander Fleming Prize Fund	200.00	65.14	0.00	(5.00)	0.00	13.88	200.00	74.02	274.02
John C Kennedy Trust	1,000.00	6,260.09	0.00	0.00	0.00	383.73	1,000.00	6,643.82	7,643.82
Agnes Smith Campbell Prize Fund	400.00	92.08	0.00	0.00	0.00	26.01	400.00	118.09	518.09
T K Stevenson Memorial Prize	50.00	36.41	0.00	0.00	0.00	4.57	50.00	40.98	90.98
Young Persons Challenge Fund	0.00	0.00	0.00	0.00	0.00	4,310.99	0.00	4,310.99	4,310.99
<b>Total</b>	<b>48,059.77</b>	<b>450,029.72</b>	<b>(90.78)</b>	<b>(13,522.56)</b>	<b>0.00</b>	<b>30,161.22</b>	<b>47,968.99</b>	<b>466,668.38</b>	<b>514,637.37</b>



Statement of Accounts 2007/2008  
Group Income and Expenditure Account for the Year ended 31 March 2008

Details of the income and expenditure relating to the group entities for the year to 31 March 2008 are shown in the following statement.

2006-2007		Expenditure		Income	2007-2008
Net					Net
Expenditure		£m	£m	£m	Expenditure
£m	Service				£m
104.147	Education Services	155.473	(28.551)		126.922
1.930	Housing Services	84.198	(79.981)		4.217
12.840	Cultural & Related Services	16.449	(3.009)		13.440
11.070	Environmental Services	14.244	(3.184)		11.060
6.462	Fire Services	6.621	-		6.621
14.198	Roads & Transport Services	19.286	(4.299)		14.987
11.479	Police Services	11.406	-		11.406
4.230	Planning & Development Services	11.195	(8.545)		2.650
51.723	Social Work	75.689	(20.905)		54.784
3.011	Central Services to the Public	2.890	(0.750)		2.140
3.464	Corporate & Democratic Core	3.516	-		3.516
(2.796)	Non-Distributed Costs	0.969	-		0.969
1.238	Share of Operating Results of Associates	1.977	(0.831)		1.146
1.800	Exceptional Item - Equal Pay	-	-		-
<b>224.796</b>	<b>Net Cost of Services</b>	<b>403.913</b>	<b>(150.055)</b>		<b>253.858</b>
(0.028)	(Gains)/Losses on Disposal of Fixed Assets				(2.036)
(2.530)	Net (Surplus)/Deficit on Trading Operations				(2.465)
11.420	Interest Payable and similar charges				12.343
0.647	Share of Interest Payable of Associates				0.631
(2.454)	Interest and Investment Income				(3.543)
(0.333)	Share of Interest and Investment Income of Associates				(0.485)
(2.828)	Pensions Interest Cost and Expected Return on Pension Assets				(4.221)
9.816	Share of Pensions Interest Cost and Expected Return on Pension Assets of Associate				10.596
<b>238.506</b>	<b>Net Operating Expenditure</b>				<b>264.678</b>
(46.170)	Council Tax				(48.362)
(136.423)	Revenue Support Grant				(142.963)
(44.356)	Non-Domestic Rates				(43.553)
<b>11.557</b>	<b>Deficit/(Surplus) for the Year</b>				<b>29.800</b>



Statement of Accounts 2007/2008  
Reconciliation of the Single Entity Deficit for the Year to the Group Deficit

This statement analyses the deficit on the Group Income and Expenditure Account between the single and associate entities.

2006-2007 £m		2007-2008 £m
0.217	Deficit on the Council's single entity Income and Expenditure Account for the year	17.866
11.340	Deficit arising from other entities included in the group accounts: Associates	11.934
<b>11.557</b>	<b>Deficit for the Year on the Group Income and Expenditure Account</b>	<b>29.800</b>



Statement of Accounts 2007/2008  
Group Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its worth for the Council and the associate entities.

2006-2007		2007-2008
£m		£m
11.557	Deficit for the year on the Income & Expenditure Account	29.800
(25.790)	Surplus on the revaluation of fixed assets	(12.275)
(52.642)	Actuarial gains on pension assets and liabilities	(89.586)
-	Adjustments arising from the transitional arrangements for Financial Instruments	15.578
(0.287)	Any other (gains)/losses	(0.341)
<b>(67.162)</b>	<b>Total Recognised (Gains) and Losses for the year</b>	<b>(56.824)</b>



Statement of Accounts 2007/2008  
Group Balance Sheet

31 March 2007		31 March 2008	
£m		£m	
	<b>Intangible Assets</b>		
0.016	Software Licences	0.211	
<b>514.564</b>	<b>Operational Assets</b>	<b>498.225</b>	
174.809	Council Dwellings	176.889	
296.503	Other Land and Buildings	276.443	
4.532	Vehicles, Plant and Equipment	5.593	
38.720	Infrastructure Assets	39.300	
<b>20.957</b>	<b>Non-Operational Assets</b>	<b>46.691</b>	
14.389	Investment Properties	13.517	
2.273	Assets Under Construction	28.889	
4.295	Surplus Assets	4.285	
1.256	Investments in Associates	5.763	
14.838	Long-Term Prepayment	3.495	
0.110	Long-Term Debtors	1.610	
<b>551.741</b>	<b>Total Long-Term Assets</b>	<b>555.995</b>	
<b>82.232</b>	<b>Current Assets</b>	<b>69.847</b>	
1.074	Stock and Work-in-Progress	0.708	
26.638	Debtors	27.440	
54.477	Investments	41.650	
0.043	Cash and Bank	0.049	
<b>(47.616)</b>	<b>Current Liabilities</b>	<b>(47.011)</b>	
(2.642)	Borrowing Repayable on demand within 12 months	(2.085)	
(43.139)	Creditors	(38.066)	
(1.835)	Bank Overdraft	(6.860)	
<b>34.616</b>	<b>Net Current Assets</b>	<b>22.836</b>	
(190.785)	Borrowing Repayable within a period in excess of 12 months	(192.150)	
(0.218)	Deferred Liabilities - Finance Leases	(0.148)	
(13.063)	Government Grants Deferred	(27.828)	
(194.011)	Investment in Associates	(163.871)	
(52.153)	Liability related to defined benefit pension schemes	(1.883)	
<b>136.127</b>	<b>Total Assets Less Liabilities</b>	<b>192.951</b>	
	<b>Financed by:</b>		
-	Fixed Asset Restatement Account	7.292	
334.492	Capital Financing Account	303.256	
-	Financial Instruments Adjustment Account	(15.827)	
(52.153)	Pensions Reserve	(1.883)	
(193.218)	Group Reserve	(158.900)	
21.267	General Fund Balance	32.827	
1.401	Housing Revenue Account	2.055	
0.463	Revaluation Reserve - Associate	0.792	
13.793	Capital Fund	16.984	
5.574	Insurance Fund	-	
4.508	Renewals and Repair Fund	6.355	
<b>136.127</b>	<b>Total Net Worth</b>	<b>192.951</b>	



### Note 43 – Group Account Entities

The Council has an interest in an Associated Company and several Joint Boards. Full details are disclosed below.

The Associated Company that has been consolidated is:

- Kilmarnock Leisure Centre Trust (KLCT)

The Joint Boards which have been incorporated are :

- Strathclyde Joint Police Board
- Strathclyde Fire & Rescue Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Ayrshire Valuation Joint Board

The Trust and Joint Boards noted above were incorporated as Associates using the acquisitions method with the date of acquisition being 1 April 2005.

### Note 44 - Kilmarnock Leisure Centre Trust (KLCT)

This company was set up as a Charitable Trust on 30 October 1985 to provide leisure services within the Kilmarnock area. Five councillors from East Ayrshire are members of the Board and sit as Trustees. The Council's share of the net assets of the Trust has been based on the Council's contribution to revenue costs and results in 9.32% of the net assets being attributable to the Council. The Council has an obligation to indemnify and reimburse any cumulative deficit sustained by the Trust up to a maximum of £0.200m in each financial year once the reserves held by the Trust have been depleted.

A copy of the financial statements for the Trust can be obtained from the General Manager, Kilmarnock Leisure Centre Trust, 99 Titchfield Street, Kilmarnock KA1 1QY.

### Note 45 - Strathclyde Joint Police Board

The Board is a statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Scheme Order 1995 and to which all local government functions relating to the police area have been delegated from the 12 constituent councils which comprise the Strathclyde Force area. The 34 members of the Board are elected councillors of the 12 councils and are appointed by the councils to the Board in proportions specified in the Amalgamation Scheme. East Ayrshire Council has two elected members on the Joint Police Board. The Council's share of the net assets / liabilities of the Board has been based on the precept requisition of 4.61%.

A copy of the financial statements for the Joint Board can be obtained from the Treasurer to the Strathclyde Joint Police Board, Glasgow City Council, City Chambers, Glasgow G2 1DU.



#### **Note 46 - Strathclyde Fire & Rescue Joint Board**

The Board is a statutory body with the 34 members of the Board being elected councillors of the 12 councils. East Ayrshire Council has two elected members on the Board and the Council's share of the net assets / liabilities of the Board has been based on the precept requisition of 4.72%.

A copy of the financial statements for the Joint Board can be obtained from the Treasurer to the Strathclyde Fire & Rescue Joint Board, South Lanarkshire Council, County Buildings, Almada Street, Hamilton ML3 0AB.

#### **Note 47 - Strathclyde Partnership for Transport**

Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of 27 members representing the 12 constituent unitary authorities in the West of Scotland plus other interested parties. Of the 27 members, 20 are nominated from Councils and seven are public appointments. East Ayrshire Council has two elected members on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.36%.

A copy of the financial statements for SPT can be obtained from the Director of Finance, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

#### **Note 48 - Strathclyde Concessionary Travel Scheme Joint Committee**

The Committee comprises the 12 councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the 12 councils and by the Scottish Executive via a section 70 grant. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.69%.

A copy of the financial statements for SCTS can be obtained from the Director of Finance, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

#### **Note 49 - Ayrshire Valuation Joint Board**

The Ayrshire Valuation Joint Board is an independent public body formed in 1996 at local government reorganisation by Act of Parliament. The Council has no shares in, nor ownership of, the Board. The Board's running costs are met by the three councils of East, North, and South Ayrshire. Surpluses or deficits on the Board's operation are shared between the three member councils. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of East, North and South Ayrshire. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 31.09% and the following additional information relating to the Board is provided below.

A copy of the financial statements for the Joint Board can be obtained from the Treasurer to the Ayrshire Valuation Joint Board, South Ayrshire Council, County Buildings, Wellington Square, Ayr KA7 1DR.



The 2007/2008 unaudited statements show the following:

	£m
Net Assets	1.816
Results of Operations and other financial transactions - (Surplus) / Deficit	(0.063)
Fixed Assets	0.534
Current Assets	0.297
Liabilities due within one year	(0.297)
Liabilities due after one year	1.282

### Note 50 - Group Cash Flow

As the Group Cash Flow is identical to the single entity statement, this has been included on Page 21.

### Note 51 – Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Financial Statements are contained on Pages 6 - 12. The accounting policies of the Council and Associates noted above are fully aligned with the exception of the period over which fixed assets are depreciated.



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 is received or paid.

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

The changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

#### **Amortised Cost**

Amortised cost is a mechanism that sees through contractual terms to measure the real cost that the Council bears each year from entering a financial liability.

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

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

#### **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 resources used to pay for capital projects.

#### **Capital Adjustment Account**

This provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

#### **Capital Fund**

The Capital Fund is credited with all net capital receipts except where they are related to a specific project.

#### **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.

#### **Corporate Governance**

The 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 for Corporate Governance in Local Government: A Keystone for Community Governance. A Corporate Governance Statement of Assurance is included within the Financial Statements.

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

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.



### Expected Rate of 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.

### Fair Value

This is the price at which an asset could be exchanged in an arms length transaction less any grants receivable towards the purchase or use of the asset.

### Financial Asset

A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash from another entity or a financial right to exchange financial instruments under conditions that are potentially favourable to the Council.

### Financial Instrument

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

### Financial Instruments Adjustment Account

This holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

### Financial Liability

An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments under conditions which are potentially unfavourable to the Council.

### 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.

### Group Accounts

The purpose of group accounts is to show the Council's interest in organisations and companies within the Financial Statements. The Council's shares of the assets and liabilities of these other entities are shown in the Group Income and Expenditure Account and Group Balance Sheet.

### 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.

### Government Grants Deferred

All capital grants are initially credited to the Government Grants Deferred then released to departmental revenue accounts over the useful life of the asset to match the depreciation charge in respect of the asset to which the grant relates.

### 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.

### Intangible Assets

Non-financial assets which do not have physical substance but are identifiable and are controlled by the Council.

### 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.

### Liquid Resources

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

### 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 Government.

### 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.

### **Officers' Remuneration**

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.

### **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.

### **Operating Assets**

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.

### **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 Period 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.

### **Public Private Partnerships (PPP)**

These partnerships enable the public sector to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the initial building or refurbishment of the assets.

### **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.

### **Revaluation Reserve**

Records unrealised gains arising since 1 April 2007 from holding fixed assets not yet realised through sales.

### **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.

### **Statement on the System of Internal Financial Control (SSIFC)**

The SSIFC is incorporated within the Statement 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.

### **Stocks**

Stock may comprise the following:

Goods or other assets purchased for resale; Consumable stores; Raw materials and components purchased for incorporation into products for sale; Products and services in intermediate stages of completion; Long-term contract balances; and finished goods.

### **Significant Trading Operations**

The term is used to cover significant trading operations established under the Local Government in Scotland Act 2003.

### **Useful Life**

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



## Independent auditor's report to the members of East Ayrshire Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of East Ayrshire Council and its group for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Housing Revenue Account Income and Expenditure Account, statement of movement on the HRA Balance, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Trust Fund accounts, the Common Good Fund accounts and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of the Executive Head of Finance and Asset Management and auditor

The Executive Head of Finance and Asset Management's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the council's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



## Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Finance Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to East Ayrshire Council and its group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion the financial statements

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of East Ayrshire Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Peter Tait CPFA, Assistant Director  
Audit Scotland – Audit Services  
7<sup>th</sup> Floor, Plaza Tower,  
East Kilbride, G74 1LW.

26 September 2008