

# **Abstract of Accounts**

## **1996/97**

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# Financial Report by the Director of Finance 1996/97

## Explanatory Foreword

### *The Accounts Explained*

The following accounts comprise the financial performance for this first full operational year of the Council. The services provided by the Council fall into two distinct areas.

- **General Services**

Encompasses Education, Social Work, Development Services, Community Services, General Fund Housing, Revenue Collection, and Other Miscellaneous Services.

- **Housing Revenue Account**

Shows the cost of managing the Council's housing stock.

Support for these front line services is provided by Central and Support Services in respect of financial, personnel, legal etc back-up, the cost of which are recharged to the user services.

### *Constraints on Expenditure*

When formulating its annual budget the Council must take cognisance of Government spending restrictions on both revenue and capital levels. This restricts the level of revenue expenditure allowed on the General Services Account and the ability to make contributions to Housing Revenue Account. The Government's capital allocations for both General Services and Housing limit the annual expenditure on capital works.

### *Source of Funds*

Prior to the commencement of each year the Council assesses its expenditure plans for the provision of its services for the forthcoming financial year. The sources of funding for the provision of services in respect of both Revenue and Capital Expenditure are raised as follows:

#### **Revenue Expenditure**

- **General Services**

- (a) The Council sets its levels of Council Tax annually. The level for 1996/97 was levied at £714.00 for Band 'D' properties. This accounted for the estimated revenue expenditure for the year together with the inherited deficit balances from the former authorities and the shadow year of East Ayrshire Council.
- (b) Central Government by means of Revenue Support Grant and specific Grants.
- (c) Commercial and industrial undertakings by means of Non-Domestic Rates. These are now pooled centrally and redistributed via the Revenue Support Grant.

- **Housing Revenue Account**

The running costs and repayment of Capital Expenditure (Debt Charges) are met from the income generated from Housing Rents and other sundry income. The average rent level set for the year amounted to £25.07 per week and was one of the lowest in Scotland.

#### **Capital Expenditure**

Central Government sets financial targets annually (i.e. capital allocations) to enable the Council to undertake its capital programmes. The net allocations approved by Central Government are funded from borrowings from various financial institutions. Capital Programmes, however, may be enhanced by other methods, eg sale of assets, specific grants. The ultimate cost of the assets are written down annually over the useful life of the assets to the appropriate Revenue Account.

### *Format of the Accounts*

- **Consolidated Revenue Account**

The Consolidated Revenue Account illustrates the net cost for the year for the services provided by the Council, and demonstrates how this cost has been financed from general government grants and income from local taxpayers. Explanatory notes accompany this statement providing further details.

# Financial Report by the Director of Finance 1996/97

- **Consolidated Balance Sheet**

The Consolidated Balance Sheet shows the balances and reserves at the Council's disposal and its long-term indebtedness, together with the fixed and net current assets employed in its operations. Explanatory notes accompany this statement providing further details.

- **Cash Flow Statement**

This statement summarises the sources of the Council's funding and how this was spent during the year in terms of the inflows and outflows of cash arising from transactions with third parties for revenue or capital purposes.

- **Common Good Fund/Charities and Other Sundry Accounts**

These accounts are administered by the Council and are published within the Annual Report giving the financial position and movements of the funds during the year.

## Performance for the Year

The Council agreed a budget which complied with the capping level set by the Secretary of State resulting in a Council Tax of £714.00 (Band 'D' equivalent). The departmental service budgets were constructed in the main from information supplied by the demitting authorities, namely Strathclyde Regional Council, Kilmarnock and Loudoun District Council and Cumnock and Doon Valley District Council. Account was taken also of inherited deficits from these authorities together with the residual cost of East Ayrshire Council during its shadow year. The total of these deficits based on the best information available at that time was £1.3M.

A mid-year review of the budget position was carried out as it became apparent that certain services were under-funded. In addition, as the Annual Accounts for the demitting authorities were completed, a considerably higher deficit for the former Strathclyde Regional Council was projected. The revised total of the inherited deficits included within the Accounts 1996/97 is as follows:

	<b>Budget</b>	<b>Actual</b>
	<b>£M</b>	<b>£M</b>
East Ayrshire Council – Shadow Year	0.350	0.401
Strathclyde Regional Council	0.500	2.402
Kilmarnock and Loudoun District Council	0.150	0.362
Cumnock and Doon Valley District Council	0.300	0.274
	<b>1.300</b>	<b>3.439</b>

The Council amended its policy on loan debt repayment arrangements which generated savings to offset the potential overspend situation. The net effect of all the above action resulted in a surplus at the year-end of £0.696M.

The Housing Revenue Account, in terms of the overall performance for the year did not deviate significantly from that budgeted. As with the General Services Revenue Account, the amendment to the loan debt repayment methodology resulted in a surplus for the year of £2M. This sum, together with the residual balance from the former District Councils of £0.105M results in a surplus at the year-end of £2.105M.

The surpluses from both of these accounts have been committed within the Council's budgetary proposals in the following years.

The total Capital Programmes carried out during the year amounted to:

	<b>Actual</b>
	<b>£M</b>
Housing - HRA	8.761
Housing Non HRA	0.476
General Services	7.543
Urban Aid	0.194

## Audit of Accounts

The figures in the following Accounts are subject to audit and once the Accounts have been certified they will be re-presented to the Council for approval.

# Statement of Accounting Principles

## **General**

The Accounts relate to the financial year ended 31 March 1997. As a result of local government reorganisation, comparable figures for the financial year 1995/96 are not available and are therefore not included in the annual report.

The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in Great Britain issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

## **Revenue Transactions**

Revenue transactions have been recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 1997.

## **Stocks**

Consumable Stocks and Work In Progress are valued on a cost price basis, except in the case of Building and Works where average prices are used.

## **Central Services Expenses**

Central and Support Service costs have been fully expensed to user services. The 1996/97 actuals were apportioned on a basis in line with the practices adopted in the previous authorities.

Corporate Management costs have been treated in accordance with the CIPFA recommendations regarding Management of Overheads in Local Authorities.

## **Government Grants**

Grants have been matched to the expenditure to which they relate. Accruals have been made in the revenue accounts for balances known to be receivable for the period to 31 March 1997.

Grants received for the financing of the general activities of the Council or to compensate for loss of income have been credited to the Revenue Account.

## **Provisions**

The Council has made provision for the write off of bad or doubtful debt.

## **Leasing**

Estimates of the undischarged leasing obligations on new and existing operating leases are recorded in notes to the Consolidated Revenue Account, which also shows the amount charged to revenue. Rentals payable under operating leases are charged to the Revenue Account over the term of the lease.

## **Loans Fund Interest**

Loans fund interest has been calculated in accordance with Local Authority (Scotland) Accounts Advisory Committee Guidance Note Number 2. Interest on revenue balances is allocated on the basis of profiled 4 weekly balances held on the respective accounts. This basis does not comply with LASAAC guidance note 2.

## **Capital Expenditure**

Capital transactions have been recorded on an income and expenditure basis. The proceeds of disposal of Fixed Assets are credited to Capital Receipts and deducted together with Debt Redeemed from the accumulated Capital Expenditure. This expenditure is financed from a variety of sources including: Sale of Assets, Grants, Other capital receipts, Capital From Current Revenue and Borrowing.

## **Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

# Statement of Accounting Principles

## ***Redemption of Debt***

The Council operates a Loans Fund into which all loans raised are paid. The Loans Fund includes the balances inherited from the former District Councils of Kilmarnock and Loudoun and Cumnock and Doon Valley together with the Council's share of the Loans Fund of the former Strathclyde Regional Council. In consolidating these funds, the Council has taken the opportunity to rationalise all Loans Fund repayments on an annuity repayment basis with effect from 1996/97.

Provision is made in the Revenue Account for redemption over the recommended useful life of the assets. The apportionment over Revenue of the debt redemption and interest charges is on the basis of the outstanding capital advances made to each service from the Loans Fund.

## ***Capital Accounting***

The changes in the Code of Practice on Local Authority Accounting in Great Britain as they relate to the inclusion and valuation of fixed assets and the charging of services for the use of assets rather than the financing costs of debt outstanding have been complied with at this stage.

## ***Covenant Scheme***

During 1991/92 Kilmarnock and Loudoun District Council entered into a Parallel Loan and Covenant Scheme Agreement, effective from 31 March 1992, to provide finance of £3M for a town centre improvement scheme within Kilmarnock. Commencement of the repayment of the capital sum began in 1994/95. Annual covenant repayments are made to Morgan Grenfell (Local Authority Finance) Ltd and are charged against the Capital Programme in the year in which they are made.

## ***Pension Costs***

The pension costs that are normally charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

## ***Reserves***

Details of all Reserve Funds and Accounts are shown in the Notes to the Consolidated Balance Sheet. Reserves established by the former District Councils of Kilmarnock and Loudoun and Cumnock and Doon Valley together with the Council's share of the reserve established by Strathclyde Regional Council in respect of fixed asset reinstatement and capital financing have been consolidated into the fixed asset reinstatement reserve.

During the year the Council agreed that an internal Insurance Fund be established with any surplus arising being transferred to an Insurance Reserve to provide future cover for contingent liabilities. Any deficit on the Fund will be financed by an appropriation from the Reserve.

## ***Capital Reserves***

The accounts reflect capital accounting requirements and include the following reserves:-

A fixed asset restatement reserve which represents the difference between the valuation of the assets under the previous system of capital accounting and their initial revaluation plus the surpluses or deficits on any subsequent revaluation's less the net book value of any assets as they are disposed of.

A capital financing reserve which represents the accumulated balance of capital receipts applied, capital receipts set aside and capital funded from current revenue, less the difference between loans fund principal repayments and depreciation.

The useable capital receipts reserve which represents the capital receipts available to finance capital expenditure in future years.

## ***Material Disclosure Note***

Figures used in the Accounts for the Council's share of the balances of the former Strathclyde Regional Council represent the best estimates which are available at the time of completing the Accounts. To this extent the assets and liabilities shown in the Balance Sheet are estimates. As audited Accounts of the former Strathclyde Regional Council become available the values included in the Balance Sheet will be updated.

## ***Investments***

Investments are recorded at cost.

## Consolidated Revenue Account - Service Summary

Notes	Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Net Expenditure before capital charges £000s
	Education	69,492	2,442	67,050	61,090
1	Housing - Council Housing	25,003	27,003	(2,000)	(2,000)
	- Other Housing	19,507	17,188	2,319	2,983
	Social Work	25,912	3,469	22,443	22,253
	Community Services	35,322	2,228	33,094	33,889
	Development Services	22,032	3,921	18,111	18,793
2	Policy and Resources - Central Support Services	16,653	16,653	-	-
	Policy and Resources – Miscellaneous Services	7,214	1,152	6,062	6,427
2	Unallocated Support Services	1,833	293	1,540	1,540
	<b>Net Cost of Services</b> (See also note 14)	<b>222,968</b>	<b>74,349</b>	<b>148,619</b>	<b>144,975</b>
	Included in service gross expenditure are redundancy payments totalling £0.978M				
3	Net Deficit on DSOs and DLOs			813	368
4	Asset Management Revenue Account			(12,663)	-
	<b>Net Operating Expenditure</b>			<b>136,769</b>	<b>145,343</b>
	<b>Appropriations:-</b>				
	Transfer to Capital Financing Reserve			8,574	-
5	Transfer to HRA balances			2,000	2,000
6	Contributions to/from Specific Reserves			(305)	(305)
	<b>Amount to be met from government grants and local taxation</b>			<b>147,038</b>	<b>147,038</b>
	<b>Sources of Finance</b>				
	Revenue Support Grant			(99,354)	(99,354)
	Non Domestic Rate Income			(16,938)	(16,938)
	Specific Government Grants			(7,864)	(7,864)
9	Community Charge Arrears			(801)	(801)
9	Council Taxpayers			(25,413)	(25,413)
	<b>Net General Fund Surplus</b>			<b>(3,332)</b>	<b>(3,332)</b>
10	<b>Balances on General Fund brought forward</b>			3,459	3,459
	<b>Balance on General Fund carried forward:-</b>			<b>127</b>	<b>127</b>

# Consolidated Revenue Account - Notes to Service Summary

## Note 1 Housing Revenue Account (Council Housing)

The summary financial position is as follows:

### Housing Revenue Account

<b>Income</b>	<b>£000s</b>	<b>Expenditure</b>	<b>£000s</b>
Dwelling Rents	26,647	Supervision and Management	2,577
Housing Support Grant (Hostel)	51	Repairs and Maintenance	11,381
Other Income	305	Debt Charges	7,621
		Other Expenditure	3,424
<b>Total Income</b>	<b>27,003</b>	<b>Total Expenditure</b>	<b>25,003</b>
		<b>Net Surplus for Year</b>	<b>2,000</b>

  

<b>Total number &amp; Type of Houses</b>		<b>Rental Information</b>	
Houses	11,790	Average Weekly rent (52 weeks)	£25.07
Tenements	3,124		
4 in a block	4,749	<b>Rent Arrears</b> (including former tenants' arrears)	
Maisonettes	443	Provision made towards uncollectable debts	299
<b>Total</b>	<b>20,106</b>		

**Note 2** The cost of Central Support Services are fully allocated over Other Services excluding the element relating to the Cost of Collection and the Corporate Management of the Authority.

<b>Service</b>	<b>Gross Expenditure £000s</b>	<b>Gross Income £000s</b>	<b>Net £000s</b>
Chief Executive	332	332	-
Finance	1,860	1,860	-
Personnel Services	899	899	-
Support Services	9,793	9,793	-
Central Repairs	1,176	1,176	-
Office Accommodation	1,362	1,362	-
Democratic Process	1,231	1,231	-
Cost of Collection	745	293	452
Corporate Management	1,088	-	1,088
	<b>18,486</b>	<b>16,946</b>	<b>1,540</b>

## Note 3 Net surplus on DSOs and DLO's:

The Commercial Operations Department was set up to manage the Direct Service Operations (DSOs) and Direct Labour Organisations (DLOs) set up by the Council to compete for work under the Government's compulsory competitive tendering arrangements. The financial objective is to break even after taking account of capital charges. In addition various services have a non-statutory element which is also managed by the department. The accounts of the Council's DLOs and DSOs are published separately. A summary of the services' income, expenditure and surplus is set out below: -

### Statement of DLO/DSO Operations

	<b>Income £000s</b>	<b>Expend £000s</b>	<b>(Surplus)/Deficit £000s</b>
Leisure Management DSO	987	1002	15
Refuse Collection DSO	2,377	2,410	33
Street Cleansing DSO	1,260	1,262	2
Buildings etc Cleaning DSO	4,775	5,036	261
Catering DSO	3,593	3,471	(122)
Roads DLO	5,011	5,225	214
School Crossing Patrols	254	225	(29)
Vehicle Maintenance DSO	1,781	1,871	90
Grounds Maintenance DSO	2,460	2,883	423
Building Maintenance DLO	14,772	14,698	(74)
<b>Total</b>	<b>37,270</b>	<b>38,083</b>	<b>813</b>



## Consolidated Revenue Account - Notes to Service Summary

### Note 4 Assets - Management Revenue Account

The account contains: -

	<b>£000s</b>
Depreciation	1,602
Interest Payable	14,596
Loan Fund Expenses	286
Deferred Government Grant Reserve	(6,210)
Capital Charges	(22,893)
Notional Interest on DLO/DSO Stock balance	(44)
	<b>(12,663)</b>

This account shows the surplus arising from the capital charges made to Services for the use of assets and the cost to the Council in financing those assets. For the first time, local authorities now charge services for the use of assets on the basis of the value of replacement cost or depreciation of the asset, rather than simply the cost of repaying loans taken out to finance the assets. This is a new requirement of the Code of Practice on local authority accounting. The effect is to charge services as follows: -

	<b>Value of Capital Assets Used £000s</b>	<b>Capital Charges Made £000s</b>	<b>Loan Charges Paid £000s</b>
Education	137,493	8,389	2,431
Housing	171,430	7,621	8,284
Social Work	7,267	659	470
Community Services	8,022	1,699	2,493
Development Services	42,438	3,286	3,968
Central Support Services	7,728	1,724	2,089
DLO's and DSOs	2,332	579	134
	<b>376,710</b>	<b>23,957</b>	<b>19,869</b>

### Note 5 Transfer to HRA Balances

Amount transferred to Council Housing Accumulated surplus, available for use in 1997/98 and beyond - £2.000M.

### Note 6 Contributions to/from Specific Reserves

The revenue account has used reserves as follows: -

DSO Reserve funds of the former Kilmarnock and Loudoun and Cumnock and Doon Valley District Councils	<b>£000s</b>
	305

### Note 7 Pension Costs

The Council contributes to two pension schemes –

#### (a) The Local Government Superannuation (Scotland) Scheme

This scheme, the Strathclyde Pensions Scheme, is administered by Glasgow City Council on behalf of the scheduled and admitted bodies in the West of Scotland. This is the main scheme for administrative and manual staff employed by the Council, being a funded defined benefits scheme. This being a “final salary” based scheme it is not possible for these accounts to fully comply with all disclosure requirements of the Accounting Code of Practice. The scheme is supported by contributions from both employee and employer

#### (b) Teachers

The teachers' pension scheme is administered by the Scottish Office.

# Consolidated Revenue Account - Notes to Service Summary

## Note 8 Non Domestic Rate Income

	<b>£000s</b>
Gross Rates levied and contributions in lieu	24,146
<b>Less:-</b>	
Relief's and other reductions	3,741
Payment of Interest	0
Provision for bad and doubtful debts	1,070
Net Non-Domestic Rate income	<b>19,335</b>
Adjustments for years prior to introduction of national Non-Domestic Rate pool	0
<b>Contribution to national Non-Domestic Rate pool</b>	<b>19,335</b>

### Analysis of Rateable Values:

Rateable Value at 1 April 1996	54,958,784
Running Roll (full Year RV)	945,380
<b>Less: Wholly Exempt</b>	603,060
Net Rateable Value at 31 March 1997	55,301,104

### An explanation of the nature and amount of each rate fixed:

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 government.

The National Non-Domestic Rates poundage set by the Secretary of State for Scotland for 1996/97 was £0.449.

## Note 9 Council Taxpayers:

	<b>£000s</b>
Gross Council Tax levied and contributions in lieu and penalties	29,674
<b>Less:</b>	
Council Tax Benefits (Net of Government Grant)	288
Discounts and Reductions	2,585
Provision for bad debt and doubtful debts	1,480
Prior Year Adjustments	(92)
<b>Transfers to General fund</b>	<b>25,413</b>
<b>Add:</b>	
Arrears of Community Charge (Poll Tax) recovered during 1996/97	801
<b>Total Income from Local Taxation</b>	<b>26,214</b>

### The calculation of the Council Tax Base

	No. of dwellings	Number of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D equivalents
Band A	27,361	640	-84	11,114	157	23,948	6/9	15,965
Band B	9,557	92	58	2,444	73	8,760	7/9	6,813
Band C	3,551	30	-9	904	48	3,280	8/9	2,916
Band D	4,725	25	-4	781	35	4,491	1	4,491
Band E	4,038	21	24	605	28	3,828	11/9	4,679
Band F	1,489	6	9	151	12	1,430	13/9	2,065
Band G	349	0	5	24	3	337	15/9	562
Band H	30	1	1	0	1	28	18/9	56
	<b>51,100</b>	<b>815</b>	<b>0</b>	<b>16,023</b>	<b>357</b>	<b>46,102</b>	<b>0</b>	<b>37,547</b>

Class 18 Dwellings	14
Provision for Bad Debt	2,254
<b>Council Tax Base</b>	<b>35,307</b>

### The Nature and Actual Amount of each charge fixed

Dwellings fall within a valuation band between 'A' to 'H' which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base ie Band D Equivalents. This value is then decreased/increased dependant on the band. The band D charge for 1996/97 was £714. The District Equalisation Scheme introduced by the government in 1996/97 reduced the amount payable by dwellings in the former Kilmarnock and Loudoun area.

	£ per year	
	CDVDC	KLDC
Band A	476.00	467.67
Band B	555.00	545.28
Band C	635.00	623.89
Band D	714.00	701.50
Band E	873.00	857.72
Band F	1,031.00	1,012.94
Band G	1,190.00	1,169.17
Band H	1,428.00	1,403.00

# Consolidated Revenue Account - Notes to Service Summary

## Note 10 Balances on General Fund Brought Forward:

The Council has inherited a variety of surpluses and deficits from its predecessors, consolidated as follows:-

	£000s
East Ayrshire Council – Shadow Year	401
Strathclyde Regional Council	2,402
Kilmarnock and Loudoun District Council	362
Cumnock and Doon Valley District Council	294
	3,459

## Note 11 Local Government (Scotland) Act 1973, Section 83

The Council's expenditure under this statute, which is for the benefit of local residents, is limited to the product of £3.80 and the population of the Council's area. For 1996/97 the limit was £0.471M. Expenditure amounted to £0.257M and is included with service spending.

## Note 12 Local Government Act 1986 - Separate Publicity Account

Section 5 of this Act requires the Council to maintain a separate account for publicity. Expenditure of £0.184M was incurred during 1996/97.

## Note 13 Skills Training Schemes

These are principally funded by grants from the Training Agency, £0.818M was spent on the schemes in 1996/97 but the costs do not appear in the Consolidated Revenue Account.

## Note 14 Operating Lease Rentals

The Council leases a variety of assets on operating leases. The assets involved are mainly vehicles, computers, photocopying equipment and items of plant. The cost of lease is shown as service spending but no asset appears in the balance sheet. Operating leases cost £1.960M in 1996/97, the un-expired commitment on these leases totals £11.535M.

## Note 15 Movement in Deferred Charges

Value at 31.3.96	Additions	Amortised to Revenue	Transferred to Capital Financing Reserve	Value at 31.3.97
£'000	£'000	£'000	£'000	£'000
4,601	476	(476)	4,601	-

## Consolidated Revenue Account - Notes to Service Summary

### Note 16 Items of Income and Expenditure

The service summary at page 3 is presented below in a different layout to compare actual with budget.

	<b>1996/97 Estimate £000s</b>	<b>1996/97 Actual £000s</b>
<b>What the money was spent on:-</b>		
Staff Costs	69,377	74,098
Other Costs	94,085	96,053
Central Service Costs	12,822	11,745
Funding Costs	26,104	19,291
Housing Benefit	16,640	18,159
<b>Cost of Council Services</b>	<b>219,028</b>	<b>219,346</b>
<b>Where the money came from:-</b>		
Housing Rents	26,870	26,647
Other Income	44,202	47,661
	<b>71,072</b>	<b>74,308</b>
Net Service Expenditure	<b>148,705</b>	<b>145,038</b>
Council Tax, Rates, Grants Etc	149,456	150,370
	<b>(1,500)</b>	<b>(5,332)</b>
<b>Represented By</b>		
General Fund Surplus	(1,300)	(3,332)
Housing Revenue Account Surplus	(200)	(2,000)
<b>Net Expenditure met from Council Tax, Rates and Grants</b>	<b>(1,500)</b>	<b>(5,332)</b>

## Consolidated Balance Sheet as at 31 March 1997

Balance Sheet Note		£000s	£000s
1	<b>FIXED ASSETS</b>		
	<b>Operational Assets</b>		
	Council Dwellings	169,347	
	Other Land and Buildings	155,967	
	Infrastructure	25,563	
	Vehicles, Plant and Equipment	5,607	356,484
	<b>Non Operational Assets</b>		
	Investment Properties	18,837	
	Community Assets	7	
	Surplus Assets	1,382	20,226
	Asset Financed By Covenant		1,050
			<b>377,760</b>
	<b>CURRENT ASSETS</b>		
	Stocks and work in progress	1,165	
2	Debtors	16,717	
	Cash	31	
		<b>17,913</b>	
	<b>LESS:</b>		
	<b>CURRENT LIABILITIES</b>		
4	Creditors	26,230	
3	Temporary Borrowing	10,670	
	Bank Overdraft	1,610	
		<b>38,510</b>	
	<b>NET CURRENT LIABILITIES</b>		<b>(20,597)</b>
	<b>TOTAL</b>		<b>357,163</b>
	<b>REPRESENTED BY:</b>		
3	Loans Outstanding	154,830	
	Covenant Scheme Deferred Liability	1,050	
5	Fixed Asset Restatement Reserve	166,534	
	Capital Financing Reserve	32,074	
	Useable Capital Receipts Reserve	0	
6	Fund Balances and Other Reserves	2,675	
		<b>357,163</b>	

**Alexander McPhee. ACMA**  
Acting Director of Finance  
22 February 1998

# Consolidated Balance Sheet Notes

## Balance Sheet Note 1: Fixed Assets

The Consolidated Balance Sheet brings together all the assets and liabilities of the Council's General Fund, Direct Labour and Service Organisations and Loans Fund and should be read in conjunction with the Statement of Accounting Principles. (Note 1)

Fixed Assets are included in the Balance Sheet at their current asset value as at 31 March, 1997. Assets are valued as follows:-

**Council Dwellings** – Reinstatement value in respect of the former Kilmarnock and Loudoun District Council houses, and on income stream for the former Cumnock and Doon Valley District Council properties.

**Other Land and Buildings, Surplus Assets** - Open market value for existing use or depreciated replacement cost basis as appropriate. A few minor properties have been valued at historic cost or net realisable value.

**Vehicles, Plant, Furniture and Fittings** - Depreciated Historic Cost.

**Infrastructure** – Gross Capital Expenditure less principal repaid to the Consolidated Loans Fund.

**Deferred Charges** – Deferred charges for 1996/97 have been amortised to revenue, all the brought forward balances have been transferred to the Capital Finance Reserve in line with ACOP.

The asset valuations used in the accounts are based upon valuations by the Head of Property Services for land and buildings, and the Director of Commercial Operations for vehicles.

## Information on Assets Held

Work is ongoing to maintain a rolling register of numbers and values of assets. The main assets held by the Council as at 31 March 1997 are as follows:

	<b>Numbers as at 31 March 1997</b>		
<b>Council Dwellings:</b>	20,106	<b>Operational Equipment</b>	
		Vehicles	493
<b>Operational Buildings</b>		<b>Infrastructure Assets</b>	
Pre-5 Schools	22	Trunk Roads	2
Primary Schools	46	Principal Toads (Km's)	115
Secondary Schools	10	Non-Principal Roads (Km's)	404
Special Schools	5	Unclassified Roads (Km's)	576
Community Education Centres	70	Highway Bridges	276
Day Centres	3	Street Lighting Units	17,000
Car Parks	36		
Social Work Homes	9	<b>Community Assets</b>	
Assessment Centres	4	Parks (Acres)	102
Depots	9	Cemeteries (Acres)	47
Sports Centres	8	Playing Fields/Open Spaces (Acres)	858
Swimming Pools	2		
Halls	18		
Public Conveniences	9		
Council Offices	20		
Industrial Units	94		
Shops	66		
Libraries	27		
Museums	6		

## Consolidated Balance Sheet Notes

### Movement in Assets during 1996/97

Category	Opening Position £000s	Depreciation £000s	Disposals/ Additions £000s	Revaluation's £000s	Closing Position £000s
<b>Operational</b>					
Council Dwellings	176,421	0	(7,074)	0	169,347
Other Land & Dwellings	162,319	0	0	(6,352)	155,967
Vehicles, Plant & Equipment	6,627	(1,602)	0	582	5,607
Infrastructure Assets	25,874	0	826	(1,137)	25,563
Community Assets	0	0	0	7	7
<b>Non operational</b>					
Surplus Assets	1,478	0	0	(96)	1,382
Investment Properties	13,467	0	0	5,370	18,837
<b>Totals</b>	<b>386,186</b>	<b>(1,602)</b>	<b>(6,248)</b>	<b>(1,626)</b>	<b>376,710</b>

### Balance Sheet Note 2: Debtors

	£000s	£000s
Arrears of Local Taxation - Council Tax	8,886	
<b>Less</b> Provision	5,088	3,798
Arrears of Local Taxation - Non Domestic Rates	4,452	
<b>Less</b> Provision	2,845	1,607
House Rents etc receivable		768
Central Government Grants		2,332
VAT and Income Tax recoverable		1,345
Other Income due		6,867
		<b>16,717</b>

### Balance Sheet Note 3: Outstanding Borrowing

	Under 1 Year £'000	1 - 5 Years £'000	5 - 10 Years £'000	Over 10 Years £'000	Total £'000
Banks/Monetary Sector	60	13,200	10,500	-	23,760
Building Societies	2,000	3,000	-	-	5,000
Financial institutions	3,850	-	600	1,000	5,450
Local Authorities	4,910	-	-	-	4,910
Public works Loan Board	4,019	17,339	31,026	66,923	119,307
Commercial Sector	150	2,334	-	-	2,484
Central government	3,850	-	-	-	3,850
Other Sources	1	-	-	-	1
	<b>18,840</b>	<b>35,873</b>	<b>42,126</b>	<b>67,923</b>	<b>164,763</b>
Common Good	211	-	-	-	211
Charities & Bequests	526	-	-	-	526
Covenant Scheme	-	-	-	1,050	1,050
	<b>19,577</b>	<b>35,873</b>	<b>42,126</b>	<b>88,973</b>	<b>166,550</b>

## Consolidated Balance Sheet Notes

### Balance Sheet Note 4: Sundry Creditors

(Repayable on demand or within 12 months)

	<b>£000s</b>
Loan Interest, etc accrued	2,650
Glasgow City Council – Disaggregation of SRC Balances	7,780
Other	15,800
	<u>26,230</u>

### Balance Sheet Note 5: Fixed Asset Restatement Reserve

Refer to Statement of Total Movement in Reserves (Page 15)

166,534

### Balance Sheet Note 6: Fund Balances and Other Reserves

	<b>£000s</b>
Insurance Fund	677
General Fund – Deficit	(127)
Baird Institute Reserve	20
Housing Revenue Account	2,105
	<u>2,675</u>

### Balance Sheet Note 7: Commitments & Guarantees

The Council has a commitment to indemnify and reimburse the Trustees of the Kilmarnock Leisure Centre Trust to the extent of any loss incurred (capital & revenue) in each financial year, for the duration of the lease.

The Council guarantees the deposits taken by Cumnock Municipal Bank. As at 31 March 1997 the funds deposited with the Bank amounted to £0.085m. These are invested by the Bank on short term deposit with East Ayrshire Council.

The Council, together with the successor authorities to Strathclyde Regional Council has a continuing commitment to meet its share of any residual liabilities of that authority.



# Cash Flow Statement

£000s

## Revenue Activities

### Expenditure

Cash paid to and on behalf of employees	74,098
Other operating costs	80,919
Housing Benefit paid out	4,337
<b>Total Payments</b>	<b>159,354</b>

### Income

Rents (after rebates)	12,825
Council Tax Income	26,214
Revenue Support Grant/NDRI	123,860
DSS grants for rebates	3,976
Other government grants	14,855
Fees, Charges and Other Income	10,263
<b>Total Receipts</b>	<b>191,993</b>

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<b>Note 1 Net Cash Inflow from Revenue Activities</b>	<b>(32,639)</b>
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## Servicing of Finance

### Expenditure

Interest Paid	15,297
<b>Total Payments</b>	<b>15,297</b>

### Income

Interest Received	10
<b>Total Receipts</b>	<b>10</b>

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<b>Net Cash Outflow from Servicing of Finance</b>	<b>15,287</b>
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## Capital Activities

### Expenditure

Purchase of fixed assets	4,861
Purchase of long-term investments	-
Other capital cash payments	14,574
<b>Total Payments</b>	<b>19,435</b>

### Income

Sale of fixed assets	7,106
Capital grants received	901
Other capital cash payments/income	107
<b>Total Receipts</b>	<b>8,114</b>

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<b>Net Cash Outflow from Capital Activities</b>	<b>11,321</b>
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<b>Net cash inflow before financing</b>	<b>(6,031)</b>
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## Financing

### Expenditure

Repayments of amounts borrowed	64,124
Capital element of finance lease rentals payments	-
New short-term deposits	-
<b>Total Payments</b>	<b>64,124</b>

### Income

New loans raised	11,400
New short-term loans	49,321
Short-term deposits repaid	-
<b>Total Receipts</b>	<b>60,721</b>

Net Cash Outflow from Financing	<b>3,403</b>
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<b>Note 2 Increase in cash and cash equivalents</b>	<b>(2,628)</b>
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# Cash Flow Statement

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

	<b>£000s</b>
(Surplus)/Deficit for the Year	(3,332)
<b>Non Cash Transactions</b>	
Contributions to Reserves	(2,000)
Contributions to Capital	(2,375)
Non Cash Movements Relating to Loans Fund	(17,359)
Other Movements	305
<b>Movements in Working Capital</b>	
Increase in Stock and Work in Progress	213
Increase in Debtors	1,620
Increase in Creditors	(9,711)
<b>Net Cash Flow from Revenue Activities</b>	<b>(32,639)</b>

## Note 2 - Analysis of Balances of Cash and Cash Equivalents

	As at 31 March 97	As at 31 March 96	Movement
	£000s	£000s	£000s
Bank Overdraft/Cash	(1,580)	(4,208)	(2,628)
<b>Increase in Cash Equivalents</b>	<b>(1,580)</b>	<b>(4,208)</b>	<b>(2,628)</b>

## Note 3 - Analysis of Government Grants

	<b>£000s</b>
Revenue Support Grant	123,860
DSS Grants – Housing	3,976
Council Tax Benefit	5,821
Urban Aid	1,134
Social Work – Mental Illness Specific Grant	281
Police Board	6,913
Education – In Service Grant	215
Hostels	89
Education – Gaelic Language	5
Social Work – Child Care Training Grant	69
Benefit Administration	319
Sheltered Employment	9
<b>Cash Flow From Government Grants</b>	<b>142,691</b>

## Note 4 - Movement in Financing

	<b>£000s</b>
<b>Loans Repaid</b>	
Temporary Loans	50,107
PWLB	9,517
Local Bonds	-
Market Loans	4,350
Covenant Repaid	150
Short-term Deposits	-
	<b>64,124</b>
<b>New Loans</b>	
PWLB	11,400
Short-term Loans	49,321
Short-term Deposits Repaid	-
<b>Cash Outflow from Financing</b>	<b>3,403</b>

## Statement of Total Movement in Reserves

	Fixed Asset Restatement Reserve £000s	Capital Financing Reserve £000s	Useable Capital Receipts Reserve £000s	General Fund £000s	Baird Institute Reserve Fund £000s	Insurance Fund £000s	HRA £000s	Total £000s
Balance at 1 April 1997	(200,157)	(19,850)	0	3,459	(20)	0	(105)	(216,673)
Net (Surplus)/Deficit for year		(8,574)		(3,332)	-	(677)	(2,000)	(14,583)
Unrealised (Gains)/Loss from Asset Revaluation	26,549	4,623						31,171
Effect of Disposal of Fixed assets								
Cost or Value of Assets Disposed of	7,074							7,074
Proceeds of Disposals		(8,273)						(8,273)
Net (surplus)/ deficit for year	7,074	(8,273)	(8,273)					(9,471)
Financing of Fixed Assets			8,273					8,273
<b>Balance as at 31 March 1998</b>	<b>(166,534)</b>	<b>(32,074)</b>	<b>0</b>	<b>127</b>	<b>(20)</b>	<b>(677)</b>	<b>(2,105)</b>	<b>(201,283)</b>

## Common Good and Trust Funds

The Council administers a number of Common Good Funds relating to the areas of the former burghs. A summary of these is as follows:

### Summary of Common Good Funds:

	Darvel £000s	Cumnock £000s	Kilmarnock £000s	Newmilns £000s	Stewarton £000s	Total £000s
Capital Balance 1 April 1996	0	0	153	0	0	153
Revenue Balance at 1 April 1996	1	1	0	2	1	5
	<b>1</b>	<b>0</b>	<b>153</b>	<b>2</b>	<b>1</b>	<b>158</b>
<b>Expenditure During Year</b>						
Capital	0	0	0	0	0	0
Revenue	0	0	0	0	0	0
<b>Income During Year</b>						
Capital	0	0	43	0	0	43
Revenue	0	0	10	0	0	10
Capital Balance at 31 March 1997	0	0	196	0	0	196
Revenue Balance at 31 March 1997	1	1	10	2	1	15
	<b>1</b>	<b>1</b>	<b>206</b>	<b>2</b>	<b>1</b>	<b>211</b>

The Council also administers a variety of Trusts

### Summary of Trust Funds:

	£000s
Capital Balance 1 April 1996	81
Revenue Balance at 1 April 1996	477
	<b>558</b>
<b>Expenditure During Year</b>	
Capital	19
Revenue	37
	<b>56</b>
<b>Income During Year</b>	
Capital	0
Revenue	34
	<b>34</b>
Capital Balance at 31 March 1997	62
Revenue Balance at 31 March 1997	474
	<b>536</b>

## Charities and Trusts – Origin & Purpose.

	Origin & Purpose	Amount of Fund at 31 March 1998	
		Capital	Revenue
Robert Crawford's Bequest	To provide books for Public Library	2,650	3,282
Robert Cumming's Bequest	For maintenance of indigent orphans, native of Kilmarnock/Ayrshire.	3,080	28,967
John Fulton's Missionary Trust	To provide a missionary for the poor	0	589
John Fulton's Soup Kitchen Trust	To distribute soup to the poor	1,443	42,937
Murdoch's Trust	To provide an annual payment to one poor aged deserving person resident in Kilmarnock	100	2,083
Misses Parker's Bequest	To provide payment to females suffering incurable diseases.	1,365	15
Tannock's Trust	To provide annuities to females	2,255	44
Archibald Taylor Fund	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescent For Certain Class Of Spinsters	17,599	257,126
Matthew L. Cochran's Bequest	To Provide Holidays For Elderly Deserving People Resident In Kilmarnock	1,948	12,033
Mair Bequest	To Provide Relief To Deserving Poor Natives Or Inhabitants Of Newmilns	14,928	105,170
G.M. Borland Bequest	To Disburse Among Poor	450	4,027
Kay Park Trust		903	883
B.C. Roxburgh Bequest	To Be Used For The Benefit Of the Citizens Of Darvel	10,796	11,854
Sommerville Trust		119	278
Graham Ramage Trust		1,837	767
Misses Murray Legacy Trust		500	892
D Smiths Trust	To maintain Burial Grounds	100	534
Mrs E McWhirter Trust	To maintain Burial Grounds	824	0
Dalmellington Cemetery Trust	To maintain Burial Grounds	58	0
R Mitchell Trust	To maintain Burial Grounds	50	0
Mrs H S Wilson Trust	To maintain Burial Grounds	122	0
Dalrymple Cemetery Trust	To maintain Burial Grounds	100	0
Polish Patients Fund	To maintain Burial Grounds	11	0
Miss A Stevenson Trust	To maintain Burial Grounds	100	0
Mrs C Gordon Trust	To maintain Burial Grounds	100	0
Miss J Leiper young Trust	To maintain Burial Grounds	100	0
Miss J.M.M. Cuthbert Executory	To maintain Burial Grounds	100	0
GAA Trust	To oversee properties in Dalmellington	922	2,418
		<b>62,560</b>	<b>473,902</b>

# The Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The authority is required:

- 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. In this authority, that officer is the Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

## The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASSAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year (ended 31 March 1996).

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and them applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records and introduced procedures to ensure that these are kept up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Audit Certificate

### To the members of East Ayrshire Council and the Accounts Commission for Scotland

As auditor, appointed under statute by the Accounts Commission for Scotland, I have audited the accounts of East Ayrshire Council for the year ended 31 March 1997, an abstract of which is set out on pages 4 to 21.

#### **Respective responsibilities of management and auditors in relation to the accounts**

As described on page 21 the management of the authority is responsible for the preparation of the accounts. It is my responsibility to form an independent opinion, based on my audit, on the abstract of accounts and to report that opinion to you.

#### **Basis of opinion**

I have conducted my audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973 and of the Code of Audit Practice approved by the Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by management in the preparation of the accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit of the accounts 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 accounts are free from material mis-statement, whether caused by fraud or other irregularity or error.

However, the evidence available to me was limited because I have been unable to obtain sufficient assurances as to the accuracy of the opening balances, included in the accounts, inherited from Strathclyde Regional Council. Certified accounts to 31 March 1996 for the former authority are not available at this date and the Acting Director of Finance of East Ayrshire Council is thus unable to provide a letter of representation that the balances inherited from the demitting authority are fairly stated. The auditor of the accounting authority, responsible for the closure of the demitting authority's 1995/96 accounts, is also unable at this date to provide assurance on the disaggregation of the accounts of the former Strathclyde Regional Council.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

#### **Qualified opinion arising from limitation in audit scope**

Except for any adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning the opening balances inherited from Strathclyde Regional Council, in my opinion the abstract of accounts presents fairly, in accordance with the accounting policies set out on pages 4 to 5, the financial position of the authority as at 31 March 1997 and its income and expenditure for the year then ended.

#### **Failure to comply with statutory requirement**

It has not been necessary to qualify my opinion in respect of the following matters.

I draw attention to the results of the following Direct Labour and Direct Service Organisations which are detailed on page 7: Roads DLO, Cleaning of Buildings DSO, Vehicle Maintenance DSO, Refuse Collection DSO, Street Cleansing DSO, Leisure Management DSO, and Grounds Maintenance DSO. Directions given under Local Government Planning & Land Act 1980 and the Local Government Act 1988 require the Direct Labour and Direct Service Organisations' income to be not less than their expenditure. That prescribed financial objective was not met by the Direct Labour and Direct Service Organisations mentioned above.

I also draw attention to the results of the Building and Works Direct Labour Organisation which are detailed on page 7. Directions given under the Local Government Planning & Land Act 1980 require the DLO's income to be not less than its expenditure. I am unable to confirm that the prescribed financial objective was achieved by the DLO as the authority has not provided adequate information and assurances to confirm the robustness of the financial system generating the income included in the accounts.

Signature:

Graham Potter, CPFA, MSc  
Chief Auditor  
Accounts Commission  
9<sup>th</sup> Floor, Plaza Tower  
East Kilbride, G74 1LW

Date: 15 September 1998

# Glossary of Terms

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

## ***Capital Charges***

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

## ***Capital Expenditure***

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

## ***Community Assets***

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that 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.

## ***Deferred Charges***

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

## ***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.

## ***Direct Service Organisation (DSO)***

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

## ***Exceptional Items***

Material 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.

## ***Extraordinary Items***

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected.

## ***Finance Lease***

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the lease asset.



# Glossary of Terms

## ***Fixed Assets***

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

## ***Government Grants***

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

## ***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.

## ***Net Current Replacement Cost***

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, ie the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## ***Net Realisable Value***

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

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

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

## ***Operating Leases***

A lease other than finance lease.

## ***Operational Assets***

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

## ***Prior Year Adjustments***

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

## ***Stocks***

Comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stages of completion;
- (e) long-term contract balances; and
- (f) finished goods.

## ***Unapportionable Central Overheads***

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

## ***Useful Life***

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