

Abstract of Accounts

1997/98

Contents

	Page No
Financial Report	1-2
Statement of Accounting Principles	3-5
Consolidated Revenue Account – Service Summary	6
Consolidated Revenue Account – Note to Service Summary	7-9
Collection Accounts	10
Housing Revenue Account	11
Consolidated Balance Sheet as at 31 March 1998	12
Consolidated Balance Sheet Notes	13-15
Cash Flow Statement	16-17
Statement of Total Movement in Reserves	18
Common Good, Trusts and Charities Accounts	19-21
Statement of Responsibilities for the Statement of Accounts	22
Glossary of Terms	23-24
Audit Certificate	25-26

Financial Report by Director of Finance

Explanatory Foreword

The Accounts Explained

The following accounts comprise the financial performance for East Ayrshire Council for the year ended 31 March 1998. 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 & administrative 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. These restrict the level of revenue expenditure allowed on the General Services Account and the ability to make contributions to the 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 1997/98 was levied at £779.00 for Band 'D' properties.
- (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 however 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 £28.61 per week and compares favourably with other Scottish councils.

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 funds, for example sale of assets or specific grants. The Revenue Accounts include Capital Charges for the Assets utilised in the provision of Council Services.

Format of the Accounts

- **Consolidated Revenue Account**

The Consolidated Revenue Account illustrates the net cost for the year of 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 Director of Finance

- **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**

The Cash Flow 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 and 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

General Fund

The surplus for the year was £0.075m. The budget set by the Council in March 1997 was intended to produce a breakeven position. A mid year review of the budget was carried out however, which included a confirmation of a change to the annuity method for the calculation of loan charges with an estimated saving accruing of £2.402m, and projected a year end surplus of £2.259m. Difficulties with the Commercial Operations trading services are the major reason for the non-achievement of this level of surplus.

Additional liabilities in respect of the former Strathclyde Regional Council were revealed during the year, of which East Ayrshire Council's share is £1.436m.

The overall deficit at 31 March 1998 is therefore £1.361m. When added to the deficit brought forward from 1996/97 of £0.127m this results in a cumulative deficit of £1.488m to be carried forward to 1998/99.

Housing Revenue Account

The Housing Revenue Account reported a surplus for the year of £0.461m with the accumulated surplus carried forward to 1998/99 being £2.566m.

Commercial Operations (DLO/DSOs)

The majority of Commercial operations trading services recorded losses for the financial year the overall deficit amounted to £2.550m. The underlying reasons for this have been the subject of a detailed investigation by the Accounts Commission.

Completion of the Accounts

The Secretary of State agreed that in view of the Council's need to devote a significant proportion of Finance Department resources to the investigation of the Commercial Operations position, the date by which the 1997/98 Accounts must be submitted to the Controller of Audit should be extended from 30 June 1998 to 31 August 1998.

Capital Programme

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

	<u>Capital Consent</u>	<u>Actual Expend</u>	<u>Variance</u>	<u>%</u>
	<u>£M</u>	<u>£M</u>	<u>£M</u>	
Housing - HRA	5.281	5.627	0.346	106.55%
General Services	7.973	8.522	0.549	106.89%

The timing of the flow of receipts from the sale of Council Houses is the main reason for the reported overspend in respect of the Housing Capital Programme.

Additional net service expenditure, together with the overspend from 1996/97 of £0.808m resulted in an overspend on the General Services capital programme.

Statement of Accounting Policies

Principles Adopted in Compiling the Accounts

General

The Accounts relate to the financial year ended 31 March 1998 with relevant figures for 1996/97 shown as appropriate for the purposes of comparison.

The accounts have been prepared in accordance with the 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 accruals basis, whereby sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year with provision being made on an actual or estimated basis for all debtors and creditors as at 31 March 1998.

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. This does not comply with the Accounting Code of Practice.

Central Services Expenses

In accordance with CIPFA recommendations Central and Support Service costs have been fully allocated to departments with the exception of the cost of the corporate and democratic core which have not been apportioned.

Government Grants

Grants made to finance the general activities of the Council or to compensate for loss of income are credited to the revenue account of the financial year to which they relate. Specific government grants are accounted for when the conditions of receipt have been met. Accruals have been made in the revenue accounts for balances known to be receivable for the period to 31 March 1998.

Provisions

The Council has made provision based on past experience for the loss of taxation income arising from bad and doubtful debts. Provision has also been made for bad and doubtful debts for all other items of income.

Operating Leases

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.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. The basis of valuation have been included as a note to the consolidated balance sheet.

Investments

Investments are recorded at cost.

Statement of Accounting Policies

Depreciation

Assets, other than land or community assets are depreciated over their useful economic lives, except where the Council is making regular repairs and maintenance to extend the assets useful life in its existing use so that any provision for depreciation would not be material. The period and categories of assets involved are:-

Infrastructure assets	25 – 40 years
Vehicles/Plant	2 – 7 years
Equipment	2 – 10 years

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.

Capital Accounting

The Accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain, which is recognised by statute as representing proper accounting practice. In Scotland the status of this code is derived from the Scottish Office circular 5/1985. As a result all fixed assets are included in the Balance Sheet at valuations and capital financing charges are made to service departments revenue accounts for the use of the assets. The total capital charges made are compared to the actual loan charges incurred by the Council in the Asset Management Revenue Account, with the resultant charge or credit being taken to the consolidated revenue account.

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 cost of providing pensions for employees is charged to the revenue account in accordance with the statutory requirements governing the particular pension schemes to which the Council contributes. As a result the Council does not comply with SSAP 24 as the revenue account does not include proper provision for the pension costs of employees and the liabilities in the balance sheet are understated in respect of pension costs.

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.

Insurance Fund

The council operates an internal insurance fund with the balance being carried forward to provide future cover for contingent liabilities.

Statement of Accounting Policies

Material Disclosure Note

DLO Charges

The system of charging for work done by Building and Works DLO for property repairs during the year has been revealed to be unreliable, and as a consequence charges made during the year were considered to be significantly understated. Agreements were reached between the DLO and client departments on a methodology to determine the level of undercharging and additional sums were paid at the end of the year in recognition of this by the Department of Housing and the Department of Support Services.

Former Authority Balances

Figures used in the Accounts for the Council's share of the balances of the former Strathclyde Regional Council represent the best estimates that 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.

Consolidated Revenue Account - Service Summary

1996/97	Notes	Services	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
67,050		Education	71,467	4,035	67,432
(2,000)		Housing - Council Housing	27,479	27,940	(461)
2,319		- Other Housing	21,368	18,948	2,420
22,443		Social Work	27,607	4,521	23,086
33,094		Community Services	35,568	2,318	33,250
18,111		Development Services	16,892	3,802	13,090
-	1	Policy and Resources - Central Support Services	15,667	15,667	-
6,062		Policy and Resources – Miscellaneous Services	5,927	942	4,985
1,540	1	Unallocated Support Services	1,551	-	1,551
148,619		Net Cost of Services (See also note 11)	223,526	78,173	145,353
		Included in service gross expenditure are redundancy payments totalling £1.079M			
813	2	Net Deficit on DSOs and DLOs			2,550
(12,663)	3	Asset Management Revenue Account			(4,677)
136,769		Net Operating Expenditure			143,226
		Appropriations:-			
2,000	4	Transfer to HRA balances			461
8,574		Transfer to Capital Financing Reserve			2,738
(305)	5	Contributions to/from Specific Reserves			500
147,038		Amount to be met from government grants and local taxation			146,925
		Sources of Finance			
84,685		Revenue Support Grant			78,619
31,607		Non Domestic Rate Income			31,832
7,864		Specific Grants			8,352
801		Community Charge Arrears			838
25,413		Council Taxpayers			27,359
(3,332)		Net General Fund (Surplus)/Deficit			(75)
3,459		Prior Year Adjustment - former authorities			1,436
127					1,361
-		Balances on General Fund brought forward			127
127		Balance on General Fund carried forward:-			1,488

Consolidated Revenue Account - Notes to Service Summary

Note 1 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.

Service	Gross Expenditure £000s	Gross Income £000s	Net £000s
Chief Executive	341	341	-
Finance	2,337	2,337	-
Personnel Services	1,012	1,012	-
Support Services	7,609	7,609	-
Central Repairs	1,441	1,441	-
Office Accommodation	1,891	1,891	-
Democratic Process	1,036	1,036	-
Cost of Collection	314	-	314
Corporate Management	1,237	-	1,237
	17,218	15,667	1,551

Note 2 Net surplus on DSOs and DLOs:

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

	STATUTORY			NON STATUTORY			TOTAL		
	Income £000s	Expend £000s	(Surplus)/ Deficit £000s	Income £000s	Expend £000s	(Surplus)/ Deficit £000s	Income £000s	Expend £000s	(Surplus)/ Deficit £000s
Leisure Management DSO	998	1,070	72	-	-	-	998	1,070	72
Refuse Collection DSO	2,317	2,420	103	-	-	-	2,317	2,420	103
Street Cleansing DSO	1,239	1,251	12	-	-	-	1,239	1,251	12
Buildings etc Cleaning DSO	1,799	1,937	138	3,000	3,198	198	4,799	5,135	336
Catering DSO	2,549	2,668	119	939	868	(71)	3,488	3,536	48
Roads DLO	4,751	4,992	241	-	-	-	4,751	4,992	241
School Crossing Patrols	259	253	(6)	-	-	-	259	253	(6)
Vehicle Maintenance DSO	1,588	1,727	139	-	-	-	1,588	1,727	139
Grounds Maintenance DSO	2,413	2,843	430	-	-	-	2,413	2,843	430
Building Maintenance DLO	14,704	15,879	1,175	-	-	-	14,704	15,879	1,175
Total	32,617	35,040	2,423	3,939	4,066	127	36,556	39,106	2,550

Note 3 Assets - Management Revenue Account

The account contains: -

1996/97	£000s
1,602 Depreciation	2,053
14,596 Interest Payable	15,341
286 Loan Fund Expenses	366
(6,210) Deferred Government Grant Reserve	-
- Direct Charges	1,149
(22,893) Capital Charges	(23,554)
(44) Notional Interest on DLO/DSO Stock balance	(32)
(12,663)	(4,677)

Consolidated Revenue Account - Notes to Service Summary

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. Local authorities are now required to 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 requirement of the Code of Practice on local authority accounting. The effect is to charge services as follows: -

	Value of Capital Assets Used £000s	Capital Charges Made £000s	Loan Charges Paid £000s
Education	137,202	8,389	2,455
Housing Revenue Account *	164,492	8,791	8,791
General Fund Housing	-	-	681
Social Work	6,745	623	674
Community Services	7,806	669	2,362
Development Services	43,513	3,720	4,665
Central Support Services	9,976	918	1,092
DLO's and DSOs	1,958	476	124
	371,692	23,586	20,844

* Capital charges equate to loan charges, including Capital Funded From Current Revenue (CFCR).

Note 4 Transfer to HRA Balances

Amount transferred to Council Housing Accumulated surplus, available for use in 1998/99 and beyond - £0.461M.

Note 5 Contributions to/from Specific Reserves

The revenue account has made the following contribution to reserves: -

	£000s
Contribution to Insurance Fund	500

Note 6 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. During 1997/98 the Council contributed £1.949m, (or 6% of total pensionable pay) to the scheme. In addition contributions totalling £1.072m, (or 3.3% of total pensionable pay) were made in respect of added years. The last actuarial valuation of the fund took place as at 31 March 1996, following which the tax credit previously available to UK pension scheme investors was abolished, and as an interim measure increases were incorporated into the employers contribution rate set. This reviewed the employer's contribution (as a percentage of employee's contributions) to 135% in 1998/99 and 170% in 1999/2000.

(b) Teachers

The teachers' pension scheme is administered by the Scottish Office. Contributions by East Ayrshire Council during 1997/98 amounted to £2.129m, representing 8% of pensionable pay, from 1 April to 31 August, and 6.98% to 31 March 1998.

Note 7 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 1997/98 the limit was £0.471M. Expenditure amounted to £0.385M (96/97:- £0.257m), and is included with service spending.

Note 8 Local Government Act 1986 - Separate Publicity Account

Section 5 of this Act requires the Council to maintain a separate account for publicity. Expenditure of £0.369M was incurred during 1997/98 (96/97:- £0.184m) and is included with service spending.

Consolidated Revenue Account - Notes to Service Summary

Note 9 Skills Training Schemes

These are principally funded by grants from the Training Agency, £1.319M was spent on the schemes in 1997/98 (96/97:- £0.818m) but only the net cost appears in the Consolidated Revenue Account.

Note 10 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 £2.203M in 1997/98 (96/97:- £1.960m), the un-expired commitment on these leases totals £14.553M (96/97:- £11.535m).

Note 11 Items of Income and Expenditure

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

1996/97		1997/98 Estimate £000s	1997/98 Actual £000s
	What the money was spent on:-		
74,098	Staff Costs	67,657	77,307
96,053	Other Costs	81,395	91,683
11,745	Central Service Costs	12,261	11,134
19,291	Funding Costs	26,069	23,108
18,159	Housing Benefit	16,736	20,294
219,346	Cost of Council Services	204,118	223,526
-	Commercial Operations Deficit	-	2,550
-	Prior Year Adjustment – Former Authorities	-	1,436
-	Contribution to Insurance Fund	-	500
-	Capital Accounting Adjustments	-	(1,939)
219,346	Total Expenditure	204,118	226,073
	Where the money came from:-		
26,647	Housing Rents	28,026	27,664
47,661	Other Income	30,055	50,509
74,308	Income from Council Services	58,081	78,173
145,038	Net Service Expenditure	146,037	147,900
150,370	Council Tax, Rates and Grants Etc	146,797	147,000
5,332		760	(900)
	Represented By		
3,332	General Fund Surplus/(Deficit)	960	(1,361)
2,000	Housing Revenue Account Surplus/(Deficit)	(200)	461
5,332		760	(900)

Collection Accounts

Non Domestic Rate Income Account

1996/97		£000s
24,146	Gross Rates levied and contributions in lieu	25,052
	Less:-	
3,741	Relief's and other reductions	3,254
1,070	Provision for bad and doubtful debts	675
19,335	Net Non-Domestic Rate income	21,123
0	Adjustments for years prior to introduction of national Non-Domestic Rate pool	505
19,335	Contribution to national Non-Domestic Rate pool	20,618

Analysis of Rateable Values:

Rateable Value at 1 April 1997	55,301,104
Running Roll (full Year RV)	413,258
Less: Wholly Exempt	637,120
Net Rateable Value at 31 March 1998	55,077,242

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 1997/98 was **£0.458**.

Council Tax Account

1996/97		£000s
29,674	Gross Council Tax levied and contributions in lieu and penalties	32,457
	Less:	
288	Council Tax Benefits (Net of Government Grant)	346
2,585	Discounts and Reductions	3,240
1,480	Provision for bad debt and doubtful debts	1,242
(92)	Prior Year Adjustments	270
25,413	Transfers to General fund	27,359
	Add:	
801	Arrears of Community Charge (Poll Tax) recovered during 1997/98	838
26,214	Total Income from Local Taxation	28,197

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	27,474	757	86	-11,121	-155	23,945	6/9	15,963
Band B	9,566	94	-60	-2,473	-60	8,764	7/9	6,816
Band C	3,580	44	15	-935	-55	3,290	8/9	2,924
Band D	4,783	30	-2	-827	-38	4,525	1	4,525
Band E	4,123	22	-23	-627	-29	3,907	11/9	4,775
Band F	1,550	9	-9	-156	-9	1,489	13/9	2,151
Band G	366	3	-6	-33	-4	347	15/9	578
Band H	31	1	-1	-2	-1	28	18/9	56
	51,473	-960	0	-16,174	-351	46,295	0	37,788

Class 18 Dwellings	26
Provision for Bad Debt	2,269
Council Tax Base	35,545

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 i.e. Band D Equivalents. This value is then decreased/increased dependant on the band. The band D charge for 1997/98 was £779. 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	519.33	515.10
Band B	605.89	601.03
Band C	692.44	686.88
Band D	779.00	772.75
Band E	952.11	944.47
Band F	1,125.22	1,116.19
Band G	1,298.33	1,287.91
Band H	1,558.00	1,545.50

Housing Revenue Account

This statement gives an indication of the amount that the Council spent in fulfilling its statutory requirements in the provision, improvement and management of housing to suit all housing needs.

1996/97 Actual	Housing Revenue Account	1997/98 Estimate	1997/98 Actual
Expenditure			
2,577	Supervision and Management	2,665	2,720
11,381	Repairs and Maintenance	10,979	12,045
7,621	Capital Charges	11,269	8,791
99	Homeless Persons	141	173
299	Provision for Bad Debt	110	409
3,026	Other Expenditure	3,275	3,341
25,003	Total Expenditure	28,439	27,479
Income			
26,647	Rents – Council Houses	27,978	27,664
0	Rents – Other	52	52
51	Housing Support Grant	150	151
0	Interest	11	25
305	Miscellaneous	48	48
27,003	Total Income	28,239	27,940
2,000	Surplus For Year	-	461
105	Surplus b/f from Previous Year	200	2,105
2,105	Accumulated Surplus Carried Forward	200	2,566

STATISTICAL INFORMATION

<u>1996/97</u>		<u>1997/98</u>
11,790	Houses	11,456
3,124	Tenements	2,886
4,749	4 in a Block	4,698
443	Maisonettes	435
20,106	Total	19,475

<u>Rental information</u>		
£25.07	Average Weekly Rent (52 weeks)	£28.61
2.88%	Rent Arrears (as % of Rent Collectable)	3.89%
£0.767m	Rent Arrears	£1.076m
£0.299m	Provision for Bad Debts	£0.409m

Consolidated Balance Sheet as at 31 March 1998

1996/97	Balance Sheet Note	£000s	£000s
FIXED ASSETS			
Operational Assets			
169,347		162,807	
155,967		156,250	
25,563		25,693	
5,607		6,081	
1,057		907	351,738
Non Operational Assets			
18,837		18,645	
1,382		1,309	19,954
377,760			371,692
 CURRENT ASSETS			
1,165		1,082	
16,717	2	19,140	
31		34	
17,913		20,256	
 LESS:			
CURRENT LIABILITIES			
26,230	4	31,496	
10,670	3	8,877	
1,610		1,958	
38,510		42,331	
(20,597)	NET CURRENT LIABILITIES	(22,075)	
357,163	TOTAL		349,617
 REPRESENTED BY:			
155,880	3		159,332
166,534	5		145,290
32,074			42,505
0			0
2,675	6		2,490
357,163			349,617

Alexander McPhee, ACMA
 Acting Director of Finance
 31 August 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.

Fixed Assets are included in the Balance Sheet at their current asset value as at 31 March, 1998. 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. Disposal values are shown as sale proceeds rather than net book value as these are unavailable.

Other Land and Buildings, Surplus Property - 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 – Depreciated Historic Cost.

The asset valuations used in the accounts are based upon valuations by the Head of Property Services for land and buildings, based on a 5 year rolling programme, 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 1998 are as follows:

	Numbers as at 31 March 1998		
Council Dwellings:	19,475	Operational Equipment	
		Vehicles	483
Operational Buildings		Infrastructure Assets	
Pre-5 Schools	22	Trunk Roads	2
Primary Schools	46	Principal Roads (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	Community Assets	
Social Work Homes	9	Parks (Acres)	102
Assessment Centres	4	Cemeteries (Acres)	47
Depots	9	Playing Fields/Open Spaces (Acres)	858
Sports Centres	8		
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 1997/98

Category	Opening Position £000s	+ Acquisitions £000s	- Disposals £000s	- Depreciation £000s	+Revaluation £000s	= Closing Position £000s
Council Dwellings	169,347	-	(6,540)	-	-	162,807
Other Land & Dwellings	155,967	898	(525)	(758)	668	156,250
Vehicles, Plant & Equipment	5,607	1,072	-	(626)	28	6,081
Infrastructure Assets	25,563	800	-	(670)	-	25,693
Surplus Assets	1,382	-	-	-	(73)	1,309
Community Assets	1,057	-	-	-	(150)	907
Investment Properties	18,837	-	-	-	(192)	18,645
Totals	377,760	2,770	(7,065)	(2,054)	281	371,692

Balance Sheet Note 2: Debtors

1996/97		£000s	£000s
8,886	Arrears of Local Taxation - Council Tax	12,620	
(5,088)	Less Provision	(7,902)	4,718
4,452	Arrears of Local Taxation - Non Domestic Rates	6,844	
(2,845)	Less Provision	(3,716)	3,128
1,345	VAT and Income Tax recoverable		2,039
768	Housing Rents		1,076
9,799	Other Income due	8,879	
(600)	Less Provision	(700)	8,179
16,717			19,140

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	-	6,377	10,500	9,200	26,077
Building Societies	250	3,000	-	-	3,250
Financial institutions	-	750	500	500	1,750
Local Authorities	6,200	-	-	-	6,200
Public works Loan Board	4,433	15,636	29,656	77,063	126,788
Commercial Sector	750	37	-	-	787
Central government	400	-	-	-	400
Other Sources	1,276	-	-	-	1,276
	13,309	25,800	40,656	86,763	166,528
Common Good	221	-	-	-	221
Charities & Bequests	560	-	-	-	560
Covenant Scheme	-	-	900	-	900
	14,090	25,800	41,556	86,763	168,209

Balance Sheet Note 4: Sundry Creditors

(Repayable on demand or within 12 months)

1996/97		£000s
2,650	Loan Interest, etc accrued	2,970
23,580	Other	28,526
26,230		31,496

Balance Sheet Note 5: Fixed Asset Restatement Reserve

Refer to Statement of Total Movement in Reserves (Page 18)

<u>1996/97</u>	<u>97/98</u>
166,534	145,290

Balance Sheet Note 6: Fund Balances and Other Reserves

<u>1996/97</u>		<u>£000s</u>
677	Insurance Fund	1,392
(127)	General Fund – Deficit	(1,488)
20	Baird Institute Reserve	20
2,105	Housing Revenue Account	2,566
<u>2,675</u>		<u>2,490</u>

Balance Sheet Note 7: Commitments and Guarantees

The Council has a commitment to indemnify and reimburse the Trustees of the Kilmarnock Leisure Centre Trust to the extent of any loss incurred (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 1998 the funds deposited with the Bank amounted to £0.395M. 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.

The Council has inherited a number of applications for equal pay at various stages of completion at Industrial Tribunal. The final outcome of these is not certain at this time, although there is the possibility that the Council may lose at least some of these cases. No financial provision has been made in the 1997/98 Accounts for this potential loss given the uncertainties which surround both the final outcomes and the settlement levels.

The commitments in respect of capital schemes are as follows:

<u>General Fund</u>	<u>£000s</u>	<u>Housing</u>	<u>£000s</u>
Kilmaurs Library	0.237	Window Replacement	0.316
Riccarton Cemetery	0.051	Re Roofing	0.014
Stewarton Academy	0.277	Rewiring	0.048
Office Accomodation	0.047	Other Schemes	<u>0.078</u>
Social Work Area Centre	<u>1.225</u>		
Total	1.837		0.456

The Council is currently involved in legal action in respect of a contract entered into by Kilmarnock and Loudoun District Council. The potential liability in respect of this dispute is £76,000, which will be met from the HRA capital programme in the year of settlement.

Cash Flow Statement

1996/97		£000s
	Revenue Activities	
	Expenditure	
74,098	Cash paid to and on behalf of employees	77,307
80,919	Other operating costs	85,362
4,337	Housing Benefit paid out	5,355
-	NDRI Contributable to Pool	19,613
-	Precept Paid	13,137
159,354	Total Payments	200,774
	Income	
12,825	Rents (after rebates)	13,139
26,214	Council Tax Income	27,359
123,860	Revenue Support Grant/NDRI	90,789
-	NDRI Distributable from Pool	31,784
-	Precept Income	20,628
3,976	DSS grants for rebates	18,943
14,855	Other government grants	8,352
10,263	Fees, Charges and Other Income	14,174
191,993	Total Receipts	225,168
(32,639)	Note 1 Net Cash Inflow from Revenue Activities	(24,394)
	Servicing of Finance	
	Expenditure	
15,297	Interest Paid	16,884
15,297	Total Payments	16,884
	Income	
10	Interest Received	27
10	Total Receipts	27
15,287	Net Cash Outflow from Servicing of Finance	16,857
	Capital Activities	
	Expenditure	
4,861	Purchase of fixed assets	2,387
-	Purchase of long-term investments	-
14,574	Other capital cash payments	14,995
19,435	Total Payments	17,382
	Income	
7,106	Sale of fixed assets	7,361
901	Capital grants received	216
107	Other capital cash payments/income	111
8,114	Total Receipts	7,688
11,321	Net Cash Outflow from Capital Activities	9,694
(6,031)	Net cash outflow before financing	2,157
	Financing	
	Expenditure	
64,124	Repayments of amounts borrowed	109,158
-	Capital element of finance lease rentals payments	0
-	New short-term deposits	0
64,124	Total Payments	109,158
	Income	
11,400	New loans raised	22,200
49,321	New short-term loans	88,496
-	Short-term deposits repaid	271
60,721	Total Receipts	110,967
3,403	Net Cash Outflow from Financing	(1,809)
(2,628)	Note 2 Decrease in cash and cash equivalents	348

Cash Flow Statement

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

1996/97		£000s
(3,332)	(Surplus)/Deficit for the Year	1,361
Non Cash Transactions		
(2,000)	Contributions to Reserves	(461)
(2,375)	Contributions to Capital	(2,875)
(17,359)	Non Cash Movements Relating to Loans Fund	(18,778)
305	Other Movements	(715)
Movements in Working Capital		
213	Increase in Stock and Work in Progress	(83)
1,620	Increase in Debtors	2,423
(9,711)	Increase in Creditors	(5,266)
(32,639) Net Cash Flow from Revenue Activities		(24,394)

Note 2 - Analysis of Balances of Cash and Cash Equivalents

	As at 31 March 98	As at 31 March 97	Movement
	£000s	£000s	£000s
Cash	34	31	3
Bank Overdraft	(1,958)	(1,610)	(348)
Increase in Cash Equivalents	(1,924)	(1,579)	(345)

Note 3 - Analysis of Government Grants

	£000s
Revenue Support Grant	90,789
DSS Grants – Housing	18,943
Urban Aid	822
Social Work – Mental Illness Specific Grant	281
Police Board	7,413
School Security	243
Education – Gaelic Language	4
Social Work – Child Care Training Grant	83
Benefit Administration	310
Sheltered Employment	17
Cash Flow From Government Grants	118,905

Note 4 - Movement in Financing

	£000s
Loans Repaid	
Temporary Loans	90,289
PWLB	4,019
Local Bonds	0
Market Loans	14,700
Covenant Repaid	150
Short-term Deposits	109,158
New Loans	
PWLB	88,496
Market Loans	11,500
Short-term Loans	10,700
Short-term Deposits Repaid	271
Cash Outflow from Financing	(1,809)

Statement of Total Movement in Reserves

<u>REVENUE RESERVES</u>	General Fund £000s	Baird Institute Reserve Fund £000s	Insurance Fund £000s	HRA £000s	Total £000s
Balance at 1 April 1997	(127)	20	677	2,105	2,675
Net Surplus/(Deficit) for year	(1,361)	-	715	461	(185)
Balance at 31 March 1998	(1,488)	20	1,392	2,566	2,490

<u>CAPITAL RESERVES</u>	Fixed Asset Restatement Reserve	Capital Financing Reserve	Useable Capital Receipts Reserve
Balance at 1 April 1997	(166,534)	(32,074)	-
Net (surplus)/ deficit for year	14,704	(2,739)	-
Unrealised Gains/(Losses) From Revaluation	-	-	-
Effects of Fixed Asset Disposals			
Cost or Value of Assets Disposed of	6,540	-	-
Proceeds of Disposals			(7,692)
Net Surplus/Deficit	6,540	(7,692)	(7,692)
Financing of Fixed Assets			7,692
Balance as at 31 March 1998	145,290	(42,505)	-

Common Good, Trusts & Charities Accounts

The Council administers a number of Common Good Funds relating to the areas of the former burghs, together with a variety of Charitable Trusts & Bequests. 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 1997	0	1	196	0	0	197
Revenue Balance at 1 April 1997	1	1	10	2	1	15
	1	2	206	2	1	212
Expenditure During Year						
Capital	-	-	-	-	-	-
Revenue	-	-	-	-	-	-
Income During Year						
Capital	-	-	-	-	-	-
Revenue	-	-	9	-	-	9
Capital Balance at 31 March 1998	0	1	196	0	0	197
Revenue Balance at 31 March 1998	1	1	19	2	1	24
	1	2	215	2	1	221

Summary of Charities & Trusts

REVENUE ACCOUNT

<u>1996/97</u>		<u>1997/98</u>
37	Expenditure	18
34	Income	34
(3)	Surplus/(Deficit)	16
488	Balance B/Fwd	485
485	Balance C/Fwd	501

BALANCE SHEET AS AT 31 MARCH 1998

<u>1996/97</u>		<u>1997/98</u>
9	Investments – External	9
544	Investments – Loans Fund	560
553		569
Financed By:		
68	Capital Funds	68
485	Revenue Funds	501
553		569

Charities and Trusts – Capital & Revenue Accounts

	Amount of Fund at 1 April 1997		Expenditure During Year		Income During Year		Amount of Fund at 31 March 1998	
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue
Robert Crawford's Bequest	2,650	3,282	-	-	-	290	2,650	3,572
Robert Cumming's Bequest	3,080	28,967	-	2,700	-	1,871	3,080	28,138
John Fulton's Missionary Trust	0	589	-	-	-	48	-	637
John Fulton's Soup Kitchen Trust	1,443	42,937	-	5,000	-	3,239	1,443	41,176
Murdoch's Trust	100	2,083	-	-	-	171	100	2,254
Misses Parker's Bequest	1,365	15	-	-	-	1	1,365	16
Tannock's Trust	2,255	44	-	-	-	4	2,255	48
Archibald Taylor Fund	17,599	257,126	-	1,010	-	17,780	17,599	273,896
Matthew L. Cochran's Bequest	1,948	12,033	-	6,300	-	470	1,948	6,203
Mair Bequest	14,928	105,170	-	1,223	-	7,402	14,928	111,349
Loudoun Benevolent Society	-	(6)	-	-	-	6	-	-
G.M. Borland Bequest	450	4,027	-	-	-	544	450	4,571
Kay Park Trust	903	883	-	-	-	72	903	955
B.C. Roxburgh Bequest	10,796	11,854	-	1,613	-	1,020	10,796	11,261
Sommerville Trust	119	278	-	-	-	23	119	301
Graham Ramage Trust	1,837	767	-	-	-	89	1,837	856
Misses Murray Legacy Trust	500	892	-	-	-	93	500	985
D Smiths Trust	100	534	-	-	-	44	100	578
Mrs E McWhirter Trust	824	0	-	-	-	33	824	33
Dalmellington Cemetery Trust	58	0	-	-	-	-	58	0
R Mitchell Trust	50	0	-	-	-	2	50	2
Mrs H S Wilson Trust	122	0	-	-	-	6	122	6
Dalrymple Cemetery Trust	100	0	-	-	-	5	100	5
Polish Patients Fund	11	0	-	-	-	0	11	0
Miss A Stevenson Trust	100	0	-	-	-	-	100	0
Mrs C Gordon Trust	100	0	-	-	-	-	100	0
Miss J Leiper Young Trust	100	0	-	-	-	-	100	0
Miss J.M.M. Cuthbert Executory	100	0	-	-	-	-	100	0
GAA Trust	922	2,418	-	12	-	204	922	2,610
Gavin Memorial Fund	1,040	(1)	-	-	-	1	1,040	0
Brown Prize Fund	216	30	-	-	-	1	216	31
Hon. Alex Shaw Prize	100	18	-	-	-	-	100	18
Morton Steven Dux Medal	207	166	-	-	-	3	207	169
Latta Dux Medal	143	96	-	-	-	2	143	98
Jas. Mackie Memorial Prize	65	39	-	-	-	1	65	40
Hunter Stewart Fund	101	22	-	-	-	-	101	22
Hood Endowment	100	30	-	-	-	1	100	31
Arch. Hood Prize	100	35	-	-	-	1	100	36
A.B. Carswell Prize	216	60	-	-	-	1	216	61
William Wilson Memorial Prize	109	34	-	-	-	1	109	35
Margaret Wilson Memorial Prize	109	35	-	-	-	1	109	36
McKenzie Prizes	44	71	-	-	-	1	44	72
Galston Town Council Dux Medal	150	53	-	-	-	1	150	54
George Mason Prize Fund	50	11	-	-	-	-	50	11
Robert C Grant Prize Fund	164	73	-	-	-	1	164	74
Miss Mary C Smith Memorial Prize	50	15	-	-	-	-	50	15
Marion Hamilton Memorial Prize	50	31	-	-	-	1	50	32
Sarah B Campbell	259	1,307	-	-	-	25	259	1,332
Jean G Glennie	52	7	-	-	-	-	52	7
John Minto Prize Fund	100	30	-	-	-	-	100	30
W S Oughton Memorial Prize Fund	30	33	-	-	-	1	30	34
Sir Alexander Fleming Prize Fund	200	20	-	-	-	1	200	20
John C Kennedy Trust	1,000	9,225	-	-	-	163	1000	9,388
Agnes Smith Campbell Prize Fund	400	70	-	-	-	1	400	71
T K Stevenson Memorial Prize	50	12	-	-	-	-	50	12
	67,665	485,415	-	17,858	-	33,625	67,665	501,181

Charities and Trusts – Origin & Purpose

	Origin & Purpose	Manner Invested	
		Loans Fund	Other
Robert Crawford's Bequest	To provide books for Public Library	4,622	1,600 Gov. Stock
Robert Cumming's Bequest	For maintenance of indigent orphans, native of Kilmarnock/Ayrshire.	31,218	
John Fulton's Missionary Trust	To provide a missionary for the poor	637	
John Fulton's Soup Kitchen Trust	To distribute soup to the poor	42,519	100 Gov. Stock
Murdoch's Trust	To provide an annual payment to one poor aged deserving person resident in Kilmarnock	2,354	
Misses Parker's Bequest	To provide payment to females suffering incurable diseases.	1,381	
Tannock's Trust	To provide annuities to females	2,303	
Archibald Taylor Fund	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescent For Certain Class Of Spinsters	291,495	
Matthew L. Cochran's Bequest	To Provide Holidays For Elderly Deserving People Resident In Kilmarnock	8,151	
Mair Bequest	To Provide Relief To Deserving Poor Natives Or Inhabitants Of Newmilns	126,277	
G.M. Borland Bequest	To Disburse Among Poor	5,021	
Kay Park Trust		1,858	
B.C. Roxburgh Bequest	To Be Used For The Benefit Of the Citizens Of Darvel	22,057	
Sommerville Trust		420	
Graham Ramage Trust		1,326	1,367 Gov. Stock
Misses Murray Legacy Trust		985	500 Gov. Stock
D Smiths Trust	To maintain Burial Grounds	678	
Mrs E McWhirter Trust	To maintain Burial Grounds	33	824 Gov. Stock
Dalmellington Cemetery Trust	To maintain Burial Grounds	58	
R Mitchell Trust	To maintain Burial Grounds	2	50 Gov. Stock
Mrs H S Wilson Trust	To maintain Burial Grounds	6	122 Gov. Stock
Dalrymple Cemetery Trust	To maintain Burial Grounds	5	100 Gov. Stock
Polish Patients Fund	To maintain Burial Grounds	0	11 Gov. Stock
Miss A Stevenson Trust	To maintain Burial Grounds	100	
Mrs C Gordon Trust	To maintain Burial Grounds	100	
Miss J Leiper Young Trust	To maintain Burial Grounds	100	
Miss J.M.M. Cuthbert Executory	To maintain Burial Grounds	100	
GAA Trust	To oversee properties in Dalmellington	2,610	922
Gavin Memorial Fund	To Provide Prizes for Schools in Dalmellington	0	1,040 Gov. Stock
Brown Prize Fund	To Provide Prizes for Dux Boy & Girl at Cumnock Academy	31	216 Gov. Stock
Hon. Alex Shaw Prize	To provide prizes at Kilmarnock Academy	18	100 Gov. Stock
Morton Steven Dux Medal	To provide A Dux Medal at Kilmarnock Academy	376	
Latta Dux Medal	To provide A Dux Medal at Cumnock Academy	241	
Jas. Mackie Memorial Prize	To provide prizes at Kilmarnock Academy	105	
Hunter Stewart Fund	To provide A Dux Medal at Dalmellington Junior Secondary	22	101 Gov. Stock
Hood Endowment	To provide prizes at Newmilns junior Secondary	131	
Arch. Hood Prize	To provide prizes at Newmilns junior Secondary	136	
A.B. Carswell Prize	To provide prizes at Newmilns junior Secondary & Galston High School	61	216 Gov. Stock
William Wilson Memorial Prize	To provide a cash prize for leadership (Girl) at Auchinleck Junior Secondary	35	109 Gov. Stock
Margaret Wilson Memorial Prize	To provide a cash prize for leadership (Boy) at Auchinleck Junior Secondary	36	109 Gov. Stock
McKenzie Prizes	To provide prizes for nature study at Auchinleck Junior Secondary	72	44 Gov. Stock
Galston Town Council Dux Medal	To provide Dux medals at Galston Junior Secondary & St Sophia's RCS	54	150 Gov. Stock
George Mason Prize Fund	To provide a prize for Art at Kilmarnock Junior Secondary	11	50 Gov. Stock
Robert C Grant Prize Fund	To provide prizes at Kilmarnock Academy	238	
Miss Mary C Smith Memorial Prize	To provide prizes at Loanhead Primary School	15	50 Gov. Stock
Marion Hamilton Memorial Prize	To provide bursaries at Drongan Junior Secondary	32	50 Gov. Stock
Sarah B Campbell	To provide bursaries for Bellsbank Primary School	1,332	259 Gov. Stock
Jean G Glennie	To provide prizes at Mauchline Senior Secondary	59	
John Minto Prize Fund	To provide a prize at Bentinck Primary	30	100 Gov. Stock
W S Oughton Memorial Prize Fund	To provide a Prize at Dalmellington High School	64	
Sir Alexander Fleming Prize Fund	To provide a prize for science at Loudoun Academy	220	
John C Kennedy Trust	To provide a prize at Bellsbank Primary School	10,388	
Agnes Smith Campbell Prize Fund	To provide a prize at Patna School	101	370 Gov. Stock
T K Stevenson Memorial Prize	To provide prizes at Greenmills Primary	12	50 Gov. Stock
		560,236	8,610

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 1998).

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.

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.

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.

Glossary of Terms

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.

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 1998, an abstract of which is set out on pages 3 to 24.

Respective responsibilities of management and auditors in relation to the accounts

As described on page 22 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 balances, included in the accounts, inherited from Strathclyde Regional Council. The auditor of the accounting authority, responsible for the closure of the demitting authority's 1995/96 accounts, is 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 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 3 to 5, the financial position of the authority as at 31 March 1998 and its income and expenditure for the year then ended.

Audit Certificate

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: Building Maintenance DLO, Roads DLO, Grounds Maintenance DSO, Building Cleaning DSO, Catering DSO, Refuse Collection DSO, Street Cleansing DSO, Vehicle Maintenance DSO and Leisure Management DSO. Directions given under the Local Government Planning and 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 authority's capital expenditure on the General Services Account as detailed on page 2. Section 94 of the Local Government (Scotland) Act 1973 does not permit an authority to incur capital expenses except with the consent of the Secretary of State. That statutory requirement was not met by the authority. Actual expenditure on this account was £549,000 more than the gross consent of £7.973 million.

Signature:

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

Date: 22 December 1998