

East Ayrshire
COUNCIL

Financial Statements 2005/06



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East Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework for Corporate Governance in Local Government : A Keystone for Community Governance. A copy of the code, the update on the 2005-06 Action Plan and the 2006-07 Action Plan can be downloaded from the Council's website at www.east-ayrshire.gov.uk or can be obtained from Council Headquarters, London Road, Kilmarnock (01563) 576000.

During 2005-06, East Ayrshire Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both adequate and effective in practice. Specifically, a further review of governance arrangements was undertaken and the conclusion from this review was that the Council complies in all major aspects with the terms of the Framework for Corporate Governance in Local Government. Demonstrating its commitment to ensuring that these arrangements are improved on a continuous basis, the Council has agreed an Improvement Action Plan that will be implemented over the course of 2006-07.

As part of the review of the Council's corporate governance arrangements, Executive Directors and Heads of Service have reviewed their own areas of specific responsibility and have each confirmed that they are satisfied that these arrangements are robust and operating effectively.

The Council will continue to review its corporate governance arrangements and take any further steps as are required to further enhance these arrangements and will review their implementation and operation as part of the next annual review.



Fiona Lees
Chief Executive
29 September 2006



Councillor John Knapp
Chair Corporate Governance Committee
29 September 2006



Foreword by Executive Head of Finance

Contents of the Financial Statements

This foreword gives a brief summary of the Council's financial position for the financial year ended 31 March 2006 which is set out in detail in these Financial Statements.

The Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and the accounting treatment of transactions is set out in the Statement of Accounting Policies on Pages 6 to 8.

Expenditure on Council Housing is financed entirely from rents and related Housing income. The details of this are shown in the Housing Revenue Account on Page 18. Other Council services which are funded by government grant and Council Tax are included in the General Fund.

Consolidated Revenue Account

The Consolidated Revenue Account on Page 9 brings together the revenue expenditure and income for all Council services for the financial year. The statement highlights the Cost of Services for the year and the cumulative balance carried forward. For 2005-06 there was a surplus of £0.267m.

When added to the balance brought forward from 2004/05 there is a cumulative surplus of £17.113m of which £8.565m is already earmarked for individual departments in terms of the Council's budgetary arrangements. This leaves a cumulative uncommitted balance of £8.548m. This is within the range set out in the Council's reserves strategy which sets an optimum level of between 2% and 4% of net budgeted expenditure and this equates to between £5.631m and £11.263m.

Income from Council Tax was £43.083m and the Band 'D' tax level was £1,116.27. The largest source of funds was government grant which amounted to £128.640m.

Housing Revenue Account

The Housing Revenue Account shows a surplus of £0.335m which is transferred to the Renewal and Repairs Fund for future investment in Council Housing. The average weekly rent charge for the year based on 52 weeks was £43.20.

Trading Operations

The Statement on Page 13 summarises the financial performance of each of the Council's Trading Operations. There is a requirement for each of these to break-even over a three-year rolling period with 2003-04 being the first of the three years. The Catering and Cleaning of Buildings Trading Operations show cumulative deficits over the three year period due to the inclusion of the cost of compensation payments made in respect of Equal Pay claims as required by proper accounting practice and, in the case of Catering, FRS17 pension adjustments.

Equal Pay Compensation

Equal pay compensation is an issue which affects all local authorities including East Ayrshire Council and during 2005/06 the Council made equal pay compensation payments to employees working in catering, cleaning and care services. These payments totalled £7.254m and a relatively small number of claims remain outstanding.

Pension Fund

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2006 disclosed a deficit position for the Council of £89.989m. It is important to note that this is simply a snapshot of the position at that time. The calculation is prepared only for the purposes of FRS17 reporting requirements and is not relevant for funding purposes. The latest long term triennial funding valuation of the Fund for the purposes of setting employers' actual contributions was at 31 March 2005 and contributions to the Fund continue in line with current actuarial advice. The next formal valuation of the Fund is due at March 2008.

Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities meeting the definition of subsidiary, associate or joint venture. Details of the associated entities incorporated within the Council's Financial Statements are shown on Page 36.

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



Foreword by Executive Head of Finance

Budget Performance

The year-end results for the General Fund reflect well on the financial management arrangements operated across all services, in a year which saw substantial exceptional costs being incurred for Equal Pay. The outturn position, before exceptional costs, is a favourable variance mainly due to improved performance of the Council's trading services, higher Council Tax collection, reduced borrowing costs, increased government grant and no requirement to use the sum set aside for contingency.

Financial Performance

The overall financial position is summarised in the table below. The use of balances in reserve accounts is governed by the Council's reserves strategy.

| | General Fund Balance £000 | HRA Balance £000 | Renewals & Repairs Fund £000 | Insurance Fund £000 | Capital Fund £000 | Total Balances £000 |
|-------------------------------------|---------------------------|------------------|------------------------------|---------------------|-------------------|---------------------|
| Fund Balances & Reserves | | | | | | |
| Balance as at 1 April 2005 | 16,846 | - | 2,311 | 1,446 | 5,255 | 25,858 |
| Net Surplus for the year | 267 | 335 | - | - | - | 602 |
| Transfers from Fund | - | (335) | (117) | - | - | (452) |
| Transfers to Fund | - | - | 610 | 1,743 | 2,899 | 5,252 |
| Annual Interest | - | - | 97 | 61 | 222 | 380 |
| Balance as at 31 March 2006 | 17,113 | - | 2,901 | 3,250 | 8,376 | 31,640 |

Capital Expenditure

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2005-06 on General Fund Services was £14.434m. Housing capital spending was £9.976m. This was partly financed by government grants and capital receipts. The level of Council borrowing repayable after 12 months moved from £191.522m at 31 March 2005 to £191.355m at 31 March 2006.

| Expenditure | £000 | Financed by | £000 |
|--------------------------------|---------------|-------------------------------|------------------|
| Education Services | 3,522 | Government Grants | (5,543) |
| Housing Services | 9,976 | Capital Receipts | (9,464) |
| Cultural & Related Services | 430 | Capital Financed from Revenue | (1,250) |
| Environmental Services | 1,780 | Borrowing | (8,153) |
| Roads & Transportation | 4,536 | | (24,410) |
| Planning & Development | 35 | Represented By: | £000 |
| Social Work | 507 | General Fund Services | 14,434 |
| Central Services to the Public | 3,040 | Housing | 9,976 |
| Corporate & Democratic Core | 584 | | |
| | 24,410 | | 24,410 |

Acknowledgements

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

Alexander McPhee ACMA
Executive Head of Finance
29 September 2006

The Authority's Responsibilities

The Authority is required: -

- ◆ To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ◆ To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For East Ayrshire Council, that officer is the Executive Head of Finance.

The Executive Head of Finance's Responsibilities

The Executive Head of Finance is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, is required to present fairly the financial position of the Authority at 31 March 2006 and its income and expenditure for the year.

In preparing this statement of accounts, the Executive Head of Finance has: -

- ◆ Selected suitable accounting policies and applied them consistently;
- ◆ Made judgements and estimates that were reasonable and prudent;
- ◆ Complied with the Code of Practice unless otherwise indicated;
- ◆ Kept proper accounting records and introduced procedures to ensure that these are kept up-to-date;
- ◆ Taken reasonable steps for the prevention and detection of fraud and other irregularities.



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

Any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Council's system of internal financial control throughout the financial year 2005-06 is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes: -

- ◆ Comprehensive budgeting systems;
- ◆ Setting targets to measure financial and other performance;
- ◆ Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts and targets;
- ◆ Clearly defined capital expenditure guidelines; and
- ◆ Formal project management disciplines, as appropriate.

Internal Audit within East Ayrshire Council is responsible directly to the Chief Executive for the independent appraisal of the Council's systems of internal control. The Chief Auditor has planned and undertaken audit work in order to derive sufficient and appropriate audit evidence as to the adequacy and effectiveness of the Council's systems of internal controls. Based on the evidence collected, Internal Audit is of the opinion that reasonable assurance can be placed upon the systems of internal control in operation.

The Council's review of the effectiveness of the system of internal financial control is informed by: -

- ◆ The work of managers within the Council;
- ◆ The work of the internal auditors as described above; and
- ◆ The external auditors in their annual audit letter and other reports.

To ensure the adequacy of the systems of internal control within the Council, agreed improvement plans are identified with the appropriate Council officers at the conclusion of all audits throughout the year. An ongoing review process is in place to monitor the progress on the implementation of these issues and to assist managers in the performance of their duties and responsibilities in these areas. Planned improvement areas include further development of systems of performance management and progressing the Council's Corporate Asset Management Strategy.

Fiona Lees
Chief Executive
29 September 2006

Alexander McPhee ACMA
Executive Head of Finance
29 September 2006

Group Accounts

Assurance on the internal financial controls in place within the entities noted on Page 36 is provided by the Statements on the System of Internal Financial Control included within the annual financial statements of the individual organisations. The Statements on the System of Internal Financial Control for each of the group entities, with the exception of Kilmarnock Leisure Centre Trust, are subject to external audit in the normal way.



General

The Financial Statements relate to the financial year ended 31 March 2006 with relevant figures for 2004-05 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 the United Kingdom 2005: A Statement of Recommended Practice issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

Accounting Policies

In accordance with FRS 18: Accounting Policies, the Council regularly reviews its accounting policies to ensure that they remain the most appropriate to its particular circumstances such that the Council's Financial Statements present fairly the position at year end. Where a new policy becomes more appropriate to the Council's particular circumstances that policy is implemented.

Revenue Transactions

Revenue transactions have been recorded on an accruals basis in accordance with the Code of Practice. Accordingly, sums due to or by 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 specific debtors and creditors as at 31 March 2006.

Provisions for liabilities of uncertain timing or amount have been recognised in accordance with Financial Reporting Standard (FRS) 12: Provisions, Contingent Liabilities and Contingent Assets. All such provisions are reviewed annually in order to reflect current best estimate.

Capital Grants

Capital Grants represent expenditure which can be treated as capital for financing purposes but which does not result in assets controlled by the local authority, e.g. improvement grants and historic buildings grants for the improvement of a private dwelling. All capital grants are written off to the revenue account in the year in which they are incurred.

Central and Support Services Costs

Central and Support Services Costs have been allocated to service departments and divisions of service in accordance with the Best Value Accounting Code of Practice, other than for Cost of Collection, Administration of Housing Benefits, District Court and the Children's Panel.

Capital Accounting

All fixed assets are included in the Balance Sheet and capital financing charges are made to departmental revenue accounts for the use of assets. 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.

Redemption of Debt

In accordance with the statutory requirement contained within the Local Government Scotland Act 1975 the Council operates a Loans Fund into which all loans raised are paid. All of the Council's income and expenditure is posted to the Loans Fund throughout the financial year. Departmental expenditure is met from the Fund and all income generated by departments is credited to the Fund. Advances are made to departments to finance capital expenditure during the year, with all such advances being repaid by annual instalments of principal spread over the appropriate period.

Restructuring of Debt

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005, the premium is amortised over the useful life of the replacement loan as the overall economic effect of the original and replacement borrowing is the same.

Loans Fund Interest

Loans Fund interest has been calculated in accordance with the LASAAC Guidance Note 2; the Guidance Note details the method of calculation in respect of average interest rates and expense rates and requires the separate identification of interest on revenue and capital balances. Interest on revenue balances is allocated on the basis of actual four weekly balances.

Pension Costs

In accordance with the requirements of FRS 17: Retirement Benefits the actuarial costs of providing pensions for employees is charged to the revenue account and the net pension asset or liability is reflected on the Balance Sheet. Full disclosure in respect of pensions is contained within the notes to the Consolidated Revenue Account, Balance Sheet and Statement of Total Movement in Reserves.



Government Grants

Aggregate External Finance, comprising Revenue Support Grant and Non Domestic Rates Income, is credited to the revenue account of the financial year to which it relates.

Specific government grants are accounted for when the conditions of receipt have been met and are included within the net cost of service.

Appropriate accruals are made in the revenue account for balances known to be due for the period to 31 March 2006 with unutilised income carried forward where appropriate.

Intangible Assets

The Code of Practice on Local Authority Accounting has introduced the concept of intangible assets into local government accounting. Expenditure which provides assets of a non-physical nature which East Ayrshire Council is able to control is now classified under intangible assets. Such expenditure is amortised to revenue over the economic life of the asset.

Leases

Finance Leases: Assets acquired under finance leases have been recognised as fixed assets at the present value of the minimum lease payments. A matching liability for payments in relation to the acquisition of the assets has been recognised in the Balance Sheet. Assets acquired under finance leases are depreciated over the term of the lease. The obligations relating to finance leases are disclosed in the notes to the Consolidated Balance Sheet.

Operating Leases: Amounts payable under operating leases are charged to the revenue account over the period of the lease.

Fixed Assets

All expenditure on the acquisition, creation, or enhancement of fixed assets has been capitalised on an accruals basis. The Council has in place a rolling five year revaluation programme. The basis of valuation is as follows:

Council dwellings: The valuation of Council dwellings has been adjusted to reflect the average discounted market value. The stock was revalued at 1 April 2003 by members of the Council's Property Service, who are qualified members of the Royal Institute of Chartered Surveyors (RICS).

Other Land & Buildings, Surplus Property: These are valued on the basis of open market value for existing use, assessed on either a comparative or depreciated replacement cost basis. The valuations have been compiled within the statutory 5-year rolling programme by RICS professional staff under the direction of the Executive Director of Development and Property Services.

Vehicles, Plant & Equipment and Infrastructure Assets: Are valued at depreciated historical cost.

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

Assets Under Construction: Assets are valued at historic cost. Depreciation is not charged until the asset becomes operational.

Investments

Investments are recorded within the Consolidated Balance Sheet at cost and comprise mainly investment properties and short-term investments.

Depreciation

Depreciation, where charged, has been applied on a straight line methodology based on the asset valuation, its remaining useful life and any residual value an asset is calculated to have. The useful economic lives over which assets are depreciated are as follows:

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

Stock

Consumable Stocks and Work-In-Progress are valued on a cost price basis, except in the case of the Building & Works where average cost is used. Although the use of average cost is not strictly in accordance with the Code of Practice it is recognised as an acceptable methodology.



Capital Accounts & Reserves

The following capital funds are included in the Council's Financial Statements:

A Fixed Asset Restatement Account, which represents the difference between the initial valuation of assets under capital accounting, plus the surpluses or deficits on any subsequent revaluations, less the net book value of any assets as they are disposed of.

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

A Usable Capital Receipts Reserve, from which capital receipts are credited, and used to finance capital expenditure in future years.

A Government Grant Deferred Account is maintained, against which all Capital Grants are initially credited. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charge in respect of the assets to which the grant relates.

Insurance Fund

The Council operates an internal Insurance Fund with the balances as at 31 March being carried forward to provide funds for future insurance premiums and uninsured losses.

Pension Reserves

As a result of the full implementation of FRS17: Retirement Benefits, local authorities in Scotland have been given powers to establish a pension reserve (SS1 2003 580) in relation to 2003-04 and future years' accounts.

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is represented by an appropriation to or from the pensions reserve which equals the net charge in the pension liability recognised in the Consolidated Revenue Account.

Capital Fund

The Council operates a Capital Fund. The Council may decide to pay into this fund:-

- (a) any sums derived from the sale of any property of the local authority, except those held on the Housing Revenue Account
- (b) such sums as the Council may from time to time, by resolution, direct.

Renewals & Repairs Fund

The Council operates a Renewals & Repairs Fund to which Trading Operations are able to transfer a proportion of any surplus in excess of the budgeted surplus in any given year. Any surplus balance on the HRA at year end is transferred to the Fund for use in future years.

Carry Forward of Departmental Variances - Year End Flexibility

Departments which generate managed savings are permitted to carry forward such balances into the next financial year. Under the terms of FRS 12 any balances so identified will be included in the overall General Fund cumulative balance detailed in the Financial Statements.

In respect of Trading Operations, the Council has given approval for the ability to carry forward sums for use in future years. The sums available for transfer to the Renewals and Repairs Fund are limited to the lower of £0.100m or 50% of any surplus in excess of the budgeted surplus included in the Business Plan and the Council's Annual Estimates, the remaining balance being transferred to the General Fund Revenue Account.



The Consolidated Revenue Account reports the net revenue expenditure for the year for all Council services and the funding of this expenditure by government grants and local taxation.

| 2004-05 Net £000 | Notes | Committee | 2005-06 Expenditure £000 | 2005-06 Income £000 | 2005-06 Net £000 |
|------------------------|-------|--|--------------------------------|---------------------------|------------------------|
| 102,899 | | Education Services | 124,361 | (18,352) | 106,009 |
| 977 | | Housing Services | 71,931 | (70,428) | 1,503 |
| 10,949 | | Cultural & Related Services | 11,972 | (898) | 11,074 |
| 10,344 | | Environmental Services | 14,668 | (3,779) | 10,889 |
| 6,110 | | Fire Services | 6,386 | - | 6,386 |
| 10,196 | | Police Services | 22,444 | (11,384) | 11,060 |
| 15,492 | | Roads & Transportation | 21,720 | (3,748) | 17,972 |
| 2,194 | | Planning & Development Services | 9,712 | (5,997) | 3,715 |
| 40,404 | | Social Work | 61,914 | (17,012) | 44,902 |
| 4,926 | | Central Services to the Public | 4,939 | (1,424) | 3,515 |
| 4,670 | | Corporate & Democratic Core | 4,694 | - | 4,694 |
| 477 | | Non Distributed Costs | 1,304 | - | 1,304 |
| - | 11 | Exceptional Item - Equal Pay Compensation | 4,701 | - | 4,701 |
| 209,638 | | Net Cost of Services | 360,746 | (133,022) | 227,724 |
| (2,400) | 9 | Trading Operations Net Surplus | | | (681) |
| (2,969) | 8 | Asset Management Revenue Account | | | 4,452 |
| 437 | 12 | Premiums arising from Debt Restructure written off | | | 437 |
| (682) | | Interest on Revenue Balances | | | (1,098) |
| (2,131) | 10 | Pension Interest Cost & Expected Return on Pensions Assets | | | 574 |
| 201,893 | | Net Operating Expenditure | | | 231,408 |
| | | Appropriations : | | | |
| 174 | | Contribution to Insurance Fund | | | 1,743 |
| - | | Contribution to Capital Fund | | | 2,485 |
| 647 | | Contribution to Renewals and Repairs Fund | | | 493 |
| (6,390) | | Transfer to Capital Financing Account | | | (17,399) |
| 450 | 10 | Transfer to/(from) Pension Reserve | | | (2,487) |
| 196,774 | | Amount to be met from Government Grants and Council Tax | | | 216,243 |
| | | Sources of Finance : | | | |
| 120,443 | | Revenue Support Grant | | | 128,640 |
| 44,865 | | Non-Domestic Rate Income | | | 44,787 |
| 40,402 | | Council Tax | | | 43,083 |
| 205,710 | | Income from Government Grants and Council Tax | | | 216,510 |
| (8,936) | | Net General Fund Surplus for the year | | | (267) |
| (7,910) | | Balance on General Fund Brought Forward | | | (16,846) |
| (16,846) | | Surplus on General Fund Carried Forward | | | (17,113) |



Note 1 ~ Local Authority (Goods & Services) Act 1970

This Act allows the Council to provide goods and services to other public bodies and requires the Council to keep a separate account of agreements entered into under this legislation.

| 2004-05 Surplus £000 | | 2005-06 Income £000 | 2005-06 Expenditure £000 | 2005-06 Surplus £000 |
|----------------------------|---------------------|---------------------------|--------------------------------|----------------------------|
| 16 | Onsite Services | 162 | 131 | 31 |
| - | Vehicle Maintenance | 20 | 18 | 2 |
| 1 | Outdoor Amenities | 5 | 4 | 1 |
| 4 | Refuse Collection | 12 | 12 | - |
| 26 | Street Cleansing | 8 | - | 8 |
| 47 | | 207 | 165 | 42 |

Note 2 ~ Leases

The Council leases a variety of assets by finance and operating leases. The assets involved are property, vehicles, computers, photocopying equipment and items of plant.

Finance Leases

The rentals payable under finance leases in 2005-06 were £0.079m (2004-05: £0.079m), charged to the Consolidated Revenue Account as £0.019m (2004-05: £0.022m) finance costs and £0.060m (2004-05: £0.057m) relating to the write-down of obligations to the lessor.

Operating Leases

The cost of operating leases is shown as service expenditure but no asset appears on the Balance Sheet. Operating leases cost £3.357m in 2005-06 (2004-05: £3.003m).

| | Finance Costs £000 | Lease Costs £000 | 2005-06 Total Finance Leases £000 | 2005-06 Operating Leases £000 |
|------------------------|--------------------------|---------------------|--|--|
| Vehicles & Plant | 19 | 60 | 79 | 1,622 |
| Central Heating Leases | - | - | - | 970 |
| IT Equipment | - | - | - | 165 |
| Property | - | - | - | 600 |
| | 19 | 60 | 79 | 3,357 |

The Council is committed at 31 March 2006 to make payments under operating leases in 2006-07 as follows :-

| | Vehicles & Plant £000 | Central Heating £000 | IT Equipment £000 | Property £000 | Total Operating Leases £000 |
|---|-----------------------------|----------------------------|-------------------------|------------------|--------------------------------------|
| Leases expiring in 2006-07 | 77 | 523 | 165 | 58 | 823 |
| Leases expiring between 2007-08 & 2011-12 | 1,215 | 329 | - | 297 | 1,841 |
| Leases expiring after 2011-12 | 15 | - | - | 228 | 243 |
| Total Liabilities at 31 March 2006 | 1,307 | 852 | 165 | 583 | 2,907 |



Note 3 – Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council, that have not been disclosed elsewhere in the accounts.

| | 2005-06 Income £000 | 2005-06 Expenditure £000 |
|---|---------------------------|--------------------------------|
| Central Government & Government Agencies | | |
| Revenue Grants | | |
| Housing Benefit Subsidy | 29,540 | |
| Council Tax Benefit Subsidy | 9,356 | |
| Specific Scottish Executive Revenue Grants | 18,233 | |
| Enterprise Ayrshire | 663 | |
| Housing Support Grant | 225 | |
| Community Regeneration Fund | 3,558 | |
| Scottish Executive Capital Grants | | |
| School Sports Facilities | 1,058 | |
| Schools Fund | 2,366 | |
| Private Sector Housing Grants | 2,024 | |
| Contaminated Land | 121 | |
| Dean Castle | 34 | |
| Equipment & Adaptations | 125 | |
| Flood Prevention | 1,129 | |
| Speed Safety Measures | 256 | |
| Public Transport Fund | 987 | |
| Cycling, Walking & Safer Streets | 194 | |
| Western Corridor | 118 | |
| Newmilns Townscape | 2 | |
| North West Neighbourhood Centre | 2,326 | |
| Westrans | 115 | |
| Related Companies | | |
| Kilmarnock Leisure Centre Trust | | 90 |
| Related Bodies | | |
| Strathclyde Joint Police Board | | 22,444 |
| Strathclyde Fire & Rescue Joint Board | | 6,386 |
| Strathclyde Passenger Transport Authority : | | |
| SPTA | | 1,692 |
| SPTE | | 2,732 |
| SCTS | | 2,787 |
| Ayrshire Valuation Joint Board | | 655 |
| Authorities Buying Consortium | | 35 |
| East Ayrshire North Challenge Fund | | 65 |



Note 4 ~ Local Government Act 1986 – Section 5

Section 5 of this Act requires the Council to maintain a separate account for publicity. Expenditure of £0.652m was incurred during 2005-06 (2004-05: £0.544m) and is included within service expenditure.

Note 5 ~ Members' Allowances and Interests

The Local Authorities Etc. (Allowances) (Scotland) Regulations 1995 require the Council to keep a record of payments made to Members and to publish the information for the preceding year by 1 June. The public record of Members' Expenses for 2005-06 and the Register of General Notice of Member's Registerable Interests are available for inspection during normal working hours at the Finance Service, Council Offices, Greenholm Street, Kilmarnock as well as on the Council's website www.east-ayrshire.gov.uk and being shown below. The List of Member's Appointments to Outside Bodies is also available for inspection.

| 2004-05 £000 | | 2005-06 £000 |
|-----------------|---------------------------|-----------------|
| 213 | Basic Allowances | 219 |
| 224 | Responsibility Allowances | 238 |
| 437 | | 457 |
| 19 | Subsistence | 18 |
| 47 | Travel Expenses | 44 |
| 6 | Telephone Expenses | 6 |
| 72 | | 68 |
| 509 | | 525 |

Note 6 ~ Audit Costs

| 2004-05 £000 | | 2005-06 £000 |
|-----------------|---|-----------------|
| 92 | Fees Payable to Audit Scotland with regard to External Audit Services :- Audit Scotland Recharge | 106 |
| 212 | External Audit Fee | 207 |
| 16 | Fees Payable in respect of other services provided by the appointed auditor | 24 |
| 320 | | 337 |

Note 7 ~ Officers' Emoluments

An analysis of Council officers whose total emoluments excluding pensions exceeded £40,000 is detailed below:-

| 2004-05 Total | | 2005-06 Officers | 2005-06 Teachers | 2005-06 Total |
|------------------|-------------------|---------------------|---------------------|------------------|
| 93 | £40,000 - £49,999 | 16 | 107 | 123 |
| 20 | £50,000 - £59,999 | 3 | 6 | 9 |
| 8 | £60,000 - £69,999 | 14 | 4 | 18 |
| 1 | £70,000 - £79,999 | 2 | - | 2 |
| 3 | £80,000 - £89,999 | 3 | - | 3 |
| 1 | £90,000 - £99,999 | 2 | - | 2 |
| 126 | Total | 40 | 117 | 157 |



Note 8 ~ Asset Management Revenue Account

In line with the requirements of the Local Authority Accounting Code of Practice, this account shows the transactions arising from the capital charges made to services for the use of assets on the basis of the replacement cost or depreciation of the asset rather than simply the cost of repaying loans taken out to finance the assets.

| 2004-05 £000 | | 2005-06 £000 |
|------------------|---|------------------|
| 18,019 | Depreciation | 19,949 |
| - | Impairment | 3,962 |
| 10,528 | Loans Fund Interest | 10,551 |
| 210 | Loans Fund Expenses | 191 |
| 28,757 | Total Expenditure | 34,653 |
| (31,706) | Capital Charges | (30,179) |
| (20) | Notional Interest on Trading Services Stock Balance | (22) |
| (31,726) | Total Income | (30,201) |
| (2,969) | Total Net Expenditure / (Income) | 4,452 |

Note 9 ~ Trading Operations Summary Statements

The Local Government in Scotland Act 2003 effectively repealed the legislation covering Compulsory Competitive Tendering and the disclosure requirements which previously existed under this regime are no longer applicable.

In line with the guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) the services below require trading accounts to be disclosed. The financial objective over the 3-year rolling period beginning 2003-04 is to break even after taking account of capital charges.

The actual results for each of the services are set out below:-

| | 2005-06 Turnover £000 | 2005-06 Expenditure £000 | 2005-06 Actual £000 | 2004-05 Actual £000 | 2003-04 Actual £000 | 3 Year Actual £000 |
|-------------------------|-----------------------------|--------------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| Catering | (5,157) | 6,392 | 1,235 | (23) | (43) | 1,169 |
| Cleaning of Buildings | (5,614) | 6,852 | 1,238 | (103) | (68) | 1,067 |
| School Crossing Patrols | (355) | 341 | (14) | (11) | (6) | (31) |
| Leisure Management | (1,277) | 1,267 | (10) | (8) | (35) | (53) |
| Refuse Collection | (2,885) | 2,860 | (25) | (9) | (81) | (115) |
| Street Cleansing | (2,048) | 1,990 | (58) | (64) | (36) | (158) |
| Outdoor Amenities | (5,255) | 5,362 | 107 | (123) | (35) | (51) |
| Vehicle Maintenance | (1,519) | 1,460 | (59) | (31) | (38) | (128) |
| Roads | (6,997) | 6,962 | (35) | (12) | (110) | (157) |
| Building & Works | (22,080) | 19,020 | (3,060) | (2,016) | (1,051) | (6,127) |
| Net Surplus | (53,187) | 52,506 | (681) | (2,400) | (1,503) | (4,584) |

The Catering and Cleaning of Buildings Trading Operations show cumulative deficits over the three year period due to the inclusion of the cost of compensation payments made in respect of Equal Pay claims and, in the case of Catering, FRS17 pension adjustments.

The Outdoor Amenities Trading Operation utilised a transfer from the Renewals and Repairs Fund of £0.118m during 2005/06. This amount is an appropriation and is not included in the figures above.



Note 10 – Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments which need to be disclosed at the time that employees earn their future entitlement. The Council contributes to two pension schemes: -

(1) The Local Government Superannuation (Scotland) Scheme

This scheme, the Strathclyde Pension Fund, is administered by Glasgow City Council on behalf of the scheduled and admitted bodies in the West of Scotland. This is the main scheme for administrative and manual staff employed by the Council being a funded defined benefits scheme. The scheme is supported by contributions from both employees and employers. The employer's contribution rate is set at a level to meet all other future liabilities and is subject to a tri-annual actuarial review.

The disclosures required in relation to the implementation of FRS17 Retirement Benefits are detailed in the table below and in Note 8 on Page 23.

The cost of retirement benefits under FRS 17 is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:-

| 2004-05 £000 | Pension Costs | 2005-06 £000 |
|-----------------|---|-----------------|
| | Net Cost of Services | |
| 11,377 | Current Service Cost | 12,403 |
| 92 | Past Service Cost | 893 |
| 405 | Curtailements | 466 |
| | Net Operating Expenditure | |
| 16,238 | Interest Cost | 21,303 |
| (18,369) | Expected Return on Assets in the Scheme | (20,729) |
| | Amounts to be Met from Government Grants and Local Taxation | |
| 450 | Movement on Pension Reserve | (2,487) |
| 10,193 | Actual Amount Charged Against Council Tax for Pensions in the year: Employers' Contributions Payable to Scheme | 11,849 |

Note 7 to the Consolidated Balance Sheet on Page 23 contains details of the assumptions made in determining the figures included in this note. The Statement of Total Movement in Reserves details the movements that have arisen in the year, as a result of variances from actuarial estimates made in preparing previous figures.

(2) The Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme is administered by the Scottish Executive. The Scheme is supported by contributions from both employers and employees. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Contributions by East Ayrshire Council during 2005-06 amounted to £5.516m (or 12.5% of pensionable pay). In addition, contributions totalling £0.347m (or 0.54% of pensionable pay) were made in respect of discretionary payments.

Unlike the Local Government Scheme in (1) above the Council is not required to apply FRS17 disclosures in respect of the Teachers Superannuation Scheme as the liability for payment of pensions rests ultimately with the Scottish Executive. Therefore the costs recorded within the Consolidated Revenue Account in respect of this scheme are the actual contributions made during the year.



Note 11 ~ Equal Pay Compensation

During 2005-06 Equal Pay Compensation payments of £7.254m were made. Of this £2.553m is included within the Trading Operations with the remaining £4.701m included within the Net Cost of Services on the Consolidated Revenue Account as an Exceptional Item.

Note 12 ~ Restructuring of Debt

| | | | £000 |
|--|---------------|---------------|---------------|
| Balance as at 1 April 2005 | | | 15,712 |
| Less: balance written off during year | | | (437) |
| Balance as at 31 March 2006 | | | 15,275 |
| Represented by: | Prior Years | 2005-06 | Total |
| | £000 | £000 | £000 |
| Premiums arising from debt restructure | 17,758 | - | 17,758 |
| Less: premiums written off | (2,046) | (437) | (2,483) |
| | 15,712 | (437) | 15,275 |



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

Dwellings fall within a valuation band between 'A' and 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). In setting its budget the Council determines the Council Tax level each year. Charges for other Bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2005-06 was £1,116.27.

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

| BAND | 2005-06 £ per year |
|------|-----------------------|
| A | 744.18 |
| B | 868.21 |
| C | 992.24 |
| D | 1,116.27 |
| E | 1,364.33 |
| F | 1,612.39 |
| G | 1,860.45 |
| H | 2,232.54 |

Council Tax Income

| 2004-05 £000 | | 2005-06 £000 |
|-----------------|---|-----------------|
| 47,558 | Gross Council Tax levied, contributions in lieu and penalties | 50,182 |
| | Less : | |
| 170 | Council Tax Benefits (Net of Government Grant) | 196 |
| (5,647) | Other Discounts and Reductions | (6,024) |
| (1,985) | Provision for bad and doubtful debts | (2,095) |
| 246 | Previous Years | 710 |
| 60 | Community Charge | 114 |
| 40,402 | Total | 43,083 |

During 2005-06 Community Charge arrears totalling £0.114m were collected. As there is no longer a balance sheet debtor for these arrears, this amount and any further amounts collected result in a credit to the Council Tax income account.

The Calculation of the Council Tax Base

The figures shown in the table below indicate the number of properties as at 18 October 2005.

| 2004-05 Total | Bands | Disabled | | | | | | | | | 2005-06 Total |
|------------------|-----------------------------|------------|---------------|--------------|--------------|--------------|--------------|--------------|------------|-----------|------------------|
| | | A | A | B | C | D | E | F | G | H | |
| 53,677 | Properties | - | 26,829 | 9,361 | 4,253 | 5,320 | 5,199 | 2,367 | 491 | 38 | 53,858 |
| (888) | Exemptions | - | (845) | (142) | (63) | (35) | (44) | (13) | (2) | (2) | (1,146) |
| - | Disabled relief | 114 | (26) | (44) | 5 | 17 | (40) | (20) | (5) | (1) | - |
| (20,993) | Discounts (25%) | (37) | (13,828) | (3,422) | (1,359) | (1,185) | (955) | (309) | (45) | (3) | (21,143) |
| (798) | Discounts (50%) | - | (348) | (103) | (63) | (58) | (44) | (29) | (4) | (2) | (651) |
| 47,141 | Total equivalent | 105 | 22,327 | 8,268 | 3,824 | 4,977 | 4,854 | 2,242 | 471 | 33 | 47,101 |
| | Ratio | 5/9 | 6/9 | 7/9 | 8/9 | 1 | 11/9 | 13/9 | 15/9 | 18/9 | |
| 39,663 | Band 'D' equivalents | 58 | 14,885 | 6,431 | 3,399 | 4,977 | 5,933 | 3,238 | 785 | 66 | 39,772 |
| (1,983) | Bad Debt provision | | | | | | | | | | (1,987) |
| 37,680 | | | | | | | | | | | 37,785 |



Occupiers of non-domestic property are liable to pay Non-Domestic Rates. This is a tax levied by Local Authorities on the occupiers of commercial property within their area.

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Executive. The national Non-Domestic Rate poundage set by the Scottish Executive for 2005-06 was £0.461.

Non Domestic Rates Income

| 2004-05 £000 | | 2005-06 £000 |
|-----------------|---|-----------------|
| 32,233 | Gross Rates levied and contributions in lieu | 32,556 |
| (4,186) | Less : Reliefs and other reductions | (5,533) |
| (840) | Provision for bad and doubtful debts | (809) |
| 27,207 | | 26,214 |
| (132) | Prior Years Pool | (224) |
| 17,837 | Contribution from National Non-Domestic Rate Pool | 18,847 |
| 44,912 | Net Income | 44,837 |
| (47) | Adjustments and Pre-Pool Years | (50) |
| 44,865 | Total | 44,787 |

Analysis of Rateable Values at 1 April 2005:

| | Number | £000 |
|--|--------------|---------------|
| Shops | 1,020 | 20,579 |
| Public Houses | 114 | 1,934 |
| Offices (including Banks) | 478 | 5,110 |
| Hotels, Boarding Houses etc. | 33 | 738 |
| Industrial & Freight Transport Subjects | 915 | 14,900 |
| Leisure, Entertainment, Caravans & Holiday Sites | 114 | 1,906 |
| Garages and Petrol Stations | 161 | 1,352 |
| Cultural | 25 | 315 |
| Sporting Subjects | 82 | 1,636 |
| Education & Training | 78 | 5,432 |
| Public Service Subjects | 187 | 3,254 |
| Communications (Non-Formula) | 16 | 1,922 |
| Quarries, Mines | 20 | 4,167 |
| Petrochemical | 2 | 141 |
| Religious | 102 | 872 |
| Health Medical | 69 | 3,043 |
| Other | 155 | 888 |
| Care Facilities | 47 | 1,322 |
| Advertising | 39 | 73 |
| | 3,657 | 69,584 |

The Housing Revenue Account shows the income and expenditure incurred by the Council in fulfilling its statutory requirements for the provision, management and improvement of housing to suit all housing needs. The figures below are included within Housing Services on the Consolidated Revenue Account on Page 9.

| 2004-05 £000 | | 2005-06 £000 |
|-----------------|--|-----------------|
| 32,628 | Rents - Council Houses | 32,003 |
| 819 | Rents - Other | 891 |
| 221 | Housing Support Grant | 225 |
| 358 | Other Government Grants | 303 |
| 103 | Recharges | 121 |
| 11 | Interest | - |
| 597 | Miscellaneous | 523 |
| 34,737 | Income | 34,066 |
| 12,606 | Repairs and Maintenance | 13,262 |
| 4,257 | Supervision and Management | 4,315 |
| 9,504 | Capital Financing Costs | 8,758 |
| 762 | Homeless | 790 |
| 2,256 | Bad or Doubtful Debts and Voids | 1,688 |
| 5,137 | Other Expenditure | 5,063 |
| (87) | Pension Interest Costs and Expected Return on Pension Assets | 23 |
| (42) | Transfer to/(from) Pension Reserve | (168) |
| 34,393 | Expenditure | 33,731 |
| | | |
| (344) | (Surplus) / Deficit for the Year | (335) |
| 344 | Appropriation to Renewals & Repairs Fund | 335 |
| - | Net (Surplus) / Deficit Charged To General Fund | - |

Housing Stock:

| 2004-05 Total | House Type | Flat | House | 2005-06 Total |
|------------------|---------------|--------------|--------------|------------------|
| 2,786 | One Bedroom | 1,787 | 869 | 2,656 |
| 7,323 | Two Bedroom | 3,561 | 3,373 | 6,934 |
| 4,282 | Three Bedroom | 707 | 3,334 | 4,041 |
| 311 | Four Bedroom | 14 | 270 | 284 |
| 2 | Five Bedroom | 2 | - | 2 |
| 14,704 | Total | 6,071 | 7,846 | 13,917 |

Rental Information:

| 2004-05 | | 2005-06 |
|---------|---|---------|
| £41.93 | Average Weekly Rent (52 weeks) | £43.20 |
| 4.56% | Current Rent Arrears (as % of Rent Collectable) | 4.29% |
| £1.110m | Total Rent Arrears | £0.823m |
| £0.677m | Provision for Bad Debts | £0.432m |



The Consolidated Balance Sheet details the Council's assets, liabilities and the level of balances and reserves as at 31 March 2006.

| 2005 £000 | | Notes | 2006 £000 | 2006 £000 |
|------------------|---|--------|--------------|----------------|
| - | Intangible Assets : Software Licences | 2 | 21 | 21 |
| - | Operational Assets : Council Dwellings | 1 | 176,586 | |
| 185,011 | Other Land and Buildings | | 271,930 | 489,663 |
| 272,148 | Vehicles, Plant and Equipment | | 3,848 | |
| 2,877 | Infrastructure | | 37,299 | |
| 36,552 | | | | |
| 496,588 | Non-Operational Assets : Investment Properties | 1 | 15,546 | 24,034 |
| 16,085 | Surplus Assets | | 5,263 | |
| 4,310 | Assets Under Construction | | 3,225 | |
| - | | | | |
| 20,395 | Long-Term Prepayment | CRA 12 | 15,275 | 15,404 |
| 15,712 | Long-Term Debtors | | 129 | |
| 154 | | | | |
| 15,866 | | | | |
| 532,849 | Total Long-Term Assets | | | 529,122 |
| | Current Assets Stocks and Work in Progress | | 1,058 | 72,419 |
| 1,108 | Debtors | 4 | 22,562 | |
| 19,789 | Short-Term Investments | 3 | 48,750 | |
| 39,800 | Cash and Bank | | 49 | |
| 43 | | | | |
| 60,740 | Less : Current Liabilities Creditors | 5 | (45,036) | (47,298) |
| (43,761) | Borrowing repayable in less than 12 months | | (77) | |
| (301) | Bank Overdraft | | (2,185) | |
| (4,023) | | | | |
| (48,085) | | | | |
| 12,655 | Net Current Assets | | | 25,121 |
| (191,522) | Less : Borrowing repayable after 12 months | 6 | | (191,355) |
| (347) | Less : Deferred Liability Finance Leases | 9 | | (284) |
| (98,174) | Less : Net Pension Liability | 7 | | (89,989) |
| 255,461 | TOTAL ASSETS LESS LIABILITIES | | | 272,615 |
| | Represented by :- Fixed Asset Restatement Account | | | 236,923 |
| 240,266 | Capital Financing Account | | | 88,906 |
| 87,511 | Government Grants Deferred | | | 5,135 |
| - | Pension Reserve | | | (89,989) |
| (98,174) | Insurance Fund | | | 3,250 |
| 1,446 | Capital Fund | | | 8,376 |
| 5,255 | Renewals & Repairs Fund | | | 2,901 |
| 2,311 | General Fund Surplus | | | 17,113 |
| 16,846 | | | | |
| 255,461 | TOTAL EQUITY | | | 272,615 |

Alexander McPhee ACMA
Executive Head of Finance
29 September 2006



Note 1 ~ Fixed Assets

Fixed Assets are included in the Balance Sheet at their current asset value as at 31 March 2006. The basis of valuation is disclosed separately in the Statement of Accounting Policies, Pages 6-8.

Movement in Assets during 2005-06 :-

| Gross Book Value | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure £000 | Community Assets £000 | Investment Properties £000 | Surplus Assets £000 | Assets under Construction £000 | Total £000 |
|--------------------------------------|---------------------------|--------------------------------|-------------------------------------|------------------------|--------------------------|-------------------------------|------------------------|-----------------------------------|-----------------|
| Balance at 1 April 2005 | 192,723 | 283,993 | 4,058 | 38,141 | - | 16,827 | 4,344 | - | 540,086 |
| Additions | 9,976 | 4,220 | 1,825 | 4,284 | 104 | 669 | 16 | 3,177 | 24,271 |
| Disposals | (6,320) | (711) | (18) | - | - | (140) | (670) | - | (7,859) |
| Revaluations | (355) | 1,231 | (1,156) | (82) | (104) | (429) | (751) | (562) | (2,208) |
| Transfers | - | (2,848) | - | - | - | (140) | 2,378 | 610 | - |
| Balance at 31 March 2006 | 196,024 | 285,885 | 4,709 | 42,343 | - | 16,787 | 5,317 | 3,225 | 554,290 |
| Depreciation & Impairment | | | | | | | | | |
| Balance at 1 April 2005 | (7,712) | (11,846) | (1,181) | (1,589) | - | (742) | (33) | - | (23,103) |
| Transfers | - | 175 | - | - | - | 23 | (76) | (122) | - |
| Written Back on Disposal/Revaluation | 263 | 4,949 | 889 | 1 | - | 406 | 95 | 122 | 6,725 |
| Depreciation for year | (8,027) | (7,233) | (569) | (3,456) | - | (928) | (40) | - | (20,253) |
| Impairment in year | (3,962) | - | - | - | - | - | - | - | (3,962) |
| Balance at 31 March 2006 | (19,438) | (13,955) | (861) | (5,044) | - | (1,241) | (54) | - | (40,593) |
| NBV at 31 March 2006 | 176,586 | 271,930 | 3,848 | 37,299 | - | 15,546 | 5,263 | 3,225 | 513,697 |

Information on Assets Held:

The numbers of main assets held by the Council as at 31 March 2006 are as follows: -

| | | | |
|------------------------------------|--------|------------------------------|----|
| Council Dwellings | 13,917 | Operational Buildings | |
| | | Pre-5 Schools | 22 |
| | | Primary Schools | 46 |
| Operational Equipment | | Secondary Schools | 9 |
| Vehicles | 84 | Special Schools | 5 |
| | | Community Education Centres | 69 |
| Infrastructure Assets | | Day Centres | 3 |
| Principal Roads (Km's) | 115 | Car Parks | 36 |
| Non-Principal Roads (Km's) | 404 | Social Work Homes | 9 |
| Unclassified Roads (Km's) | 595 | Assessment Centres | 5 |
| Highway Bridges | 786 | Depots | 9 |
| Street Lighting Units | 17,960 | Sports Centres | 8 |
| Illuminated Signs | 1,481 | Swimming Pools | 1 |
| | | Halls | 18 |
| Community Assets | | Public Conveniences | 3 |
| Parks (Acres) | 144 | Council Offices | 21 |
| Cemeteries (Acres) | 129 | Industrial Units | 92 |
| Playing Fields/Open Spaces (Acres) | 1,911 | Shops | 41 |
| | | Libraries | 27 |
| | | Museums | 6 |



Funding of Capital Expenditure: -

Capital Expenditure during the year was funded as follows:-

| | Housing Revenue Account £000 | General Fund £000 | Total £000 |
|--|---------------------------------|----------------------|---------------|
| Borrowing | - | 8,153 | 8,153 |
| Usable Capital Receipts | 8,830 | 634 | 9,464 |
| Specific Grants and Other Income | - | 5,543 | 5,543 |
| Capital Funded From Current Revenue (CFCR) | 1,146 | 104 | 1,250 |
| Gross Capital Expenditure | 9,976 | 14,434 | 24,410 |

Finance Leases:

The following value of assets held under finance leases by the Council are included within fixed assets:-

| | Vehicles, Plant & Equipment £000 | Total Finance Leases £000 |
|-------------------------------|-------------------------------------|------------------------------|
| Value at 1 April 2005 | 407 | 407 |
| Additions | - | - |
| Revaluations | - | - |
| Depreciation | (60) | (60) |
| Disposals | - | - |
| Value at 31 March 2006 | 347 | 347 |

Note 2 ~ Intangible Assets

| | Software Licences £000 | Total Intangible Assets £000 |
|---------------------------------|---------------------------|---------------------------------|
| Original Cost | - | - |
| Amortisation to 1 April 2005 | - | - |
| Balance at 1 April 2005 | - | - |
| Expenditure in Year | 26 | 26 |
| Written Off to Revenue in Year | (5) | (5) |
| Balance at 31 March 2006 | 21 | 21 |

Note 3 ~ Short-Term Investments

Short-Term investments represent amounts deposited with banks and building societies for periods of less than one year in accordance with the Authority's Treasury Management Policies.



Note 4 ~ Debtors

| 2004-05 Net Debtor £000 | | 2005-06 | | |
|-------------------------------|---|----------------------|-------------------|--------------------|
| | | Gross Debtor £000 | Provision £000 | Net Debtor £000 |
| 1,688 | Arrears of Local Taxation : Council Tax | 22,459 | 21,541 | 918 |
| 1,172 | Non-Domestic Rates | 6,102 | 5,028 | 1,074 |
| 433 | Housing Rents | 823 | 432 | 391 |
| 2,758 | Accounts Receivable | 5,872 | 2,451 | 3,421 |
| 3,259 | VAT and Income Tax Recoverable | 3,374 | - | 3,374 |
| 10,479 | Other Income Due | 13,384 | - | 13,384 |
| 19,789 | | 52,014 | 29,452 | 22,562 |

Note 5 ~ Creditors

| 2004-05 £000 | | 2005-06 £000 |
|-----------------|-------------------|-----------------|
| 10,729 | Accounts Payable | 14,183 |
| 5,947 | Payroll Creditors | 5,679 |
| 1,947 | Loan Interest Due | 1,968 |
| 25,138 | Other | 23,206 |
| 43,761 | | 45,036 |

Note 6 ~ Borrowing repayable after 12 months

| 2004-05 £000 | Due | 1-2 Yrs £000 | 2-5 Yrs £000 | 5-10 Yrs £000 | Over 10 Yrs £000 | 2005-06 £000 |
|-----------------|---------------------------------|-----------------|-----------------|------------------|---------------------|-----------------|
| 52,886 | Banks/Monetary Sector | 110 | 28 | - | 52,600 | 52,738 |
| 1,000 | Building Societies | - | - | - | 1,000 | 1,000 |
| 500 | Financial Institutions | 500 | - | - | - | 500 |
| 123,363 | Public Works Loan Board | 22 | 80 | 619 | 122,621 | 123,342 |
| - | Public Corporations | - | - | - | - | - |
| 13,000 | Other Sources | - | - | - | 13,000 | 13,000 |
| 190,749 | | 632 | 108 | 619 | 189,221 | 190,580 |
| 200 | Investment by Common Good | | | | | 206 |
| 573 | Investment by Trusts & Bequests | | | | | 569 |
| 191,522 | | 632 | 108 | 619 | 189,221 | 191,355 |



Note 7 ~ FRS 17 – Pension Assets and Liabilities

In order to comply with Financial Reporting Standard 17: Retirement Benefits (FRS 17), the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As detailed in Note 10 to the Consolidated Revenue Account the Council participates in two formal schemes, the Local Government Superannuation (Scotland) Scheme as administered by the Strathclyde Pension Scheme and the Teachers Pension Scheme which is administered by the Scottish Executive. Both schemes are defined benefit schemes, however, for the purposes of this statement of accounts the Teachers Pension Scheme is treated on the same basis as a defined contribution scheme since it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees.

The Local Government Superannuation (Scotland) Scheme is a funded scheme to which the Council and its employees contribute at a rate determined by actuaries to the scheme such that the pensions liabilities are balanced with investment assets.

In 2005-06 pension costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to Strathclyde Pension Fund based on the last formal actuarial valuation as at 31 March 2005.

As at 31 March 2006, the Council had the following assets and liabilities for pensions within the Strathclyde Pension Fund that have been included in the balance sheet: -

| 2005 £000 | | 2006 £000 |
|------------------|--|------------------|
| 289,040 | Share of assets in Strathclyde Pension Fund | 376,785 |
| (387,214) | Estimated Liabilities in Strathclyde Pension Fund | (466,774) |
| (98,174) | Net Pension Asset/(Liability) and Pension Reserve | (89,989) |

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The net liability of £89.989m has an impact on the net worth of the Council as recorded in the Consolidated Balance Sheet. It should be noted that these book entries are based only on the snapshot position at 31 March 2006 for reporting purposes only. The long term funding valuation of 2005 is not affected with contribution rates set at the time continuing in line with actuarial advice.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and other factors. The liabilities of the Strathclyde Pension Fund have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations have been:-

| 2005 % | | 2006 % |
|-----------|--|-----------|
| 2.9 | Rate of Inflation | 3.1 |
| 4.4 | Rate of Increase in Salaries | 4.6 |
| 2.9 | Rate of Increase in Pensions | 3.1 |
| 5.4 | Rate of Discounting Scheme Liabilities | 4.9 |

Assets held by Strathclyde Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund:-

| 2005 | | | 2006 | |
|------------|------------------|--------------------|------------|------------------|
| % | Long-Term Return | | % | Long-Term Return |
| 74 | 7.7 | Equity Investments | 76 | 7.4 |
| 13 | 4.8 | Bonds | 10 | 4.6 |
| 10 | 5.7 | Property | 9 | 5.5 |
| 3 | 4.8 | Cash | 5 | 4.6 |
| 100 | | | 100 | |



Note 8 ~ Capital Commitments

The Council has commitments in respect of capital schemes in excess of £20,000 at 31 March 2006 as follows :

| General Fund | £000 | Housing | £000 |
|---------------------------------|--------------|-------------------------------|--------------|
| Dick Institute | 172 | Gas Central Heating | 348 |
| Cemetery Extensions | 82 | External Enhancements | 120 |
| Energy Saving | 276 | Kitchens, Bathrooms, Rewiring | 1,990 |
| Hurlford Community Centre | 20 | Sheltered Housing | 412 |
| Cairns Nursery | 24 | | |
| School Window Replacements | 80 | | |
| DDA / Care Commission | 57 | | |
| Welltrees Bridge | 391 | | |
| Cumnock Footbridge | 200 | | |
| North West Neighbourhood Centre | 2,945 | | |
| | 4,247 | | 2,870 |

Building Learning Communities Schools PPP Project

The Council intends to enter into a Public Private Partnership contract during 2006-07 to enable the creation of :-

- ◆ a new St Joseph's Campus incorporating the present twin St Joseph's Academy campuses in Kilmarnock and Cumnock and the amalgamation of the present St Columba's and St Matthew's primary schools;
- ◆ a new Grange Campus incorporating the present Grange Academy, Annanhill Primary and Park School;
- ◆ a new Shortlees Campus incorporating the present Shortlees Primary School and Community Learning facilities; and
- ◆ the extension and complete refurbishment of Mauchline Primary School.

Note 9 ~ Finance Lease Liabilities

Outstanding obligations to make payments under finance leases at 31 March 2006 are as follows :

| | Vehicles, Plant & Equipment £000 | Total Finance Leases £000 |
|---|-------------------------------------|------------------------------|
| Obligations payable in 2006-07 | 63 | 63 |
| Obligations payable between 2007-08 and 2011-12 | 284 | 284 |
| Obligations payable after 2011-12 | - | - |
| Total Liabilities at 31 March 2006 | 347 | 347 |

Of the above £0.063m is included within creditors and the £0.284m is disclosed as a long-term liability on the Consolidated Balance Sheet.

Note 10 ~ Contingent Liabilities

East Ayrshire Council is a constituent member of the West of Scotland Loans Fund Ltd. As at 31 March 2006 the Council's involvement stands at £1.685m. In the event of the Fund being wound up, a contingent liability of £0.499m exists in respect of European Development Fund Grants. The Fund exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. East Ayrshire Council does not have an interest in the share capital of any of the companies dealt with by the West of Scotland Loans Fund Ltd.

The Council has an obligation to indemnify and reimburse any cumulative deficit sustained by the Kilmarnock Leisure Centre Trust up to a maximum of £0.200m in each financial year once the reserves held by the Trust have been depleted.

A contingent liability also exists in respect of Equal Pay Compensation payments to employees working in Catering, Cleaning and Care Services.



Consolidated Balance Sheet - Notes

Note 11 ~ Reserves

The General Fund Balance of £17.113m contains both earmarked and uncommitted funds. The earmarked funds comprise Departmental Balances of £8.003m and Schools Carry Forwards of £0.562m.

Note 12 ~ Post Balance Sheet Events

No significant post balance sheet events requiring additional provision or disclosure have transpired post 31 March 2006.

Note 13 ~ European Monetary Union

At present the participation of the United Kingdom in the European Monetary Union has yet to be confirmed. The Council's integrated financial system is BASDA EMU accredited in accordance with the BASDA EMU advanced checklist and specification.

Note 14 ~ Authorisation

These Financial Statements were issued following approval by East Ayrshire Council on 22 June 2006.



Funds Balances & Reserves

| | General Fund Balance £000 | HRA Balance £000 | Renewals & Repairs Fund £000 | Insurance Fund £000 | Total Revenue Balances £000 | Pension Reserve £000 |
|------------------------------------|------------------------------|---------------------|---------------------------------|------------------------|--------------------------------|-------------------------|
| Balance as at 1 April 2005 | 16,846 | - | 2,311 | 1,446 | 20,603 | (98,174) |
| Net Surplus/(Deficit) | 267 | - | 493 | 1,743 | 2,503 | 8,185 |
| Interest | - | - | 97 | 61 | 158 | - |
| Balance as at 31 March 2006 | 17,113 | - | 2,901 | 3,250 | 23,264 | (89,989) |

Capital Reserves

| | Fixed Asset Restatement Account £000 | Capital Financing Account £000 | Usable Capital Receipts Reserve £000 | Capital Fund £000 | Government Grants Deferred £000 |
|---|---|-----------------------------------|---|----------------------|------------------------------------|
| Balance as at 1 April 2005 | 240,266 | 87,511 | - | 5,255 | - |
| Unrealised Gains on Revaluation of Assets | 4,516 | - | - | - | - |
| Value of Assets Disposed of | (7,859) | - | - | - | - |
| Net Proceeds from Asset Disposals & Capital Grant | - | - | 17,957 | - | - |
| Grants Received in Year | - | - | - | - | 5,443 |
| Grants Amortised in Year | - | - | - | - | (308) |
| Debt Redemption | - | 6,556 | - | - | - |
| Depreciation & Impairment | - | (23,955) | - | - | - |
| Capital Financed by Revenue Contribution | - | 1,250 | - | - | - |
| Financing of Fixed Assets | - | 9,464 | (9,464) | - | - |
| Applied to Repay Debt | - | 8,080 | (8,080) | - | - |
| Transferred to Capital Fund | - | - | (413) | 2,899 | - |
| Interest | - | - | - | 222 | - |
| Balance as at 31 March 2006 | 236,923 | 88,906 | - | 8,376 | 5,135 |

The actuarial gain included as part of the movement on the Pensions Reserve can be analysed into the following categories measured as absolute amounts and percentages of assets and liabilities.

| 2004-05 | | | 2005-06 | |
|------------------|---------|---|---------------|---------|
| £000 | % | | £000 | % |
| 9,745 | 3.4 | Differences between the expected and actual return on assets | 59,469 | 15.8 |
| (1,235) | (0.3) | Differences between actuarial assumptions about liabilities and actual experience | 6,477 | 1.4 |
| (72,432) | (18.7) | Changes in the demographic and financial assumptions used to estimate liabilities | (55,274) | (11.8) |
| (63,922) | | Actuarial (Loss)/Gain in Pension Fund | 10,672 | |



| 2004-05 £000 | | Notes | 2005-06 £000 | 2005-06 £000 |
|-------------------|---|----------|-------------------|------------------|
| | Revenue Activities : | | | |
| | Expenditure | | | |
| 117,684 | Employment Costs | | 134,738 | |
| 143,920 | Other Operating Costs | | 148,846 | |
| 9,270 | Housing Benefit Paid Out | | 9,798 | |
| 23,855 | NDRI Contributable to Pool | | 28,438 | |
| 294,729 | | | 321,820 | |
| | Income | | | |
| (12,884) | Rents (after rebates) | | (12,141) | |
| (32,544) | Council Tax Income | | (34,613) | |
| (26,853) | Non-Domestic Rates | | (26,298) | |
| (44,912) | NDRI Distributable from Pool | | (44,837) | |
| (122,633) | Revenue Support Grant | | (129,160) | |
| (9,115) | DWP Grants for Rebates | | (9,212) | |
| (45,600) | Other Government Grants | 4 | (47,335) | |
| (39,388) | Fees, Charges and Other Income | | (37,493) | |
| (333,929) | | | (341,089) | |
| (39,200) | Net Cash In-flow from Revenue Activities | 1 | | (19,269) |
| | Servicing Of Finance : | | | |
| 11,840 | Interest Paid | | 11,028 | |
| 22 | Interest Element of Finance Leases | | 18 | |
| (13) | Interest Received | | (2,234) | |
| 11,849 | Net Cash Out-flow from Servicing Finance | | | 8,812 |
| | Capital Activities : | | | |
| | Expenditure | | | |
| 14,130 | Purchase of Fixed Assets | | 24,531 | |
| 13,541 | Other Capital Cash Payments | | 170 | |
| 27,671 | | | 24,701 | |
| | Income | | | |
| (11,627) | Sale of Fixed Assets | | (16,845) | |
| (6,953) | Capital Grants Received | | (7,463) | |
| (663) | Other Capital Cash Payments/Income | | (1,180) | |
| (19,243) | | | (25,488) | |
| 8,428 | Net Cash Out-flow from Capital Activities | | | (787) |
| (18,923) | Net Cash (In-flow) / Out-flow before Financing | | | (11,244) |
| | Financing : | | | |
| | Expenditure | | | |
| 21,770 | Repayments of Amounts Borrowed | | 10,090 | |
| 57 | Capital Element of Finance Lease | | 60 | |
| 431,100 | New Short-Term Deposits | | 373,699 | |
| 452,927 | | | 383,849 | |
| | Income | | | |
| (21,501) | New Loans Raised | | (9,700) | |
| (413,950) | Short-Term Deposits Repaid | | (364,749) | |
| (435,451) | | | (374,449) | |
| 17,476 | Net Cash (In-flow) / Out-flow from Financing | 3 | | 9,400 |
| (1,447) | (Increase) / Decrease in Cash | 2 | | (1,844) |



Note 1 ~ Cash Flow – Reconciliation of Consolidated Revenue Account to Revenue Activities Cash Flow

| 2004-05 £000 | | 2005-06 £000 | 2005-06 £000 |
|-----------------|---|-----------------|-----------------|
| (8,936) | (Surplus)/Deficit per the Financial Statement | | (267) |
| (17,637) | Financing Expenses | | (16,238) |
| | Non Cash Transactions : | | |
| (821) | Contributions to Reserves | (4,721) | |
| (4,164) | Contributions to Capital | (1,250) | |
| (4,985) | | | (5,971) |
| | Movements in Working Capital : | | |
| (260) | (Decrease) in Stock & Work in Progress | (49) | |
| (4,042) | (Decrease)/Increase in Debtors | 5,844 | |
| (1,551) | (Increase) in Creditors | (2,563) | |
| (1,789) | Other Movements | (25) | |
| (7,642) | | | 3,207 |
| (39,200) | | | (19,269) |

Note 2 ~ Cash Flow - Analysis of Balances of Cash

| | 2005-06 £000 | 2004-05 £000 | Movement £000 |
|--------------------------------------|-----------------|-----------------|------------------|
| Cash | 49 | 43 | (6) |
| Bank Overdraft | (2,185) | (4,023) | (1,838) |
| (Increase) / Decrease in Cash | (2,136) | (3,980) | (1,844) |

Note 3 ~ Cash Flow – Movement in Financing

| | 2005-06 £000 | 2005-06 £000 |
|------------------------------------|-----------------|-----------------|
| Loans Repaid | | |
| PWLB | 301 | |
| Mortgages | 9,700 | |
| Other Loans | 89 | |
| Capital Element of Finance Lease | 60 | |
| Short-Term Deposits | (364,749) | |
| | | (354,599) |
| New Loans | | |
| Mortgages | (9,700) | |
| Other Loans | - | |
| Short-Term Deposits Repaid | 373,699 | |
| | | 363,999 |
| Cash Outflow from Financing | | 9,400 |



Note 4 ~ Cash Flow – Analysis of Government Grants

| | 2005/06 £000 |
|---|-----------------|
| Specific Grants | |
| Excellence Fund | 5,006 |
| Mental Health Grant | 321 |
| Other Government Grants | 1,269 |
| Police | 11,384 |
| Sheltered Employment Grant | 14 |
| Specific Grant - Gaelic | 131 |
| Social Work Training Grant | 108 |
| Other Grants | |
| DWP Grants - Housing & Council Tax | 29,102 |
| Cash Flow From Government Grants | 47,335 |



The Council administers various Common Good Funds relating to the areas of the former burghs together with a number of Charitable Trusts and Bequests. These funds do not represent assets available to the Council and as such are not included in the Council's Consolidated Balance Sheet and the individual funds have not been subject to audit.

A summary of these is as follows :-

Summary of Common Good Funds

| | Darvel £ | Cumnock £ | Kilmarnock £ | Newmilns £ | Stewarton £ | Total £ |
|----------------------------------|-----------------|-----------------|-------------------|-----------------|-----------------|-------------------|
| Capital Balance 01/04/05 | - | 1,000.00 | 153,159.46 | - | - | 154,159.46 |
| Revenue Balance 01/04/05 | 1,092.38 | 1,470.20 | 38,898.25 | 2,330.73 | 1,652.24 | 45,443.80 |
| | 1,092.38 | 2,470.20 | 192,057.71 | 2,330.73 | 1,652.24 | 199,603.26 |
| Expenditure During Year : | | | | | | |
| Capital | - | - | - | - | - | - |
| Revenue | - | - | 2,000.00 | - | - | 2,000.00 |
| Income During Year : | | | | | | |
| Capital | - | - | - | - | - | - |
| Revenue | 46.36 | 104.84 | 8,159.99 | 98.92 | 70.13 | 8,480.24 |
| Capital Balance 31/03/06 | - | 1,000.00 | 153,159.46 | - | - | 154,159.46 |
| Revenue Balance 31/03/06 | 1,138.74 | 1,575.04 | 45,058.24 | 2,429.65 | 1,722.37 | 51,924.04 |
| Closing Balances 31/03/06 | 1,138.74 | 2,575.04 | 198,217.70 | 2,429.65 | 1,722.37 | 206,083.50 |

Summary of Trusts and Bequests

| 2004-05 Revenue Fund £ | 2004-05 Capital Fund £ | 2004-05 Total Funds £ | Fund Balances | 2005-06 Revenue Fund £ | 2005-06 Capital Fund £ | 2005-06 Total Funds £ |
|---------------------------------|---------------------------------|--------------------------------|----------------------------------|---------------------------------|---------------------------------|--------------------------------|
| 528,843.44 | 64,754.88 | 593,598.32 | Opening Balances 01/04/05 | 522,383.09 | 63,875.70 | 586,258.79 |
| 35,254.67 | 879.18 | 36,133.85 | Expenditure | 28,035.29 | 152.76 | 28,188.05 |
| 28,794.32 | - | 28,794.32 | Income | 24,908.27 | - | 24,908.27 |
| (6,460.35) | (879.18) | (7,339.53) | Surplus/(Deficit) | (3,127.02) | (152.76) | (3,279.78) |
| 522,383.09 | 63,875.70 | 586,258.79 | Closing Balances 31/03/06 | 519,256.07 | 63,722.94 | 582,979.01 |

| 2004-05 £ | Balance Sheet as at 31 March 2005 | 2005-06 £ |
|-------------------|-----------------------------------|-------------------|
| 13,378.60 | Investments - External | 13,680.45 |
| 572,880.19 | Investments - Loans Fund | 569,298.56 |
| 586,258.79 | | 582,979.01 |
| | Financed By:- | |
| 63,875.70 | Capital Funds | 63,722.94 |
| 522,383.09 | Revenue Funds | 519,256.07 |
| 586,258.79 | | 582,979.01 |



Trusts and Bequests

| Origin & Purpose | To Provide:- | Funds Invested in : | | |
|--------------------------------------|---|---------------------|------------------|--------------------|
| | | Loans Fund £ | Other £ | Type |
| Robert Crawford's Bequest | Books for Public Library | 7,126.81 | 1,600.00 | Govt. Stock |
| Robert Cumming's Bequest | Annuity for Testator's Legatee and Maintenance of Indigent Orphans of Ayrshire | 2,235.37 | - | |
| John Fulton's Soup Kitchen Trust | Soup to the Poor | 9,424.17 | 100.00 | Govt. Stock |
| Murdoch's Trust | Annual Payment to One Poor Aged Deserving Person of Kilmarnock | 3,414.27 | - | |
| Misses Parker's Bequest | Payments to Females Suffering from Incurable Diseases | 2,003.03 | - | |
| Tannock's Trust | Annuities to Females | 3,340.29 | - | |
| Archibald Taylor Fund | Special Nursing, Convalescent Treatment or Holiday during Convalescence for Certain Class of Spinsters | 402,472.13 | - | |
| Matthew L. Cochran's Bequest | Holidays for Elderly Deserving People Resident in Kilmarnock | 15.22 | - | |
| Mair Bequest | Relief to Deserving Poor Natives or Inhabitants of Newmilns | 94,373.57 | - | |
| B.C. Roxburgh Bequest | Benefits to the Citizens of Darvel | 20,214.45 | - | |
| Newmilns Benevolent Association | Grants for the alleviation of illness to Persons Residing in Newmilns and Greenholm | 2,456.81 | - | |
| East Ayrshire Emergency Relief Trust | Assistance for any organisation, body, resident or person suffering hardship, poverty or distress as a consequence of emergency, natural disaster, flood, subsidence, severe weather or fire, or for such other reason as the trustee may agree | - | 8,084.45 | Bank Deposit |
| Graham Ramage Trust | Cumnock Senior Citizens Club | 522.24 | 1,367.00 | Govt. Stock |
| Sommerville Trust | Relief to Poor - Sorn Parish | 609.76 | - | |
| Misses Murray Legacy Trust | Relief to Poor - Old Cumnock Parish | 1,606.76 | 500.00 | Govt. Stock |
| D Smith Trust | Maintenance of Burial Grounds | 983.38 | - | |
| Mrs E McWhirter Trust | Maintenance of Dalmellington Burial Grounds | 323.14 | 824.00 | Govt. Stock |
| Dalmellington Cemetery Trust | Maintenance of Burial Grounds | 84.12 | - | |
| R Mitchell Trust | Upkeep of Lair - Mauchline Cemetery | 19.51 | 50.00 | Govt. Stock |
| Mrs H S Wilson Trust | Upkeep of Lair - New Cumnock Cemetery | 61.44 | 122.00 | Govt. Stock |
| Dalrymple Cemetery Trust | Maintenance of Burial Grounds | 45.21 | 100.00 | Govt. Stock |
| Polish Patients Fund | Upkeep of Memorial Stone - Mauchline | 4.41 | 11.00 | Govt. Stock |
| Miss A Stevenson Trust | Upkeep of Lair - Mauchline Cemetery | 145.03 | - | |
| Mrs C Gordon Trust | Upkeep of Lair/Headstone - Auchinleck Cemetery | 145.03 | - | |
| Miss J Leiper Young Trust | Upkeep of Lair/Headstone - Mauchline Cemetery | 145.03 | - | |
| Miss J.M.M. Cuthbert Executory | Upkeep of Lair/Headstone - Stair Cemetery | 145.03 | - | |
| GAA Trust | Maintenance of Burial Grounds | 3,657.33 | 922.00 | Heritable Property |
| Gavin Memorial Fund | Prizes for Schools in Dalmellington | 1,296.13 | - | |
| Brown Prize Fund | Prizes for Dux Boy & Girl at Cumnock Academy | 286.99 | - | |
| Hon. Alex Shaw Prize | Prizes at Kilmarnock Academy | 114.29 | - | |
| Morton Steven Dux Medal | Dux Medal at Kilmarnock Academy | 355.49 | - | |
| Latta Dux Medal | Dux Medal at Cumnock Academy | 142.87 | - | |
| Jas. Mackie Memorial Prize | Prizes at Kilmarnock Academy | 100.00 | - | |
| Hunter Stewart Fund | Dux Medal at Doon Academy | 75.92 | - | |
| Hood Endowment | Prizes at Loudoun Academy | 49.15 | - | |
| Arch. Hood Prize | Prizes at Loudoun Academy | 127.39 | - | |
| A.B. Carswell Prize | Prizes at Loudoun Academy | 315.09 | - | |
| William Wilson Memorial Prize | Cash prize for leadership (Girl) at Auchinleck Academy | 136.33 | - | |
| Margaret Wilson Memorial Prize | Cash prize for leadership (Boy) at Auchinleck Academy | 39.42 | - | |
| McKenzie Prizes | Prize for Nature Study at Auchinleck Academy | 107.32 | - | |
| Galston Town Council Dux Medal | Dux medals at Galston Juniors & St Sophia's RCS | 175.41 | - | |
| George Mason Prize Fund | Prize for Art at Grange Academy | 45.99 | - | |
| Robert C Grant Prize Fund | Prizes at Kilmarnock Academy | 138.98 | - | |
| Miss Mary C Smith Memorial Prize | Prizes at Loanhead Primary School | 25.74 | - | |
| Marion Hamilton Memorial Prize | Bursaries at Auchinleck Academy | 8.30 | - | |
| Sarah B Campbell | Bursaries at Bellsbank Primary School | 2,249.26 | - | |
| Jean G Glennie | Prizes at Auchinleck Academy | 43.88 | - | |
| John Minto Prize Fund | Prizes at Loanhead Primary | 123.40 | - | |
| W S Oughton Memorial Prize Fund | Prizes at Doon Academy | 65.18 | - | |
| Sir Alexander Fleming Prize Fund | Prize for Science at Loudoun Academy | 256.73 | - | |
| John C Kennedy Trust | Prizes at Bellsbank Primary School | 6,896.26 | - | |
| Agnes Smith Campbell Prize Fund | Prizes at Doon Academy | 467.42 | - | |
| T K Stevenson Memorial Prize | Prizes at Greenmill Primary | 82.08 | - | |
| | | 569,298.56 | 13,680.45 | 582,979.01 |



Trusts and Bequests

| Capital & Revenue Accounts | 01-Apr-05 | | Expenditure in Year | | Income in Year | | 31-Mar-06 | |
|--------------------------------------|------------------|-------------------|---------------------|---------------------|----------------|------------------|------------------|-------------------|
| | Capital £ | Revenue £ | Capital £ | Revenue £ | Capital £ | Revenue £ | Capital £ | Revenue £ |
| Robert Crawford's Bequest | 2,650.00 | 5,740.27 | - | - | - | 336.54 | 2,650.00 | 6,076.81 |
| Robert Cumming's Bequest | 2,325.80 | - | (90.43) | (94.57) | - | 94.57 | 2,235.37 | - |
| John Fulton's Soup Kitchen Trust | 1,443.00 | 13,971.59 | - | (7,000.00) | - | 1,109.58 | 1,443.00 | 8,081.17 |
| Murdoch's Trust | 100.00 | 3,175.57 | - | - | - | 138.70 | 100.00 | 3,314.27 |
| Misses Parker's Bequest | 1,365.00 | 556.66 | - | - | - | 81.37 | 1,365.00 | 638.03 |
| Tannock's Trust | 2,255.00 | 949.60 | - | - | - | 135.69 | 2,255.00 | 1,085.29 |
| Archibald Taylor Fund | 17,599.00 | 372,426.82 | - | (3,984.42) | - | 16,430.73 | 17,599.00 | 384,873.13 |
| Matthew L. Cochran's Bequest | 13.91 | 0.69 | - | - | - | 0.62 | 13.91 | 1.31 |
| Mair Bequest | 15,378.00 | 89,182.59 | - | (14,311.49) | - | 4,124.47 | 15,378.00 | 78,995.57 |
| B. C. Roxburgh Bequest | 10,796.00 | 9,921.70 | - | (1,351.89) | - | 848.64 | 10,796.00 | 9,418.45 |
| Newmilns Benevolent Association | - | 2,200.94 | - | - | - | 255.87 | - | 2,456.81 |
| East Ayrshire Emergency Relief Trust | - | 7,782.60 | - | - | - | 301.85 | - | 8,084.45 |
| Graham Ramage Trust | 1,837.00 | 1,103.34 | - | (1,143.75) | - | 92.65 | 1,837.00 | 52.24 |
| Sommerville Trust | 119.00 | 465.99 | - | - | - | 24.77 | 119.00 | 490.76 |
| Misses Murray Legacy Trust | 500.00 | 1,523.15 | - | - | - | 83.61 | 500.00 | 1,606.76 |
| D. Smith's Trust | 100.00 | 843.43 | - | - | - | 39.95 | 100.00 | 883.38 |
| Mrs E. McWhirter Trust | 824.00 | 281.76 | - | - | - | 41.38 | 824.00 | 323.14 |
| Dalmellington Cemetery Trust | 58.00 | 22.70 | - | - | - | 3.42 | 58.00 | 26.12 |
| R Mitchell Trust | 50.00 | 17.01 | - | - | - | 2.50 | 50.00 | 19.51 |
| Mrs H S Wilson Trust | 122.00 | 53.83 | - | - | - | 7.61 | 122.00 | 61.44 |
| Dalrymple Cemetery Trust | 100.00 | 39.18 | - | - | - | 6.03 | 100.00 | 45.21 |
| Polish Patients Fund | 11.00 | 3.78 | - | - | - | 0.63 | 11.00 | 4.41 |
| Miss A. Stevenson Trust | 100.00 | 39.14 | - | - | - | 5.89 | 100.00 | 45.03 |
| Mrs C. Gordon Trust | 100.00 | 39.14 | - | - | - | 5.89 | 100.00 | 45.03 |
| Miss J. Leiper Young Trust | 100.00 | 39.14 | - | - | - | 5.89 | 100.00 | 45.03 |
| Miss J.M.M. Cuthbert Executory | 100.00 | 39.14 | - | - | - | 5.89 | 100.00 | 45.03 |
| GAA Trust | 922.00 | 3,508.76 | - | - | - | 148.57 | 922.00 | 3,657.33 |
| Gavin Memorial Fund | 1,040.00 | 203.48 | - | - | - | 52.65 | 1,040.00 | 256.13 |
| Brown Prize Fund | 216.00 | 48.57 | - | - | - | 22.42 | 216.00 | 70.99 |
| Hon. Alex Shaw Prize | 100.00 | 9.65 | - | - | - | 4.64 | 100.00 | 14.29 |
| Morton Steven Dux Medal | 207.00 | 197.73 | - | (65.00) | - | 15.76 | 207.00 | 148.49 |
| Latta Dux Medal | 143.00 | 33.25 | (0.13) | (39.87) | - | 6.62 | 142.87 | - |
| Jas. Mackie Memorial Prize | 65.00 | 30.94 | - | - | - | 4.06 | 65.00 | 35.00 |
| Hunter Stewart Fund | 87.53 | - | (11.61) | (3.39) | - | 3.39 | 75.92 | - |
| Hood Endowment | 47.15 | - | - | - | - | 2.00 | 47.15 | 2.00 |
| Arch. Hood Prize | 100.00 | 51.61 | - | (30.00) | - | 5.78 | 100.00 | 27.39 |
| A.B. Carswell Prize | 216.00 | 83.94 | - | - | - | 15.15 | 216.00 | 99.09 |
| William Wilson Memorial Prize | 109.00 | 21.79 | - | - | - | 5.54 | 109.00 | 27.33 |
| Margaret Wilson Memorial Prize | 68.68 | - | (29.26) | (2.24) | - | 2.24 | 39.42 | - |
| McKenzie Prizes | 44.00 | 58.96 | - | - | - | 4.36 | 44.00 | 63.32 |
| Galston Town Council Dux Medal | 150.00 | 18.28 | - | - | - | 7.13 | 150.00 | 25.41 |
| George Mason Prize Fund | 42.05 | 2.07 | - | - | - | 1.87 | 42.05 | 3.94 |
| Robert C. Grant Prize Fund | 133.33 | - | - | - | - | 5.65 | 133.33 | 5.65 |
| Miss Mary C Smith Memorial Prize | 34.49 | - | (8.75) | (1.25) | - | 1.25 | 25.74 | - |
| Marion Hamilton Memorial Prize | 17.76 | - | (9.46) | (0.54) | - | 0.54 | 8.30 | - |
| Sarah B Campbell | 259.00 | 1,898.89 | - | - | - | 91.37 | 259.00 | 1,990.26 |
| Jean G Glennie | 47.00 | - | (3.12) | (1.88) | - | 1.88 | 43.88 | - |
| John Minto Prize Fund | 100.00 | 18.39 | - | - | - | 5.01 | 100.00 | 23.40 |
| W S Oughton Memorial Prize Fund | 30.00 | 32.53 | - | - | - | 2.65 | 30.00 | 35.18 |
| Sir Alexander Fleming Prize Fund | 200.00 | 51.20 | - | (5.00) | - | 10.53 | 200.00 | 56.73 |
| John C Kennedy Trust | 1,000.00 | 5,616.11 | - | - | - | 280.15 | 1,000.00 | 5,896.26 |
| Agnes Smith Campbell Prize Fund | 400.00 | 48.43 | - | - | - | 18.99 | 400.00 | 67.42 |
| T K Stevenson Memorial Prize | 50.00 | 28.75 | - | - | - | 3.33 | 50.00 | 32.08 |
| Total | 63,875.70 | 522,383.09 | (152.76) | (28,035.29) | - | 24,908.27 | 63,722.94 | 519,256.07 |



| 2004-05 Net £000 | Committee | 2005-06 Expenditure £000 | 2005-06 Income £000 | 2005-06 Net £000 |
|------------------------|---|--------------------------------|---------------------------|------------------------|
| 95,225 | Education | 116,133 | (18,352) | 97,781 |
| (1,283) | Housing Services | 78,463 | (70,428) | 8,035 |
| 10,110 | Cultural & Related Services | 10,987 | (898) | 10,089 |
| 10,283 | Environmental Services | 14,564 | (3,779) | 10,785 |
| 6,110 | Fire Services | 6,386 | - | 6,386 |
| 10,196 | Police Services | 22,444 | (11,384) | 11,060 |
| 13,723 | Highways, Roads & Transport | 19,362 | (3,748) | 15,614 |
| 1,780 | Planning & Development | 9,258 | (5,997) | 3,261 |
| 39,923 | Social Services | 61,412 | (17,012) | 44,400 |
| 4,670 | Corporate & Democratic Core | 4,694 | - | 4,694 |
| 477 | Non Distributed Costs | 1,304 | - | 1,304 |
| 4,926 | General Services to the Public | 4,939 | (1,424) | 3,515 |
| 220 | Share of the Operating Results of Associates | 2,475 | (187) | 2,288 |
| - | Exceptional Item | 4,701 | - | 4,701 |
| 196,360 | Net Cost of General Fund Services | 357,122 | (133,209) | 223,913 |
| (3,232) | Profit or Losses on Disposal of Assets | 4 | (9,511) | (9,507) |
| 193,128 | Net Cost of Services | 357,126 | (142,720) | 214,406 |
| (2,400) | Surplus / Deficit of Trading Undertakings or Other Operations (including dividends from companies not consolidated as subsidiaries, associates or joint ventures) | | | (681) |
| 10,528 | Interest Payable | | | 10,551 |
| 792 | Share of Interest Payable of Associates | | | 747 |
| 437 | Gains and Losses on the Repurchase or Early Settlement of Borrowing | | | 437 |
| (682) | Interest & Investment Income | | | (1,098) |
| (302) | Share of Interest & Investments Income of Associates | | | (311) |
| 5,064 | Pension Interest Cost and Expected Return on Pension Assets | | | 9,948 |
| 206,565 | Net Expenditure before Reserves Movements | | | 233,999 |
| 450 | Contributions from Pensions Reserve | | | (2,487) |
| 3,232 | Reversal of Profits / Losses on Disposal of Fixed Assets | | | 9,507 |
| 647 | Contributions to Renewal & Repair Reserve | | | 493 |
| 174 | Contributions to Insurance Fund | | | 1,743 |
| - | Contributions to Capital Fund | | | 2,485 |
| (6,390) | Contributions from Capital Financing Reserve | | | (17,399) |
| (7,904) | Contribution from Group Reserve | | | (12,098) |
| 196,774 | Amount to be met from Government Grants and Council Tax | | | 216,243 |
| 120,443 | Revenue Support Grant | | | 128,640 |
| 44,865 | Non-Domestic Rate Income | | | 44,787 |
| 40,402 | Council Tax | | | 43,083 |
| 205,710 | Income from Government Grants and Council Tax | | | 216,510 |
| (8,936) | Surplus / Deficit to be met from Balances Brought Forward | | | (267) |
| (7,910) | Balance on General Fund Brought Forward | | | (16,846) |
| (16,846) | Surplus on General Fund Carried Forward | | | (17,113) |



| 2005 £000 | | Notes | 2006 £000 | 2006 £000 |
|-------------------|---|-------|--------------|-------------------|
| - | Intangible Assets | | | |
| | Software Licences | | 21 | 21 |
| - | Operational Assets | | | |
| 185,011 | Council Dwellings | | 176,586 | |
| 272,148 | Other Land and Buildings | | 271,930 | |
| 2,877 | Vehicles, Plant and Equipment | | 3,848 | |
| 36,552 | Infrastructure | | 37,299 | |
| 496,588 | | | | 489,663 |
| | Non-Operational Assets | | | |
| 16,085 | Investment Properties | | 15,546 | |
| 4,310 | Surplus Assets | | 5,263 | |
| - | Assets Under Construction | | 3,225 | |
| 20,395 | | | | 24,034 |
| 15,712 | Long-Term Prepayment | | 15,275 | |
| 154 | Long-Term Debtors | | 129 | |
| 15,866 | | | | 15,404 |
| 532,849 | Total Fixed Assets | | | 529,122 |
| | Current Assets | | | |
| 1,108 | Stocks and Work in Progress | | 1,058 | |
| 19,789 | Debtors | | 22,562 | |
| 39,800 | Investments | | 48,750 | |
| 43 | Cash and bank | | 49 | |
| 60,740 | | | | 72,419 |
| | Less : Current Liabilities | | | |
| (301) | Borrowing repayable on demand or within 12 months | | (77) | |
| (43,761) | Creditors | | (45,036) | |
| (4,023) | Bank Overdraft | | (2,185) | |
| (48,085) | | | | (47,298) |
| 12,655 | Net Current Assets | | | 25,121 |
| (191,522) | Less : Borrowing repayable after 12 months | | | (191,355) |
| (347) | Less : Deferred Liability Finance Leases | | | (284) |
| (98,174) | Less : Net Pension Liability | | | (89,989) |
| (165,742) | Less : Investments in Associates | | | (196,293) |
| 89,719 | TOTAL ASSETS LESS LIABILITIES | | | 76,322 |
| | Capital Reserves | | | |
| 240,266 | Fixed Asset Restatement Account | | 236,923 | |
| 87,511 | Capital Financing Account | | 88,906 | |
| - | Government Grants Deferred | | 5,135 | |
| 5,255 | Capital Fund | | 8,376 | |
| 449 | Revaluation Reserve - Associate | | 307 | |
| 333,481 | | | | 339,647 |
| | Revenue Provisions and Reserves | | | |
| (98,174) | Pensions Reserve | | (89,989) | |
| 16,846 | General Fund | | 17,113 | |
| 1,446 | Insurance Fund | | 3,250 | |
| 2,311 | Repair & Renewal Reserve | | 2,901 | |
| (166,191) | Group Reserve | | (196,600) | |
| (243,762) | | | | (263,325) |
| 89,719 | Net Worth | | | 76,322 |

Alexander McPhee ACMA
Executive Head of Finance
29 September 2006

Statement of Total Movement in Group Reserves



Revenue Reserves

| | General Fund Balance £000 | Insurance Fund £000 | Renewals & Repairs £000 | HRA Balances £000 | Pension Reserve £000 | Group Reserve £000 |
|---|------------------------------|------------------------|----------------------------|----------------------|-------------------------|-----------------------|
| Balance as at 1 April 2005 | 16,846 | 1,446 | 2,311 | - | (98,174) | (166,191) |
| Net Surplus/(Deficit) | 267 | 61 | 97 | - | | 400 |
| Appropriations to/from Income and Expenditure Account | | 1,743 | 493 | | (2,487) | (12,098) |
| Actuarial Gains/Losses on Pensions | | | | | 10,672 | (17,722) |
| Fixed Asset revaluations, disposals & financing | | | | | | (989) |
| Balance as at 31 March 2006 | 17,113 | 3,250 | 2,901 | - | (89,989) | (196,600) |

Capital Reserves

| | Fixed Asset Restatement Account £000 | Capital Financing Account £000 | Usable Capital Receipts £000 | Government Grants Deferred Account £000 | Capital Fund £000 | Revaluation Reserve KLCT £000 |
|---|---|-----------------------------------|---------------------------------|--|----------------------|----------------------------------|
| Balance as at 1 April 2005 | 240,266 | 87,511 | - | - | 5,255 | 449 |
| Appropriations to/from Income and Expenditure Account | | (17,399) | | | 2,485 | |
| Capital Financed from Current Revenue | | 1,250 | | | | |
| Net Additions to Deferred Grants | | | | 5,135 | | |
| Transfers between reserves | | 8,080 | (8,493) | | 414 | (142) |
| Gains/Losses on revaluation of Fixed Assets | 4,516 | | | | | |
| Other Capital Income | | | | | 222 | |
| Effects of disposal of Fixed Assets | (7,859) | | 17,957 | | | |
| Financing of Fixed Assets | | 9,464 | (9,464) | | | |
| Balance as at 31 March 2006 | 236,923 | 88,906 | - | 5,135 | 8,376 | 307 |

Note 1 ~ Combinations Occurring in the Financial Year

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

The Associated Company that has been consolidated is:

- ◆ Kilmarnock Leisure Centre Trust (KLCT)

The Joint Boards which have been incorporated are :

- ◆ Strathclyde Joint Police Board
- ◆ Strathclyde Fire & Rescue Joint Board
- ◆ Strathclyde Passenger Transport Authority
- ◆ Strathclyde Concessionary Travel Scheme Joint Committee
- ◆ Ayrshire Valuation Joint Board

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

Note 2 ~ Kilmarnock Leisure Centre Trust (KLCT)

This company was set up as a Charitable Trust on 30 October 1985 to provide leisure services within the Kilmarnock area. Five councillors from East Ayrshire are members of the Board and sit as Trustees. The Council's share of the net assets of the Trust has been based on the Council's contribution to revenue costs and results in 5.42% of the net assets being attributable to the Council. The Council has an obligation to indemnify and reimburse any cumulative deficit sustained by the Trust up to a maximum of £200,000 in each financial year once the reserves held by the Trust have been depleted.

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

The 2005/06 statements show the following:

| | £000 |
|--|-------|
| Net Assets | 5,327 |
| Results of Operations and other financial transactions - (Surplus) / Deficit | 16 |

Note 3 ~ Strathclyde Joint Police Board

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

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

The 2005/06 statements show the following:

| | £000 |
|--|---------|
| Net Assets | 173,005 |
| Results of Operations and other financial transactions - (Surplus) / Deficit | 2,997 |



Note 4 ~ Strathclyde Fire & Rescue Joint Board

The Board is a statutory body with the 33 members of the Board being elected councillors of the 12 councils. East Ayrshire Council has two elected members on the Board and the Council's share of the net assets / liabilities of the Board has been based on the precept requisition of 4.77%

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

The 2005/06 statements show the following:

| | £000 |
|--|---------|
| Net Assets | 183,915 |
| Results of Operations and other financial transactions - (Surplus) / Deficit | 398 |

Note 5 ~ Strathclyde Passenger Transport Authority

Strathclyde Passenger Transport Authority is a statutory body set up under the provisions of the 1968 Transport Act. SPT is made up of two linked bodies: the Strathclyde Passenger Transport Authority, comprising 34 elected members from the area's 12 councils and responsible for forming Strathclyde's public transport policies and Strathclyde Passenger Transport Executive, which provides the statutory strategic public transport planning expertise to the Executive and implements the Authority's policies. East Ayrshire Council has two elected members on the Board and the Council's share of the net assets / liabilities of the Authority has been based on the precept requisition of 5.18%

A copy of the financial statements for SPTA can be obtained from the Head of Finance, Strathclyde Passenger Transport Authority, Consort House, 12 West George Street, Glasgow G2 1HN.

The 2005/06 statements show the following:

| | £ |
|--|--------|
| Net Assets | 73,242 |
| Results of Operations and other financial transactions - (Surplus) / Deficit | 1,340 |

Note 6 ~ Strathclyde Concessionary Travel Scheme Joint Committee

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

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

The 2005/06 statements show the following:

| | £000 |
|--|----------|
| Net Assets | 11,070 |
| Results of Operations and other financial transactions - (Surplus) / Deficit | (3,430) |



Note 7 ~ Ayrshire Valuation Joint Board

The Ayrshire Valuation Joint Board is an independent public body formed in 1996 at local government reorganisation by Act of Parliament. The Council has no shares in, nor ownership of, the Board. The Board's running costs are met by the three councils of East, North, and South Ayrshire. Surpluses or deficits on the Board's operation are shared between the three member councils. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of East, North and South Ayrshire. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30.33% and the following additional information relating to the Board is provided below.

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

The 2005/06 statements show the following:

| | £000 |
|--|-------|
| Net Assets | 177 |
| Results of Operations and other financial transactions - (Surplus) / Deficit | (58) |
| Fixed Assets | 511 |
| Current Assets | 139 |

Note 8 ~ Reporting Adjustments to align to UK GAAP

A number of adjustments are required to enable the details contained within the Council's Consolidated Revenue Account (Page 9) to align with the UK GAAP requirements for Group Accounting arrangements. These can be summarised as follows:

- The notional interest rate applied by local authorities to account for the "economic" costs of tying up capital in fixed assets has been removed from the net cost of service analysis. To this end £10.061m has been removed from the capital charges incorporated within service departments net cost of service with a corresponding removal from the Asset Management Revenue Account.
- The profit and loss on the disposal of assets to a net value of £9.507m has now been included within net operating expenditure.
- The overall impact on the Asset Management Revenue Account is the removal of all entries except external interest payable which now features on the face of the Group Income and Expenditure Account.

Note 9 ~ Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Financial Statements are contained on Pages 6 to 8. The accounting policies of the Council and Associates noted above are aligned, where possible.

Note 10 ~ Group Cash Flow

As the Group Cash Flow is identical to the single entity statement, this has been included on Page 27 only.

Note 11 ~ Audit Opinion

The financial statements for each of the associates have been audited and there are no material adjustments.

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

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money received or paid.

Actuarial Gains and Losses (Pensions)

The changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or
- the actuarial assumptions have changed.

Asset Management Revenue Account

The Asset Management Revenue Account is used to administer technical accounting adjustments requiring to be made within the accounts in relation to fixed assets, such that there is no impact on the Council Tax.

Average Discounted Market Value

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

Capital Charges

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

Capital Expenditure

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

Capital Financed from Current Revenue (CFCR)

This relates to revenue income which is used to pay for capital projects.

Capital Financing Cost

This represents the annual cost of financing the sums borrowed by the Council to fund capital programmes, being the repayment of debt, interest on monies borrowed and expenses incurred in managing the debt portfolio.

Community Assets

Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingency

A condition which exists at the balance sheet date where the outcome will be confirmed only on the occurrence, or non-occurrence, of one or more uncertain future events.

Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Corporate Governance

The Council has approved and adopted a code of corporate governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework for Corporate Governance in Local Government: A Keystone for Community Governance. A Corporate Governance Statement of Assurance is included within the Financial Statements.

Current Service (Pensions) Cost

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailements (Pensions)

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes.

Depreciation Historic Cost

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

Depreciated Replacement Cost

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

Emoluments

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax). Employers' Pension contributions are excluded.

Exceptional Items

All items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Financial Reporting Standard (FRS)

Financial Reporting Standards are issued by the Accounting Standards Board and define proper accounting practice for a given transaction or event.

Fixed Assets

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

Group Accounts

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

Government Grants

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

Impairment

A reduction in the value of a fixed asset below the valuation held on the balance sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

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

Interest Cost (Pensions)

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

National Non Domestic Rates Pool

All non domestic rates collected by local authorities are remitted to the national pool and, thereafter, distributed to councils by the Scottish Executive.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

Net Realisable Value

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

Non-Operational Assets

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

Operating Leases

A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

Operating Assets

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

Past Service Costs (Pensions)

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Prior 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.

Public Private Partnerships (PPP)

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

Related Party Transactions

A related party transaction is the transfer of assets or liabilities, or the performance of services, by, to, or for a related party irrespective of whether a charge is made.

Service Expenditure Analysis (SEA)

The Service Expenditure Analysis groups together expenditure on services within headings or divisions as defined in the Best Value Accounting Code of Practice.

Specific Government Grants

These are grants received from Central Government in respect of a specific purpose or service.

Statement on the System of Internal Financial Control

A Statement on the System of Internal Financial Control is incorporated within the Financial Statements setting out the framework within which financial control is managed and reviewed and the main components of the system, including arrangements for internal audit.

Stocks

Stock may comprise the following:

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

Trading Operations

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

Useful Life

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

Independent Auditor's Report to the Members of East Ayrshire Council and the Accounts Commission for Scotland

We certify that we have audited the Financial Statements of East Ayrshire Council and its group for the year ended 31 March 2006 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Consolidated Revenue Account, the Council Tax Income Account, Non-Domestic Rate Account, Housing Revenue Account, Consolidated Balance Sheet, Statement of Total Movement in Reserves, Single Entity and Group Cash Flow Statement and Group Accounts and the related notes. These Financial Statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective Responsibilities of the Chief Finance Officer and Auditor

The Chief Finance Officer's responsibilities for preparing the Financial Statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2005 - A Statement of Recommended Practice (the 2005 SORP) are set out in the Statement of Responsibilities.

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

We report our opinion as to whether the Financial Statements present fairly the financial position of the local authority in accordance with applicable laws and regulations and the 2005 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the Financial Statements, if the local authority has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects the authority's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the Financial Statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the Financial Statements, and consider whether it is consistent with the audited Financial Statements. This other information comprises only Corporate Governance Statement of Assurance, Foreword by the Executive Head of Finance, Statement of Responsibilities for the Statement of Accounts and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Chief Finance Officer in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the local authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion

- the Financial Statements present fairly, in accordance with applicable laws and regulations and the 2005 SORP, the financial position of the local authority and its group as at 31 March 2006 and its income and expenditure for the year then ended; and
- the Financial Statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

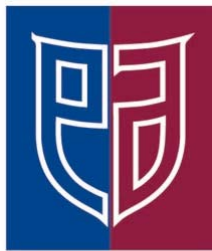
Failure to Comply with a Statutory Requirement

It has not been necessary to qualify our opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2006 in respect of the Catering and Cleaning Statutory Trading Operations.

PricewaterhouseCoopers LLP
Glasgow

29 September 2006



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