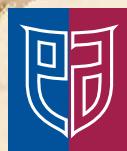


EAST AYRSHIRE COUNCIL

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# Statement of Accounts

## 2008 | 2009



East Ayrshire  
COUNCIL

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## Introduction

I am pleased to report on the Statement of Accounts of East Ayrshire Council for the 2008/09 financial year. This foreword is intended to give an overview of the Council's financial position and assist in interpreting the accounting statements. The Accounts identify two major categories of expenditure – revenue, covering operational expenditure, and capital, covering the costs of acquisition, construction and improvement of assets. This report draws together all of the figures and provides an explanation of the financial performance of the Council in 2008/09.

The year to 31 March 2009 was particularly challenging as a result of the economic downturn and the turmoil in the global banking sector. During the year several Icelandic Banks were placed in administration and all deposits held were effectively locked until the administrators had quantified the liabilities. East Ayrshire, along with Councils throughout the United Kingdom, had deposits with the UK subsidiaries of two Icelandic banks and this is covered more fully in note number 21 on page 30. During the year the impact of the recession on the Council included significant reductions in planning income, reduced demand for business grants, difficulties accessing private sector match funding, reduced commercial property income and a substantial reduction in capital receipts. Current economic forecasts indicate a reduction in public spending for the foreseeable future whilst demand for vital council services continues to grow. The Council is alert to this and work is under way to ensure that priorities can continue to be met within the predicted financial circumstances

## Explanation of the Statements

The **Income and Expenditure Account** (IEA) brings together all of the functions of the Council and summarises the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the financial position of the Council before allowing for the adjustments required by statute to raise council tax. This accounting basis does not take account of the statutory provisions which specify the net expenditure that authorities need to take into account when setting local taxes and is therefore not consistent with operational budgets. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions. The **Statement of Movement on the General Fund Balance** provides the necessary reconciliation.

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

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

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

The **Housing Revenue Account (HRA) Income and Expenditure Account** details HRA transactions included in the Council Income and Expenditure Account. However, this does not provide the appropriate basis on which rent levels are determined. The **Statement of Movement on the Housing Revenue Account Balance** shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA balance for the year.

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



## Statement of Accounts 2008/2009 Explanatory Foreword by the Executive Head of Finance and Asset Management

### General Fund Results for the Year

The Council's income and expenditure for financial year 2008/09 is detailed in the Income and Expenditure Account set out on page 16. It should be noted that the classification of Services in this statement complies with that prescribed by the Best Value Accounting Code of Practice and differs from the management structure of the Council.

The Council's finances are split into two main areas – the General Fund which incorporates the main areas of service provision including Education, Social Services Leisure and Roads and the Housing Revenue Account which deals with the management of the Council's housing stock. General Fund services are financed by government grant and local taxation whilst the Housing Revenue Account is financed mainly by rents from houses.

The Council's budgetary arrangements allow departments to earmark balances for future known commitments and £20.408m of the cumulative General Fund balance of £27.009m is currently specifically earmarked. This results in a cumulative uncommitted balance of £6.601m which is at the lower end of the range specified in the Council's reserves strategy which sets an optimum level of between 2% and 4% of net budgeted expenditure.

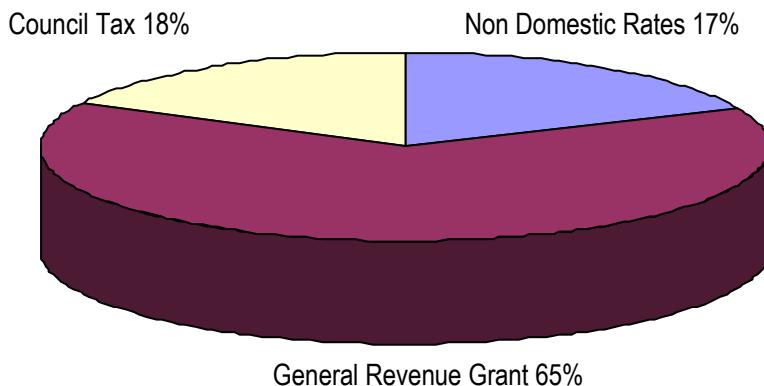
### Council Reserves

As can be seen from Page 17, when the reduction in the level of uncommitted balance for the year of £5.818m is added to the brought forward balance of £32.827m, the cumulative General Fund balance carried forward is £27.009m. The overall position on Council Reserves is as shown below;

	General Fund Balance £m	HRA Balance £m	Renewals & Repairs £m	Capital Fund £m	Total £m
Opening Balance as at 1 April 2008	32.827	2.055	6.355	16.984	58.221
Enhancement (Utilisation)	(5.818)	0.171	-	(0.035)	(5.682)
Transfers from Fund	-	-	-	(1.773)	(1.773)
Transfers to Fund	-	-	-	-	-
Annual Interest	-	-	0.214	0.536	0.750
<b>Closing Balance as at 31 March 2009</b>	<b>27.009</b>	<b>2.226</b>	<b>6.569</b>	<b>15.712</b>	<b>51.516</b>

### Sources of Income to the Council

Income from Council Tax was £48.873m and the Band 'D' tax level was £1,188.99. The largest source of funds was General Revenue Grant which amounted to £171.918m.

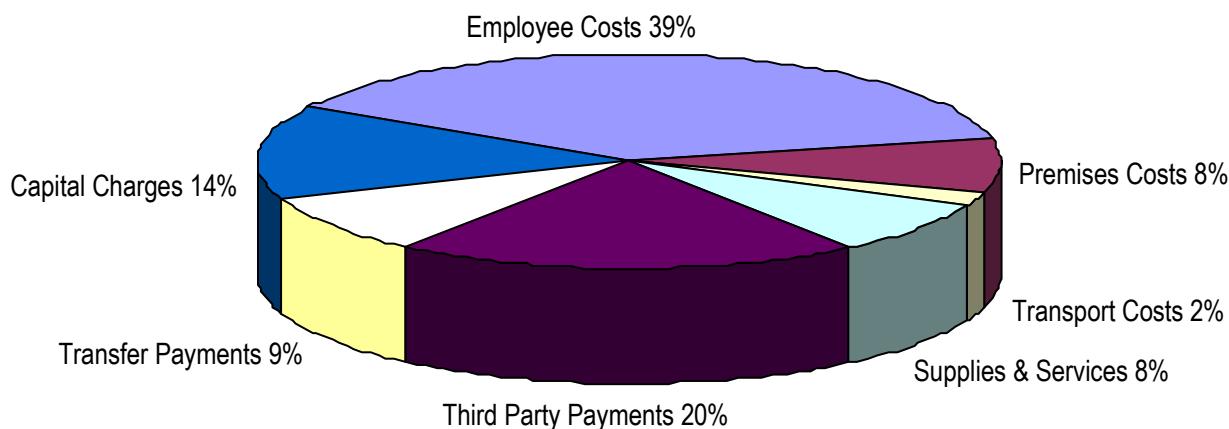




## Statement of Accounts 2008/2009 Explanatory Foreword by the Executive Head of Finance and Asset Management

### Council Expenditure Summary

The subjective summary of financial performance is shown below:



### Departmental Performance

The following table summarises the movement on the Council's General Fund balance in 2008/09 including the main variances from operational budgets. Departmental budgets included the utilisation of £14.001m of balances brought forward for use in 2008/09. The actual position is that the overall net utilisation of balances was £5.968m which includes the amount required to provide fully for estimated costs associated with Equal Pay. This was partially offset by a range of favourable variances including better performance in Council Tax income and reduced capital financing costs. £4.990m is earmarked for carry forward by departments in respect of commitments outstanding at 31 March 2009.

	Budget 2008-2009 £m	Actual 2008-2009 £m	Variance £m	Earmarked £m	General £m
Educational and Social Services	168.320	166.538	(1.782)	(1.731)	(0.051)
Neighbourhood Services	72.852	72.103	(0.749)	(0.413)	(0.336)
Corporate Support	16.252	14.622	(1.630)	(1.611)	(0.019)
Finance and Asset Management	51.796	50.514	(1.282)	(1.235)	(0.047)
<b>Departmental Expenditure</b>	<b>309.220</b>	<b>303.777</b>	<b>(5.443)</b>	<b>(4.990)</b>	<b>(0.453)</b>
Central Services - Capital Financing, Insurance, Misc	31.409	29.957	(1.452)	(4.278)	2.826
Significant Trading Operations	(1.965)	(2.258)	(0.293)	0.000	(0.293)
Total Income - Council Tax and Housing Benefit etc	(324.663)	(325.658)	(0.995)	0.000	(0.995)
<b>General Fund Deficit for the Year</b>	<b>14.001</b>	<b>5.818</b>	<b>(8.183)</b>	<b>(9.268)</b>	<b>1.085</b>

Educational and Social Services outturn £1.782m under budget mainly due to the timing of PPP payments and schools' carried forward balances of £0.522m which will be retained by the individual schools for use in future years.

In Neighbourhood Services the position was a favourable variance of £0.749m mainly due to reduced employee costs and additional income from fees and charges. The department requires to earmark £0.413m for private sector housing grants and a museums music project.

Corporate Support showed staff turnover savings arising from the time taken to fill vacancies, the timing of external funding and retention of ringfenced licensing fees with £1.611m earmarked to meet specific commitments arising in 2009/10.



## Statement of Accounts 2008/2009 Explanatory Foreword by the Executive Head of Finance and Asset Management

In Finance and Asset Management, the variance is predominantly due to additional income, the timing of filling of vacancies and repairs ordered but not completed by the year end for which £0.598m requires to be earmarked.

The favourable variance in Central Services arises mainly from reduced debt servicing costs of £1.704m and a reduction in insurance costs of £0.413m. Improvements in collection of previous years' Council Tax together with more new houses coming on-stream during the year meant that Council Tax income was considerably higher than budgeted.

### Housing Revenue Account Performance

Within the Housing Revenue Account (HRA), savings on debt and other costs were used to finance additional repairs expenditure of £0.792m. The overall surplus for the year is £0.171m which when added to the 2008/09 surplus brought forward results in a cumulative total of £2.226m being carried forward.

The Housing Revenue Account (HRA) on page 42 reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing (Scotland) Act 1987. Expenditure on Council Housing is financed entirely from rents and related housing income and the average weekly rent charge for the year based on 52 weeks is £48.62.

Although the HRA Income and Expenditure Account shows a deficit of £18.023m, the balance on this account needs to be adjusted by £18.194m in order to give a full presentation of the financial performance as shown on page 43 to bring the actual financial position for 2008/09 to a surplus of £0.171m.

### Significant Trading Operations Performance

All of the trading services delivered surpluses which were higher than budget. The Statement on page 24 summarises the financial performance of each of the Council's significant Trading Operations.

### Exceptional Item

During the year the Council impaired some financial assets following a number of Icelandic banks being placed in administration. Further detailed information is provided at note 21.

### 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 2008/09 on General Fund Services was £25.398m. Housing capital spending was £13.628m. Capital expenditure was partly financed by government grants and capital receipts.

Expenditure	£m	Financed by	£m
Education Services	10.790	Government Grants	8.288
Housing Services	13.628	Capital Receipts	4.621
Cultural & Related Services	6.959	Capital Financed from Revenue	5.083
Environmental Services	0.168	Borrowing	21.034
Roads & Transportation	3.303		<b>39.026</b>
Social Work	0.895	<b>Represented by</b>	<b>£m</b>
Corporate & Democratic Core	3.283	General Fund Services	25.398
		Housing	13.628
	<b>39.026</b>		<b>39.026</b>

### Interest Payable

Interest paid in the year was £11.352m and relates to accumulated borrowing of £206.407m as shown on the Balance Sheet on page 19 and Note 12 to the Financial Instruments shown on page 25.



## **Statement of Accounts 2008/2009 Explanatory Foreword by the Executive Head of Finance and Asset Management**

### **Public Private Partnership – Provision of School Buildings**

The Council has entered into a Public Private Partnership for the provision of two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The provider is required to ensure the availability of these buildings to a pre-agreed standard. The provider continued construction work during the year on the replacement educational buildings. During 2008/09, £6.173m was paid to the contractor under the terms of the agreement.

### **Pension Fund**

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2009 disclosed a deficit position for the Council of £57.252m. 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 2008 and contributions to the Fund continue in line with current actuarial advice.

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

The Council acts as the sole Trustee and administers various Common Good funds relating to the areas of the former burghs together with a number of charitable trusts and bequests. These funds do not represent assets available to the Council and as such are not included in the Council's Balance Sheet. In addition, the Council also administers Trusts which are controlled by external trustees. Details are included in pages 47 to 48.

### **The Group Accounts**

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

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

### **Acknowledgements**

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

**Alexander McPhee ACMA  
Executive Head of Finance and Asset Management  
25 September 2009**



## **Statement of Accounts 2008/2009 Statement of Accounting Policies**

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 under the historic cost convention, other than changes resulting from the revaluation of certain categories of fixed assets. The following accounting policies used in its preparation have been reviewed in line with changes made to the ACOP following the introduction of FRS18 "Accounting Policies". The Council reviews its accounting policies as required to ensure that they remain the most appropriate to its particular circumstances such that the Council's Statement of Accounts provides a true and fair view at the year end.

### **Major Changes in Accounting Practice**

Under the 2008 SORP the Council has adopted the amendment to FRS17 "Retirement Benefits". As a result, quoted securities held as assets in the defined benefit pension scheme (Strathclyde Pension Fund) are now valued at bid price rather than mid-market value. The actuaries to the Pension Fund advise that they have not been provided with details of the difference between mid-market and bid price of the Fund as a whole by the administering authority. They have estimated the bid price by applying an adjustment of -0.4% to the employer's mid-market share price as at 31 March 2009.

In assessing the liabilities for retirement benefits at 31 March 2009 for the Statement of Accounts, the actuaries have assumed a discount rate of 6.9% consistent with the previous year's figure. FRS17 sets out that the discount rate used to place a value on the liabilities should be the return on a "high quality corporate bond of equivalent term and currency to the liability". Previously the actuaries' recommended discount rate was equal to the gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years, at the FRS17 valuation date.

### **Accruals of Income and Expenditure**

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

- All salaries and wages earned up to 31 March 2009 are included in the Statement of Accounts;
- fees, charges and rents due are accounted for at the date the Council provides the relevant goods or services;
- suppliers' invoices for goods and services received during 2008/09 which were paid in the first two weeks of April have been included together with specific accruals in respect of further material items;
- work is charged as expenditure when it is completed or as works in progress if incomplete;
- interest receivable and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **VAT**

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

### **Interest Receivable and Investment Income**

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



## **Financing Costs**

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

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

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

## **Retirement Benefits**

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

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

## **Government Grants**

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

## **Central and Support Services Costs**

Costs of central and support services are charged to services that benefit from the supply or service in accordance with the principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of Corporate and Democratic Core (costs relating to the Council's status as a multi-functional, democratic organisation) and Non Distributed Costs (FRS17 costs not attributable to service total cost and any depreciation and impairment losses chargeable on non-operational properties).

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



## Statement of Accounts 2008/2009 Statement of Accounting Policies

### Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. Intangible fixed assets are valued at historic cost, amortised to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

### Tangible Fixed Assets

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

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

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council has in place a five year revaluation programme. The basis of valuation is as follows:-

**Council Dwellings:** The valuation of Council dwellings has been adjusted to reflect the average discounted market value. The stock was revalued at 1 April 2008 by members of the Council's Asset Management Service who are qualified members of the Royal Institute of Chartered Surveyors (RICS).

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

**Other Land and Buildings and Surplus Property:** These are valued on the basis of open market value for existing use, assessed on either a comparative or depreciated replacement cost basis. The valuations have been compiled within the statutory 5-year rolling programme by RICS professional staff under the direction of the Executive Head of Finance and Asset Management. Surplus assets held for sale are not exempt from depreciation.

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

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

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

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

### 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	Operational Equipment	2-20 years



## Statement of Accounts 2008/2009 Statement of Accounting Policies

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

### Impairment

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

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals

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

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

### Charges to Revenue for Fixed Assets

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

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

### Finance Leases

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

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



## **Statement of Accounts 2008/2009 Statement of Accounting Policies**

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

### **Operating Leases**

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

### **Financial Assets**

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

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

### **Financial Liabilities**

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

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

### **Stocks and Work-in-Progress**

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

### **Public Private Partnership (PPP)**

The accounting policies on PPP are as follows:

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



## Statement of Accounts 2008/2009 Statement of Accounting Policies

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

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

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

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

Further information about the revenue resources committed for future years for this project is provided in Note 11 in the Notes to the Core Statements on page 24.

### **Capital and Other Reserve Funds**

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

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

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



## **Statement of Accounts 2008/2009 Statement of Responsibilities for the Statement of Accounts**

### **The Authority's Responsibilities**

The Authority is required:

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Executive Head of Finance and Asset Management has been designated as that officer in East Ayrshire Council.

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

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

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

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

The Statement of Accounts provides a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.



## **Statement of Accounts 2008/2009 Statement on the System of Internal Financial Control**

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

### **East Ayrshire Council**

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

The Council's system of internal financial control throughout the financial year 2008/09 with consideration for post balance sheet events, for which there have been none, is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes: -

- Comprehensive budgeting systems;
- setting targets to measure financial and other performance;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts and targets;
- clearly defined capital expenditure guidelines; and
- formal project management disciplines, as appropriate.

Internal Audit within East Ayrshire Council is directly responsible to the Chief Executive for the independent appraisal of the Council's systems of internal control. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom.

The Chief Internal Auditor has planned and undertaken audit work in order to derive sufficient and appropriate audit evidence as to the adequacy and effectiveness of the Council's systems of internal controls. The work of Internal Audit is informed by analysis of the risk to which the Council is exposed and annual plans are based on this analysis. Internal Audit activity during the year was based on the planned work programme contained in the Annual Audit Plan approved by the Risk and Audit Scrutiny Group on 4 April 2008.

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

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

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

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

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



## **Statement of Accounts 2008/2009 Statement on the System of Internal Financial Control**

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

### **Basis of Internal Audit Opinion**

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

- The audit work undertaken by Internal Audit during the year to 31 March 2009;
- the audit work undertaken by Internal Audit in previous audit years;
- audit follow-up work to test progress on implementation of agreed actions;
- findings/conclusions arising from work carried out by the Council's External Auditors; and
- knowledge of the Council's governance, risk management and performance framework.

### **Opinion**

Internal Audit staff carried out a wide range of audit assignments in 2008/09. End to end core systems reviews have been completed in Creditor Payments and Sundry Debtors, computer audit assignments have been carried out in network access and systems management, contract audit work has been carried out on major component supply chain arrangements and contract administration, a performance study has been completed on council tax collections, and location audits have been carried out in a number of areas. A range of other work has also been completed. The agreed actions arising from all of this work will, when implemented, further strengthen the framework of controls.

The programme of controls improvements within Social Work reported in the 2007/08 Statement of Accounts has been substantially completed which will strengthen the internal control environment. As a result of internal control issues within Building and Works an improvement agenda has been put in place to address the areas identified.

The overall opinion of the Chief Internal Auditor, based on the work carried out, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2009. The objectives of internal controls have been substantially met.

The Chief Internal Auditor has drawn attention to two specific areas for improvement and following advice from him Executive Directors have initiated work to improve the level of repairs post inspection rejections. The audit investigation into payments to an arm's length organisation has identified some compliance issues with the Following the Public Pound procedures. An action plan has been agreed with management which, when implemented, will address the audit issues.

### **Group Entities**

Assurance on the internal financial controls in place within the entities is provided by the statements on the System of Internal Financial Control included within the annual Statement of Accounts of the individual organisations. The Statement on the System of Internal Financial Control for each associate entity will be subject to audit by their respective auditors. The Kilmarnock Leisure Centre Trust is not required to publish a Statement on the System of Internal Financial Control, however, their external auditor has undertaken a review of the internal controls operating within the Trust and provided reasonable assurance in terms of the internal financial controls. Following this review the Centre Manager has completed and signed a Statement on the System of Internal Financial Control for the Trust. The Statement of accounts for the two Joint Venture companies are audited by KPMG in accordance with the Companies Act 1985 and no internal control issues were raised as part of the audit.

*Fiona Lees*

Fiona Lees  
Chief Executive  
25 September 2009

*Alexander McPhee*

Alexander McPhee ACMA  
Executive Head of Finance and Asset Management  
25 September 2009



## Statement of Accounts 2008/2009 Corporate Governance Assurance Statement

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

In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of East Ayrshire Council's affairs and facilitating the exercise of its functions. This includes setting the strategic direction, vision, culture and values of the Council, the effective operation of corporate systems, processes and internal controls, engaging with and leading the community, monitoring whether strategic objectives have been achieved and services delivered cost-effectively and ensuring that appropriate arrangements are in place for the management of risk.

To this end, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish Authorities. A copy of the Code, the update on the 2008/09 Action Plan and the 2009/10 Action Plan can be downloaded from the Council's website at [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk) or can be obtained from Council Headquarters, London Road, Kilmarnock (01563) 576000.

During 2008/09, 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 appropriate and effective in practice. Specifically, the Council's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. The conclusion from this review was that the Council complies in full with the terms of the new Framework. The review identified key strengths as well as areas where further improvement could be achieved including our arrangements around Customer Responsiveness, Performance Management and Asset Management.

An improvement agenda has been put in place within Building and Works to address issues identified during a recent investigation. The agenda will deal with the issues raised and strengthen overall governance arrangements. Following a review of East Ayrshire General Employee Reviews (EAGER), all departments confirmed an intention to remedy any slippage in the review process.

Improvement actions have been identified and incorporated into an agreed Improvement Action Plan that will be implemented over the course of 2009/2010.

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 additional 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*

Fiona Lees  
Chief Executive  
25 September 2009



*Douglas Reid*

Councillor Douglas Reid  
Leader of the Council  
25 September 2009



**Statement of Accounts 2008/2009**  
**Income and Expenditure Account for the Year ended 31 March 2009**

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

**The balance on this account does not take account of the statutory adjustments that specify the net expenditure which councils need to take into account when setting council tax, the main differences being:**

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

In order to give a full presentation of the financial performance of the Council during the year the balance on the Income and Expenditure Account needs to be reconciled in the Statement of Movement on the General Fund Balance (page 17).

2007-2008		Gross Expenditure	Gross Income	2008-2009
Net Expenditure	£m	Service	£m	Net Expenditure £m
126.922		Education Services	149.743	(7.627) 142.116
54.784		Social Work	77.166	(18.652) 58.514
4.217		Housing Services	94.604	(74.408) 20.196
13.440		Cultural & Related Services	20.822	(3.271) 17.551
11.060		Environmental Services	14.973	(2.722) 12.251
14.987		Roads & Transport Services	19.302	(3.499) 15.803
11.406		Police Services	13.993	(0.623) 13.370
6.621		Fire Services	7.070	(0.006) 7.064
2.650		Planning & Development Services	9.138	(7.470) 1.668
2.140		Central Services to the Public	17.587	(6.375) 11.212
3.516		Corporate & Democratic Core	3.595	3.595
0.969		Non Distributed Costs	1.052	1.052
<b>252.712</b>		<b>Net Cost of Services</b>	<b>429.045</b>	<b>(124.653) 304.392</b>
(2.082)		(Gains)/Losses on Disposal of Fixed Assets		4.167
(2.465)		Net Surplus on Trading Operations		(2.582)
12.343		Interest Payable and similar charges		11.352
(3.543)		Interest and Investment Income		(2.341)
-		Exceptional Item - Impairment of Financial Instruments		2.145
(4.221)		Pensions Interest Cost and Expected Return on Pension Assets		(0.616)
<b>252.744</b>		<b>Net Operating Expenditure</b>		<b>316.517</b>
(48.362)		Council Tax		(48.873)
(142.963)		Revenue Support Grant		(171.918)
(43.553)		Non-Domestic Rates		(45.707)
<b>17.866</b>		<b>Deficit for the Year Before Statutory Adjustments</b>		<b>50.019</b>



**Statement of Accounts 2008/2009**  
**Statement of Movement on the General Fund Balance**

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

<b>2007-2008</b>		<b>2008-2009</b>
£m		£m
17.866	Deficit for the Year Before Statutory Adjustments	50.019
(29.426)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(44.201)
<b>(11.560)</b>	<b>(Increase) / Decrease in the General Fund Balance for the Year</b>	<b>5.818</b>
(21.267)	General Fund Balance brought forward	(32.827)
<b>(32.827)</b>	<b>General Fund Balance carried forward</b>	<b>(27.009)</b>

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

<b>2007-2008</b>		<b>2008-2009</b>
£m		£m
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(0.056)	Amortisation of Intangible Fixed Assets	(0.057)
(44.082)	Depreciation and Impairment of Fixed Assets	(60.126)
0.973	Government Grants Deferred amortisation matching depreciation and impairment	1.386
2.083	Net gain/(loss) on sale of fixed assets	(4.167)
0.118	Capital Element of PPP Unitary Payment	0.968
(12.565)	Amount by which pension costs calculated in accordance with the SORP are different from the Contributions due under the pension scheme regulations	(9.796)
(0.248)	Differences between the amounts credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt.	0.470
<b>(53.777)</b>		<b>(71.322)</b>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
7.384	Statutory Provision for the Repayment of Debt	8.522
14.697	Employers Contributions payable to the Strathclyde Pensions Fund and retirement benefits payable direct to pensioners	14.497
4.071	Capital expenditure charged in year to the General Fund Balance	5.082
-	Impairment of Financial Instruments	(1.901)
<b>26.152</b>		<b>26.200</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
0.654	Housing Revenue Account Balance	0.171
(2.455)	Net transfer to or from earmarked reserves	0.750
<b>(29.426)</b>	<b>Net additional movement required to be credited to the General Fund Balance for the Year</b>	<b>(44.201)</b>



## Statement of Accounts 2008/2009 Statement of Total Recognised Gains and Losses

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

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

2007-2008		2008-2009
£m		£m
17.866	Deficit for the year on the Income & Expenditure Account	50.019
(7.483)	Surplus on the revaluation of fixed assets	(199.445)
(48.138)	Actuarial (gains)/losses on pension assets and liabilities	60.070
15.578	Adjustments arising from the transitional arrangements for Financial Instruments	-
<b>(22.177)</b>	<b>Total Recognised (Gains) and Losses for the Year</b>	<b>(89.356)</b>



**Statement of Accounts 2008/2009**  
**Balance Sheet**

<b>31 March 2008</b>		<b>Note</b>	<b>31 March 2009</b>
<b>£m</b>			<b>£m</b>
0.211	<b>Intangible Assets</b>		
	Software Licences	23	0.164
<b>498.225</b>	<b>Operational Assets</b>	<b>26</b>	<b>708.800</b>
176.889	Council Dwellings		361.185
276.443	Other Land and Buildings		289.528
5.593	Vehicles, Plant and Equipment		7.378
39.300	Infrastructure Assets		50.709
<b>46.691</b>	<b>Non-Operational Assets</b>	<b>26</b>	<b>7.509</b>
13.517	Investment Properties		-
28.889	Assets Under Construction		2.480
4.285	Surplus Assets Held for Disposal		5.029
<b>3.495</b>	<b>Long-Term Debtors &amp; Prepayments</b>		<b>4.450</b>
<b>1.610</b>	<b>Deferred Consideration</b>		<b>1.559</b>
<b>550.232</b>	<b>Total Long-Term Assets</b>		<b>722.482</b>
<b>69.847</b>	<b>Current Assets</b>		<b>62.244</b>
0.708	Stock and Work-in-Progress		0.998
27.440	Debtors	31	20.924
41.650	Investments		40.273
0.049	Cash and Bank		0.049
<b>(47.011)</b>	<b>Current Liabilities</b>		<b>(47.948)</b>
(2.085)	Borrowing Repayable on demand or within 12 months		(2.102)
(38.066)	Creditors	32	(42.551)
(6.860)	Bank Overdraft		(3.295)
<b>22.836</b>	<b>Net Current Assets</b>		<b>14.296</b>
(192.150)	Borrowing Repayable within a period in excess of 12 months	12	(204.305)
(0.148)	Deferred Liabilities - Finance Leases	2	(0.075)
(27.828)	Government Grants Deferred		(34.731)
(1.883)	Liability related to Defined Benefit Pension Schemes	22	(57.252)
<b>351.059</b>	<b>Total Assets Less Liabilities</b>		<b>440.415</b>
	Financed by:		
7.292	Revaluation Reserve		193.059
303.256	Capital Adjustment Account		270.349
(15.827)	Financial Instruments Adjustment Account		(17.258)
(1.883)	Pensions Reserve		(57.252)
32.827	General Fund Balance		27.009
2.055	Housing Revenue Account		2.226
16.984	Capital Fund		15.713
6.355	Renewals and Repair Fund		6.569
<b>351.059</b>	<b>Total Net Worth</b>		<b>440.415</b>

*Alexander McPhee ACMA*  
Executive Head of Finance and Asset Management  
25 September 2009

The unaudited Statement of Accounts were issued on 25 June 2009 and the audited Statement of Accounts were authorised for issue on 25 September 2009



**Statement of Accounts 2008/2009**  
**Single Entity and Group Cash Flow Statement**

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

31 March 2008	Note	31 March 2009
£m		£m
<b>Revenue Activities</b>		
<b>Cash Outflows</b>		
172.664		176.669
178.294		191.649
11.791		20.247
<b>362.749</b>		<b>388.565</b>
<b>Cash Inflows</b>		
(13.157)		(19.694)
(38.514)		(38.280)
(19.651)		(18.595)
(25.557)		(24.286)
(142.963)		(171.918)
(11.880)		(13.344)
(52.798)	37	(39.996)
(79.787)		(87.187)
<b>(384.307)</b>		<b>(413.300)</b>
<b>(21.558)</b>	34	<b>(24.735)</b>
<b>Net Cash Inflow from Revenue Activities</b>		
<b>Returns on Investments and Servicing of Finance</b>		
<b>Cash Outflows</b>		
11.116		10.833
<b>Cash Inflows</b>		
(3.160)		(2.072)
<b>7.956</b>		<b>8.761</b>
<b>Capital Activities</b>		
<b>Cash Outflows</b>		
54.278		39.853
<b>54.278</b>		<b>39.853</b>
<b>Cash Inflows</b>		
(8.686)		(3.249)
(14.793)		(10.760)
-		-
<b>(23.479)</b>		<b>(14.009)</b>
<b>30.799</b>		<b>25.844</b>
<b>Net Cash Outflow / (Inflow) from Capital Activities</b>		
<b>17.197</b>		<b>9.870</b>
<b>Net Cash Outflow / (Inflow) Before Management of Liquid Resources</b>		
<b>Management of Liquid Resources</b>		
<b>Cash Outflows</b>		
(12.800)		(1.640)
-		-
<b>(12.800)</b>	35	<b>(1.640)</b>
<b>Net Cash Inflow Before Financing</b>		
<b>Financing</b>		
<b>Cash Outflows</b>		
0.557		0.025
0.066		0.069
<b>0.623</b>		<b>0.094</b>
<b>Cash Inflows</b>		
-		(11.889)
<b>0.623</b>		<b>(11.795)</b>
<b>5.020</b>		<b>(3.565)</b>
<b>Net (Increase) / Decrease in Cash</b>		



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

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

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

2007-2008 Surplus £m	Significant Trading Operations	2008-2009 Income £m	2008-2009 Expenditure £m	2008-2009 Surplus £m
(0.001)	Roads	(0.006)	0.005	(0.001)
(0.004)	Vehicle Maintenance	(0.052)	0.045	(0.007)
<b>(0.005)</b>	<b>Total</b>	<b>(0.058)</b>	<b>0.050</b>	<b>(0.008)</b>

**Note 2 – Leases**

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

	Finance Costs £m	Lease Costs £m	Total Finance Leases £m	Operating Leases £m
Vehicles & Plant	0.009	0.069	0.078	1.437
IT Equipment	-	-	-	0.161
Property	-	-	-	0.638
	<b>0.009</b>	<b>0.069</b>	<b>0.078</b>	<b>2.236</b>

The Council is committed at 31 March 2009 to make payments under operating leases in 2009/2010 and future years as follows:-

	Vehicles & Plant £m	Information Technology £m	Property £m	Total Leases £m
Leases expiring in 2009-2010	0.183	0.010	0.014	0.207
Leases expiring between 2010-2011 and 2014-2015	2.489	0.025	0.684	3.198
Leases expiring after 2014-2015	-	-	1.341	1.341
<b>Total Liabilities at 31 March 2009</b>	<b>2.672</b>	<b>0.035</b>	<b>2.039</b>	<b>4.746</b>

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

	Vehicles, Plant & Equipment £m	Total Finance Leases £m
<b>Value at 1 April 2008</b>	<b>0.217</b>	<b>0.217</b>
Additions	-	-
Revaluations	-	-
Depreciation	(0.069)	(0.069)
Disposals	-	-
<b>Value at 31 March 2009</b>	<b>0.148</b>	<b>0.148</b>
<b>Future Liability</b>		
Obligations payable in 2009-2010	0.073	0.073
Obligations payable between 2010-2011 to 2014-2015	0.075	0.075
Obligations payable after 2014-2015	-	-
<b>Total Liabilities at 31 March 2009</b>	<b>0.148</b>	<b>0.148</b>



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### Note 3 – Related Party Transactions

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

	<b>2008-2009 Income £m</b>	<b>2008-2009 Expenditure £m</b>
<b>Government Grants</b>		
Revenue Grants		
Housing Benefit Subsidy	33.580	
Council Tax Benefit Subsidy	9.473	
Fairer Scotland Fund	4.652	
Administration of Housing Benefit Grants	1.506	
Private Sector Housing Grants	1.218	
Education Maintenance Allowance	0.646	
Specific Scottish Government Revenue Grants	0.626	
Enterprise Ayrshire	0.464	
Housing Support Grant	0.264	
Scottish Government Capital Grants		
General Capital Grant	4.204	
Flood Prevention	2.888	
NHS Ayrshire & Arran	2.111	
Strathclyde Partnership for Transport	0.832	
Cycling, Walking & Safer Streets	0.206	
Related Companies		
Kilmarnock Leisure Centre Trust		0.189
Visions		0.165
Related Bodies		
Strathclyde Police Joint Board		11.182
Strathclyde Fire & Rescue Joint Board		7.066
Strathclyde Partnership for Transport :		
Strathclyde Passenger Transport Authority		1.953
Strathclyde Passenger Transport Executive		3.497
Strathclyde Concessionary Travel Scheme		0.144
Ayrshire Valuation Joint Board		0.676
Scotland Excel		0.081

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

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

<b>2007-2008 £m</b>		<b>2008-2009 £m</b>
0.093	Recruitment Advertising	0.063
0.231	Publicity & Promotion	0.258
0.070	Statutory Advertising	0.048
0.164	Advertising Other	0.138
<b>0.558</b>	<b>Total</b>	<b>0.507</b>



## Statement of Accounts 2008/2009 Notes to the Core Statements

### Note 5 – Members’ Allowances and Interests

Under the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, there are now four levels of remuneration payments for Councillors, depending on the responsibilities of the Councillor. These are Leader of the Council, Provost, Senior Councillor and Councillor. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council’s Political Management Structure. All other Councillors, other than the Leader of the Council and the Provost, will receive the basic remuneration as prescribed by the Regulations. Remuneration is subject to income tax and national insurance deductions. In line with the Regulations the public record of Members’ Expenses for 2008/09 and the Register of General Notice of Members’ Registerable Interests are available for inspection during normal working hours at the Finance and Asset Management Service, Greenholm Street, Kilmarnock as well as on the Council’s website [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk) and are shown below. The list of Members’ Appointments to Outside Bodies is also available for inspection.

2007-2008 £m		2008-2009 £m
0.539	Basic Pay	0.613
0.025	Basic Allowances	-
0.028	Responsibility Allowances	0.001
0.592		0.614
0.007	Subsistence	0.002
0.034	Travel Expenses	0.038
0.002	Telephone and ICT Expenses	0.035
0.043		0.075
<b>0.635</b>	<b>Total</b>	<b>0.689</b>

### Note 6 – Officers’ Remuneration

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

2007-2008 Total		2008-2009 Officers	2008-2009 Teachers	2008-2009 Total
17	£50,000 - £59,999	8	12	20
17	£60,000 - £69,999	12	8	20
2	£79,000 - £79,999	2	-	2
4	£80,000 - £89,999	2	-	2
-	£90,000 - £99,999	3	-	3
1	£100,000 - £110,000	-	-	-
-	£110,000 - £120,000	1	-	1
<b>41</b>	<b>Total</b>	<b>28</b>	<b>20</b>	<b>48</b>

### Note 7 – Audit Costs

2007-2008 £m		2008-2009 £m
0.104	Audit Scotland Recharge	0.110
0.204	External Audit Fee	0.210
<b>0.308</b>	<b>Total</b>	<b>0.320</b>

### Note 8 – Agency Expenditure and Income

The Council bills and collects Domestic Water and Waste Water charges on behalf of Scottish Water along with its own Council Tax. During 2008/09 the Council received £0.298m for providing this service.



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## Note 9 – Significant Trading Operations Summary Statements

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

Current Trading Operations	2008-2009 Turnover £m	2008-2009 Expenditure £m	2008-2009 Surplus £m	2007-2008 Surplus £m	2006-2007 Surplus £m	3 Year Surplus £m
Vehicle Maintenance	(1.646)	1.557	(0.089)	(0.054)	(0.087)	(0.230)
Roads	(7.416)	7.293	(0.123)	(0.089)	(0.064)	(0.276)
Building & Works	(21.562)	19.192	(2.370)	(2.322)	(2.379)	(7.071)
<b>Net Surplus</b>	<b>(30.624)</b>	<b>28.042</b>	<b>(2.582)</b>	<b>(2.465)</b>	<b>(2.530)</b>	<b>(7.577)</b>

In order to satisfy the requirement of competition law, recharges for internal work done by the trading operations following competition with the private sector have been priced to include the cost of capital recovery. The SORP does not permit charges for the cost of capital and as a result the accounts for Vehicle Maintenance show a surplus of £0.086m that would be reduced to £0.069m if capital charges had been made. Roads would have reduced from £0.120m to £0.074m and Building and Works from £2.368m to £2.356m had capital charges been made.

## Note 10 – School Delegated Budgets

Amounts included in balances held for schools under delegated schemes are £0.521m.

## Note 11 – Schools Public Private Partnership

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

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

Future Repayments Period	£m
2009-2014	42.175
2014-2019	46.524
2019-2024	51.365
2024-2029	56.840
2029-2034	63.036
2034-2039	61.155
<b>TOTAL</b>	<b>321.095</b>

The Council transferred one school valued at £1.670m during 2007/08. Accounting for PPP transactions requires this sum to be charged to the Education Service Revenue Account over the life of the contract. A charge of £0.051m has been made in 2008/09 which leaves a balance of £1.559m, however, the charge does not represent a real charge to the Income and Expenditure Account as the debit is matched by an appropriation from the Capital Adjustment Account.



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

### Note 12 - Financial Instruments Balances

	Long-Term		Current	
	31 March 2009 £m	31 March 2008 £m	31 March 2009 £m	31 March 2008 £m
<b>Financial Liabilities at amortised cost</b>				
Bank Overdraft	-	-	(3.295)	(6.860)
Loans	(204.305)	(192.150)	(2.102)	(2.085)
<b>Total Borrowings</b>	<b>(204.305)</b>	<b>(192.150)</b>	<b>(5.397)</b>	<b>(8.945)</b>
<b>Loans and Receivables at amortised cost</b>				
Deposits	-	-	40.273	41.650
Mortgage Debts	0.069	0.082	-	-
<b>Total Investments</b>	<b>0.069</b>	<b>0.082</b>	<b>40.273</b>	<b>41.650</b>

### Note 13 - Financial Instruments Gains and Losses

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

	Financial Liabilities	Financial Assets			Total
		Liabilities Measured at Amortised Cost £m	Loans and Receivables £m	Available For Sale Assets £m	
Interest Expense	11.435	-	-	-	11.435
Losses on Derecognition	-	-	-	-	-
Impairment Losses	-	2.145	-	-	2.145
<b>Interest Payable and Similar Charges</b>	<b>11.435</b>	<b>2.145</b>	<b>-</b>	<b>-</b>	<b>13.580</b>
Interest Income	-	(2.454)	-	-	(2.454)
Gains on Derecognition	-	-	-	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>(2.454)</b>	<b>-</b>	<b>-</b>	<b>(2.454)</b>
Gains on Revaluation	-	-	-	-	-
Losses on Revaluation	-	-	-	-	-
Amounts Recycled to the I&E Account after Impairment	-	-	-	-	-
<b>Surplus Arising on Revaluation of Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Gain)/Loss for the Year</b>	<b>11.435</b>	<b>(0.309)</b>	<b>-</b>	<b>-</b>	<b>11.126</b>

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



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**Note 14 - Fair Value of Financial Instruments Assets and Liabilities Carried at Amortised Cost**

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

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

The fair values calculated are as follows:

	31 March 2009		31 March 2008	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
PWLB Debt	(136.585)	(176.089)	(124.631)	(156.080)
Non PWLB Debt	(69.822)	(77.791)	(69.604)	(76.944)
<b>Total Debt</b>	<b>(206.407)</b>	<b>(253.880)</b>	<b>(194.235)</b>	<b>(233.024)</b>
Bank Overdraft	(3.295)	(3.295)	(6.860)	(6.860)
Trade Creditors	(14.073)	(14.073)	(16.429)	(16.429)
<b>Total Financial Liabilities</b>	<b>(223.775)</b>	<b>(271.248)</b>	<b>(217.524)</b>	<b>(256.313)</b>

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

	31 March 2009		31 March 2008	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Investments (Bank & Building Societies) < 1 year	40.273	40.273	41.650	41.650
Mortgage Debt	0.069	0.069	0.082	0.082
Accounts Receivable	3.371	3.371	3.465	3.465
Council Tax	2.150	2.150	1.031	1.031
Non-Domestic Rates	0.239	0.239	0.100	0.100
Housing Rents	0.342	0.342	0.278	0.278
<b>Total Financial Assets</b>	<b>46.444</b>	<b>46.444</b>	<b>46.606</b>	<b>46.606</b>

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments and includes accrued interest.



### **Note 15 - Disclosure of Nature and Extent of Risk Arising from Financial Instruments**

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

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

### **Note 16 – Financial Instruments Overall Procedures for Managing Risk**

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

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

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

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

### **Note 17 – Financial Instruments Credit Risk**

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

This risk is minimized through the Treasury Management Strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with the Fitch, Moody's and Standard & Poor's Rating Service. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.



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

	Gross Debtor at 31 March 2009 £m	Historical Experience of Default Adjusted for Market Conditions at 31 March 2009 %	Estimated Maximum Exposure to Default £m
Deposits with banks and building societies	40.273	5.3%	2.145
Customers	6.426	47.5%	3.052
<b>Total</b>	<b>46.699</b>		<b>5.197</b>

The historical experience of default for deposits with banks and building societies has been taken from Moody's, a credit rating organisation used by the Council, updated for the unprecedented volatility in the financial markets.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £5.000m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties.

The Council has an obligation to collect council tax, non-domestic rates and to provide other services. It is Council policy to bill and to recover all such amounts due and the values above reflect the cumulative amount of such debts outstanding at 31 March 2009 which the Council is still taking action to recover.

### Note 18 – Financial Instruments Liquidity Risk

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and, whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils. The Council is also required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

### Note 19 – Financial Instruments Refinancing and Maturity Risk

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



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

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

The maturity analysis of financial liabilities is as follows:

	£m
< 1 year	22.148
1 - 2 years	0.029
2 - 5 years	0.106
5 - 10 years	7.895
Over 10 years	193.772
<b>TOTAL</b>	<b>223.950</b>

The maturity analysis of financial assets is as follows:

	£m
< 1 year	40.279
> 1 year	0.063
<b>TOTAL</b>	<b>40.342</b>

All other liabilities total £6.102m and are due to be paid in less than one year and are not shown in the table above.

#### Note 20 – Financial Instruments Market Risk

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

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

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

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on investments	(0.490)
<b>TOTAL</b>	<b>(0.490)</b>
Share of overall impact credited to the HRA	(0.074)



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

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

### Note 21 – Exceptional Item - Impairment of Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £5m deposited across two of these institutions, with varying maturity dates and interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, the Council considers that it is appropriate to consider an impairment adjustment for the deposits and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

#### **Heritable Bank**

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by the end of 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The Council has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012.

In calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 – 15%  
July 2010 – 30%  
July 2011 – 15%  
July 2012 – 10%  
July 2013 – 10%

Recoveries are expressed as a percentage of the Council's claim in the administration which includes interest accrued up to 6 October 2008.

#### **Kaupthing Singer and Friedlander Ltd**

The creditor progress report issued by the administrators, Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose. The 50p in the £ stated is, therefore, the best estimate within a range of possible amounts. The first dividend payment of 10p in the £ minimum is due in the summer of 2009. The Council has decided to recognise an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).

In calculating the impairment the Council has made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and October 2012. Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

Since the Balance Sheet date initial dividends have been received for Heritable Bank at 16% and Kaupthing Singer and Friedlander Ltd at 20% although the overall projected dividend repayment remains unchanged. The impact is not material and therefore no adjustment has been made to the level of impairment.



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### **Impairments**

Investments included in the current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks.

<b>Bank</b>	<b>Date Invested</b>	<b>Maturity Date</b>	<b>Amount Invested £m</b>	<b>Interest Rate %</b>	<b>Carrying Amount £m</b>	<b>Impairment £m</b>
Heritable Bank	15/08/2008	14/11/2008	1.000	5.83%	0.721	0.315
Heritable Bank	09/07/2008	09/10/2008	2.000	5.90%	1.451	0.635
Kaupthing Singer and Friedlander Ltd	28/03/2008	27/03/2009	2.000	6.03%	0.927	1.195

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

	<b>Heritable Bank £m</b>	<b>Kaupthing Singer and Friedlander Ltd £m</b>
31 March 2009	0.447	0.400
31 March 2010	0.843	0.186
31 March 2011	0.397	0.175
31 March 2012	0.250	0.166
31 March 2013	0.235	-

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

<b>Bank</b>	<b>Credited 2007-2008 £m</b>	<b>Received 2007-2008 £m</b>	<b>Credited 2008-2009 £m</b>	<b>Received 2008-2009 £m</b>
Heritable Bank	-	-	0.044	-
Kaupthing Singer and Friedlander Ltd	0.001	-	0.120	-

Regulations issued in March 2009 allow the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations and has transferred the following amounts to the Financial Instruments Adjustment Account:

<b>Bank</b>	<b>Amount Transferred to Financial Instruments Adjustment Account £m</b>
Heritable Bank	0.828
Kaupthing Singer and Friedlander Ltd	1.073



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Under the regulations, the Council must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011 and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the FIAA:

<b>Bank</b>	<b>Balance on FIAA at 31/3/09 £m</b>	<b>Transfers during 2009-2010 £m</b>	<b>Transfers during 2010-2011 £m</b>	<b>Balance on FIAA at 31/3/11 £m</b>
Heritable Bank	0.828	-	(0.828)	-
Kaupthing Singer and Friedlander Ltd	1.073	-	(1.073)	-

## Note 22 – Pension Costs

### The Local Government Superannuation (Scotland) Scheme

This scheme, the Strathclyde Pension Fund, is administered by Glasgow City Council on behalf of the scheduled and admitted bodies in the West of Scotland. This is the main scheme for administrative and manual staff employed by the Council being a funded defined benefits scheme and as such is subject to the full accounting requirements of FRS17. The scheme is supported by contributions from both employees and employers intended to balance the pensions liability with investment assets.

Under the 2008 SORP the Council has adopted the amendment to FRS17. As a result quoted securities held as assets in the Local Government Superannuation Scheme are now valued at bid price rather than mid-market value. The effect of this is that the value of scheme assets at 31 March 2008 has been restated from £404.812m to £403.057m, a decrease of £1.755m, resulting in an increase in the pension deficit of £1.755m. Current and prior year deficits have been unaffected by this change.

### Transactions Relating to Retirement Benefits

The cost of retirement benefits under FRS17 is recognised in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year. Therefore, an adjustment is made in the Statement of Movement in the General Fund Balance on page 17.

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

<b>2007-2008 £m</b>	<b>Pension Costs</b>	<b>2008-2009 £m</b>
15.922	<b>Net Cost of Services</b>	
0.684	Current Service Cost	9.675
0.180	Past Service Cost	0.306
	Curtailments	0.431
25.175	<b>Net Operating Expenditure</b>	
(29.396)	Interest Cost	28.241
	Expected Return on Assets in the Scheme	(28.857)
<b>12.565</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>9.796</b>
(12.565)	Net Charges made for Retirement Benefits in accordance with FRS17	(9.796)
14.697	Employers Contributions Payable to Strathclyde Pension Fund	14.497
<b>2.132</b>	<b>Net Pension Movement in Statement of Movement in General Fund balance</b>	<b>4.701</b>



## Statement of Accounts 2008/2009

### Notes to the Core Statements

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial gains and losses of £60.070m were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £27.670m.

### Assets and Liabilities in Relation to Retirement Benefits

As at 31 March 2009, the Council had the following assets and liabilities for pensions within the Strathclyde Pension Fund that have been included in the Balance Sheet:

#### Reconciliation of present value of scheme liabilities

2007-2008 £m		2008-2009 £m
(460.966)	Estimated Liabilities in Strathclyde Pension Fund brought forward	(406.695)
(15.922)	Current Service Costs	(9.675)
(25.175)	Interest Costs	(28.241)
(4.617)	Contributions by Members	(4.489)
90.019	Actuarial Gains/Losses	61.047
10.830	Benefits Paid	15.081
(0.684)	Past Service Costs	(0.306)
(0.180)	Curtailments	(0.431)
<b>(406.695)</b>	<b>Present Value of Strathclyde Pension Fund Liabilities at 31 March 2009</b>	<b>(373.709)</b>

#### Reconciliation of fair value of scheme assets

2007-2008 £m	Restated £m		2008-2009 £m
408.812	407.041	Share of Assets in Strathclyde Pension Fund brought forward	403.057
29.396	29.396	Expected Rate of Return	28.857
(41.880)	(41.864)	Actuarial Gains/Losses	(119.362)
14.697	14.697	Employer Contributions	14.497
4.617	4.617	Contributions by Members	4.489
(10.830)	(10.830)	Benefits Paid	(15.081)
<b>404.812</b>	<b>403.057</b>	<b>Share of Assets in Strathclyde Pension Fund at 31 March 2009</b>	<b>316.457</b>

The actual return on scheme assets in the year was £84.549m (2007/08 £12.484m).

#### Scheme History

2004-2005 Restated £m	2005-2006 Restated £m	2006-2007 Restated £m	2007-2008 Restated £m		2008-2009 £m
(387.213)	(466.774)	(460.966)	(406.695)	Present Value of Liabilities	(373.709)
287.787	375.152	407.410	403.057	Fair Value of Pension Scheme Assets	316.457
<b>(99.426)</b>	<b>(91.622)</b>	<b>(53.556)</b>	<b>(3.638)</b>	<b>Surplus / (Deficit)</b>	<b>(57.252)</b>
3.4%	15.8%	0.1%	(10.4%)	Experience Gains / (Losses) on Assets	(37.7%)
(0.3%)	1.4%	0.1%	(0.1%)	Experience Gains / (Losses) on Liabilities	8.6%

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The net liability of £57.252m has an impact on the net worth of the Council as recorded in the Balance Sheet. It should be noted that these book entries are based on the snapshot position at 31 March 2009 for reporting purposes only. The statutory arrangements for funding the deficit means the financial position of the Council remains assured as it will be made good by increased contributions over the remaining working life of the employees, as assessed by the actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 are £12.335m.



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and other factors. The liabilities of the Strathclyde Pension Fund have been assessed by Hymans Robertson, an independent firm of actuaries, with estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The main assumptions used in their calculations have been:

2007-2008			2008-2009
-	Longevity at 65 for Current Pensioners:	Male	20.3yrs
-		Female	23.2yrs
-	Longevity at 65 for Future Pensioners:	Male	21.7yrs
-		Female	24.6yrs
3.6%	Rate of Inflation		3.1%
5.1%	Rate of Increase in Salaries		4.6%
7.1%	Expected Return on Assets		6.5%
6.9%	Rate of Discounting Scheme Liabilities		6.9%

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

2007-2008 %	Long-Term Return %		2008-2009 %	Expected Long- Term Return %
73	7.7	Equity Investments	73	7.0
14	5.7	Bonds	16	5.4
10	5.7	Property	8	4.9
3	4.8	Cash	3	4.0

### The Scottish Teachers' Superannuation Scheme

This Scheme is administered by the Scottish Government and is supported by contributions from both employers and employees. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Contributions by East Ayrshire Council during 2008/09 amounted to £6.204m, 13.5% of pensionable pay (2007/2008 £6.240m, 13.5% of pensionable pay). In addition, contributions totalling £0.411m, 0.90% of pensionable pay, were made in respect of discretionary payments (2007/2008 £0.411m, 0.89% of pensionable pay). Unlike the Local Government Scheme, the Council is not required to apply FRS17 disclosures in respect of the Teachers' Superannuation Scheme as the liability for payment of pensions rests ultimately with the Scottish Government. Therefore, the costs recorded within the Income and Expenditure Account in respect of this scheme are the actual contributions made during the year.



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

### Note 23 – Intangible Assets

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

<b>Intangible Assets</b>	<b>2007-2008 £m</b>
<b>Gross Book Value as at 1 April 2008</b>	0.278
Expenditure	0.010
<b>Gross Book Value as at 31 March 2009</b>	<b>0.288</b>
Less:	
Amortisation b/fwd 1 April 2008	0.067
Amortisation for Year	0.057
<b>Balance as at 31 March 2009</b>	<b>0.124</b>
Net Book Value as at 1 April 2008	0.211
<b>Net Book Value as at 31 March 2009</b>	<b>0.164</b>

### Note 24 – Valuation of Fixed Assets

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

<b>Asset Type</b>	<b>Year</b>
Assets greater than £0.500m	2009-2010
Assets less than £0.500m	2010-2011
Community Assets	2011-2012
De Minimis Assets	2012-2013
Council Dwellings	2013-2014

### Note 25 – Analysis of Assets Held at Current Value

	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Surplus Assets £m	Total £m
<b>Value at historical cost:</b>	-	-	7.378	50.709	-	58.087
New Certified Valuation included in Balance Sheet						
2008-09	361.185	21.921			1.381	384.487
2007-08	-	117.314			1.688	119.002
2006-07	-	23.906			0.285	24.191
2005-06	-	54.994			0.756	55.750
2004-05	-	71.393			0.919	72.312
<b>Total</b>	<b>361.185</b>	<b>289.528</b>	<b>7.378</b>	<b>50.709</b>	<b>5.029</b>	<b>713.829</b>



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

## Note 26 – Fixed Assets

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

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			Total £m
	Council Dwellings £m	Other Land & Buildings £m	Vehicles Plant and Equipment £m	Infrastructure £m	Investment Properties £m	Surplus Assets £m	Assets Under Construction £m	
<b>Gross Book Value at 1/4/08</b>	210.910	295.103	8.576	51.590	16.407	4.399	28.889	<b>615.874</b>
Expenditure	13.627	16.353	3.797	3.297	-	-	1.941	<b>39.015</b>
Disposals at Cost	(6.462)	-	(0.026)		(0.635)	(0.037)	-	<b>(7.160)</b>
Revaluations	162.837	(1.466)	-		-	1.568	-	<b>162.939</b>
Impairments	-	(23.343)	(0.340)	(0.002)	-	(1.833)	-	<b>(25.518)</b>
Reclassifications	-	30.619	-	12.495	(15.772)	1.008	(28.350)	-
<b>Gross Book Value at 31/3/09</b>	<b>380.912</b>	<b>317.266</b>	<b>12.007</b>	<b>67.380</b>	<b>0.000</b>	<b>5.105</b>	<b>2.480</b>	<b>785.150</b>
<b>Less:</b>								
Depreciation b/fwd 1/4/08	34.021	18.660	2.983	12.290	2.890	0.114	-	<b>70.958</b>
Depreciation for Year	19.727	8.765	1.658	4.381	-	0.025	-	<b>34.556</b>
Depreciation on Assets Sold/Revalued	(34.021)	(2.269)	(0.012)	-	(0.152)	(0.219)	-	<b>(36.673)</b>
Reclassifications	-	2.582	-	-	(2.738)	0.156	-	-
<b>Balance at 31/3/09</b>	<b>19.727</b>	<b>27.738</b>	<b>4.629</b>	<b>16.671</b>	<b>-</b>	<b>0.076</b>	<b>-</b>	<b>68.841</b>
<b>Net Book Value at 1/4/08</b>	<b>176.889</b>	<b>276.443</b>	<b>5.593</b>	<b>39.300</b>	<b>13.517</b>	<b>4.285</b>	<b>28.889</b>	<b>544.916</b>
<b>Net Book Value at 31/3/09</b>	<b>361.185</b>	<b>289.528</b>	<b>7.378</b>	<b>50.709</b>	<b>-</b>	<b>5.029</b>	<b>2.480</b>	<b>716.309</b>
<b>Nature of asset holding</b>								
Owned	361.185	289.528	7.175	50.709	-	5.029	2.480	<b>716.106</b>
Finance Lease	-	-	0.203	-	-	-	-	<b>0.203</b>
	<b>361.185</b>	<b>289.528</b>	<b>7.378</b>	<b>50.709</b>	<b>-</b>	<b>5.029</b>	<b>2.480</b>	<b>716.309</b>



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

### Note 27 – Information on Assets Held

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

<b>31 March 2008</b>	<b>Asset</b>	<b>31 March 2009</b>
13,330	<b>Council Dwellings</b>	13,086
	<b>Operational Buildings</b>	
17	Pre 5 Schools	17
46	Primary Schools	46
9	Secondary Schools	9
5	Special Schools	5
69	Community Education Centres	69
3	Day Centres	3
37	Car Parks	37
7	Social Work Homes	7
3	Assessment Centres	3
9	Depots	9
9	Sports Centres	9
1	Swimming Pools	1
18	Halls	18
4	Public Conveniences	4
21	Council Offices	21
83	Industrial Units	74
41	Shops	41
21	Libraries	21
6	Museums	6
	<b>Infrastructure Assets</b>	
124	Principal Roads (km's)	144
404	Non Principal Roads (km's)	453
603	Unclassified Roads (km's)	630
797	Highway Bridges	797
18,962	Street Lighting Units	19,139
1,351	Illuminated Signs	1,334
	<b>Community Assets</b>	
144	Parks (Acres)	144
129	Cemeteries (Acres)	129
1,911	Playing Fields / Open Spaces (Acres)	1,911
	<b>Operational Equipment</b>	
108	Vehicles	110

### Note 28 – Net Assets Employed

<b>2007-2008</b> <b>£m</b>		<b>2008-2009</b> <b>£m</b>
334.180	General Fund	317.387
180.896	Housing Revenue Account	362.136
2.223	Trading Services	2.219
<b>517.299</b>	<b>TOTAL</b>	<b>681.742</b>



## Statement of Accounts 2008/2009

### Notes to the Core Statements

#### Note 29 – Capital Commitments

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

General Fund		£m	Housing		£m
Scheme	Duration		Scheme	Duration	
Auchinleck Academy Windows	April 09 - August 09	0.133	Kitchens & Bathrooms	April 09 - June 09	1.059
Rosebank Daycare Centre	April 09 - August 09	1.104			
Baird Institute	April 09 - May 09	0.230			
Netherthird Community Campus	April 09 - July 09	0.123			
Council Chambers Roof	April 09 - July 09	0.100			
<b>TOTAL</b>		<b>1.690</b>			<b>1.059</b>

#### Note 30 – Funding of Capital Expenditure

	General Fund £m	Housing Revenue Account £m	Total £m
Borrowing	14.619	6.415	21.034
Useable Capital Receipts	1.773	2.848	4.621
Specific Grants and Other Income	8.288	-	8.288
Capital Funded From Current Revenue (CFCR)	0.718	4.365	5.083
<b>Gross Capital Expenditure</b>	<b>25.398</b>	<b>13.628</b>	<b>39.026</b>

#### Note 31 – Debtors

An analysis of Debtors is provided in the following table.

2007-2008 Net Debtor £m		2008-2009		
		Gross Debtor £m	Provision £m	Net Debtor £m
1.031	Arrears of Local Taxation : Council Tax	19.511	17.361	2.150
0.100	: Non-Domestic Rates	1.747	1.508	0.239
0.278	Housing Rents	1.088	0.746	0.342
3.465	Accounts Receivable	6.426	3.107	3.319
5.094	VAT and Income Tax Recoverable	1.617	-	1.617
17.472	Other Income Due	16.926	3.669	13.257
<b>27.440</b>	<b>TOTAL</b>	<b>47.315</b>	<b>26.391</b>	<b>20.924</b>

#### Note 32 – Creditors

An analysis of Creditors is provided in the following table.

2007-2008 £m		2008-2009 £m
16.429	Accounts Payable	14.073
5.717	Payroll Creditors	5.949
15.920	Other	22.529
<b>38.066</b>	<b>TOTAL</b>	<b>42.551</b>



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

**Note 33 – Movement in Reserves**

This Note details the movements in reserves during the year.

	Revaluation Reserve £m	Capital Adjustment Account £m	Financial Instruments Adjustment Account £m	Capital Fund £m
Opening Balance as at 1 April 2008	7.292	303.256	(15.827)	16.984
Gains / Losses on the Fund	199.445	(48.358)	(1.431)	0.502
Net Amount Transferred Between Reserves	(13.678)	15.451	-	(1.773)
<b>Closing Balance as at 31 March 2009</b>	<b>193.059</b>	<b>270.349</b>	<b>(17.258)</b>	<b>15.713</b>

	General Fund Balance £m	Renewals and Repairs £m	Housing Revenue Account £m	Pensions Reserve £m
Opening Balance as at 1 April 2008	32.827	6.355	2.055	(1.883)
Gains / Losses on the Fund	(5.818)	0.214	0.171	(55.369)
Net Amount Transferred Between Reserves	-	-	-	-
<b>Closing Balance as at 31 March 2009</b>	<b>27.009</b>	<b>6.569</b>	<b>2.226</b>	<b>(57.252)</b>

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

Notes 34 to 37 support the Cash Flow Statement shown on Page 20.

2007-2008 £m		2008-2009 £m
(21.558)	Net Cash Inflow from Revenue Activities	(24.735)
21.234	Financing & Capital Expenses	24.597
(3.757)	Contributions to / (from) Funds	(1.901)
	Movements in Working Capital :	
0.365	Increase (Decrease) in Stock and Work-in-Progress	(0.290)
1.786	Increase (Decrease) in Revenue Activity Debtors	1.728
(6.899)	Increase (Decrease) in Revenue Activity Creditors	7.203
(3.385)	Other	(0.955)
30.080	Net Additional Amount Required By Statute and Non-Statutory Proper Practices to be debited or credited to the General Fund Balance for the Year.	44.372
<b>17.866</b>	<b>Deficit / (Surplus) for the Year Before Statutory Adjustments</b>	<b>50.019</b>



**Statement of Accounts 2008/2009**  
**Notes to the Core Statements**

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

	<b>Balance at 01/04/2008 £m</b>	<b>Cashflow £m</b>	<b>Balance at 31/03/2009 £m</b>
Cash	0.049		0.049
Bank Overdraft	(6.860)	3.565	(3.295)
<b>Increase in Cash</b>	<b>(6.811)</b>	<b>3.565</b>	<b>(3.246)</b>
Debt Due after 1 Year	(192.298)	(12.082)	(204.380)
Debt Due within 1 Year	(0.151)	0.022	(0.129)
<b>Total Debt</b>	<b>(192.449)</b>	<b>(12.060)</b>	<b>(204.509)</b>
Temporary Lending / Short-Term Deposits	41.200	(1.640)	39.560
<b>Total</b>	<b>(158.060)</b>	<b>(10.135)</b>	<b>(168.195)</b>

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

<b>2007-2008 £m</b>		<b>2008-2009 £m</b>
(5.020)	Increase / (Decrease) in Cash in Period	3.565
(0.803)	(Increase) / Decrease in Debt and Lease Financing	(12.060)
(12.800)	Increase / (Decrease) in Liquid Resources	(1.640)
<b>(18.623)</b>	<b>Movement in Debt in Period</b>	<b>(10.135)</b>
(139.437)	Net Debt as at 1 April 2008	(158.060)
<b>(158.060)</b>	<b>Net Debt as at 31 March 2009</b>	<b>(168.195)</b>

**Note 37 – Analysis of Government Grants**

<b>2007-2008 £m</b>		<b>2008-2009 £m</b>
6.362	National Priorities Action Fund	-
0.321	Mental Health Grant	-
0.017	Sheltered Employment Grant	0.016
0.135	Gaelic	0.143
0.116	Social Work Training Grant	-
9.147	Other Government Grants	5.655
-	Fairer Scotland Fund	4.652
-	Determined to Succeed	0.467
	<b>Other Grants</b>	
7.609	Supporting People	-
29.091	DWP Grants - Housing & Council Tax	29.063
<b>52.798</b>	<b>Cash Flow from Government Grants</b>	<b>39.996</b>



## **Statement of Accounts 2008/2009 Notes to the Core Statements**

### **Note 38 – Contingent Liabilities**

The Council is a constituent member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at 31 March 2009 the Council's involvement stands at £1.719m and in the event of the Fund being wound up, a contingent liability of £0.346m exists in respect of European Development Fund Grants. The Council does not have an interest in the share capital of any of the companies dealt with by the West of Scotland Loans Fund Ltd.

The Council received intimation of a contractual claim for £0.205m from a previous development partner with the Council in respect of abortive development costs. The Council anticipates that it will fully defend this claim.

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 future potential Equal Pay compensation claims.

The Council is a partner in two joint venture companies promoting the regeneration of Cumnock Town Centre. In the event of the discontinuation of the companies, a contingent liability of £0.497m exists for the repayment of costs incurred by the partners.

### **Note 39 – Provisions**

Employment Tribunal proceedings have been raised against the Council by a number of staff relating to a dispute concerning Equal Pay. The information usually required by Financial Reporting Standard 12 – (Provisions, Contingent Liabilities and Assets) is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the proceedings.

### **Note 40 – Statement of Accounts**

The unaudited Statement of Accounts were approved by a meeting of the Council on 25 June 2009. The Executive Head of Finance and Asset Management, being the responsible officer for the Council's financial affairs, signed the unaudited Statement of Accounts on 25 June 2009. Events after 31 March 2009, the Balance Sheet date, have been considered up to the date of signing. The audited Statement of Accounts were authorised for issue on 25 September 2009.



**Statement of Accounts 2008/2009**  
**Housing Revenue Account Income and Expenditure Account**

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

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

2007-2008		2008-2009	
Net Expenditure		Net Expenditure	
£m	Income	£m	Expenditure
(31.623)	Dwelling Rents (Gross)	(32.349)	
(0.961)	Non Dwelling Rents (Gross)	(0.821)	
(0.232)	Housing Support Grant	(0.264)	
(1.185)	Any Other Income	(1.066)	
<b>(34.001)</b>		<b>(34.500)</b>	
	<b>Expenditure</b>		
14.998	Repairs and Maintenance	15.187	
4.191	Supervision and Management	8.325	
10.488	Depreciation and Impairment of Fixed Assets	19.932	
0.746	Bad and Doubtful Debt Provision	0.689	
5.984	Any Other Expenditure	1.211	
<b>36.407</b>		<b>45.344</b>	
<b>2.406</b>	<b>Net Cost of HRA Services as Included in the whole Authority I&amp;E Account</b>		<b>10.844</b>
0.510	HRA Share of Corporate & Democratic Core	0.717	
<b>2.916</b>	<b>Net Cost of HRA Services</b>		<b>11.561</b>
(1.994)	(Gains)/Losses on Disposal of HRA Fixed Assets	3.614	
3.529	Interest Payable and similar charges	3.225	
(0.340)	Interest and Investment Income	(0.331)	
(0.193)	Pension Interest Cost and Expected Return on Pension Assets	(0.046)	
<b>3.918</b>	<b>Deficit for the Year on HRA Services Before Statutory Adjustments</b>		<b>18.023</b>

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

2007-2008		2008-2009	
£m		£m	
3.918	Deficit for the year on the HRA Income & Expenditure Account Before Statutory Adjustments	18.023	
(4.572)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the HRA Balance for the Year	(18.194)	
<b>(0.654)</b>	<b>Increase in the HRA Balance for the Year</b>		<b>(0.171)</b>
(1.401)	Housing Revenue Account Balance brought forward	(2.055)	
<b>(2.055)</b>	<b>Housing Revenue Account Balance carried forward</b>		<b>(2.226)</b>



## Statement of Accounts 2008/2009 Statement of Movement on the Housing Revenue Account Balance

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

2007-2008		2008-2009
£m		£m
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>		
(10.488)	Depreciation and Impairment of Fixed Assets	(19.932)
1.994	Gain or (loss) on sale of HRA Fixed Assets	(3.614)
-	Differences between the amounts credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt.	0.121
(0.479)	Net charges made for retirement benefits in accordance with FRS 17	(0.375)
<b>(8.973)</b>		<b>(23.800)</b>
<b>Amounts not included in the HRA Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</b>		
0.538	Employer's contributions payable to Strathclyde Pension Fund	0.514
0.596	Loans Fund Principal	0.728
3.267	Capital expenditure funded by the HRA	4.364
<b>4.401</b>		<b>5.606</b>
<b>(4.572)</b>	<b>Net additional movement required to be credited to the Housing Revenue Account for the year</b>	<b>(18.194)</b>



**Statement of Accounts 2008/2009  
Supplementary Notes to the Housing Revenue Account**

### Note 41 – Housing Stock

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

2007-2008 Total		Flat	House	2008-2009 Total
2,599	One Bedroom	1,687	852	2,539
6,634	Two Bedroom	3,394	3,150	6,544
3,828	Three Bedroom	634	3,102	3,736
267	Four Bedroom	14	251	265
2	Five Bedroom	2	-	2
<b>13,330</b>	<b>Total</b>	<b>5,731</b>	<b>7,355</b>	<b>13,086</b>

### Note 42 – Rental Information

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

2007-2008		2008-2009
£46.80	Average Weekly Rent (52 weeks)	£48.62
2.90%	Current Rent Arrears (as % of Rent Collectable)	3.14%
£1.073m	Total Rent Arrears	£1.088m
£0.795m	Provision for Bad Debt	£0.746m

### Note 43 – Loss on Void Properties

The Council is required to disclose the loss on void properties and in 2008/09 this amounted to £1.017m. The comparator figure for 2007/2008 is £1.135m.



## Statement of Accounts 2008/2009

### Council Tax Income Account and Supplementary Notes

#### Council Tax Income

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

Dwellings fall within a valuation band 'A' to 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2008/09 was £1,188.99.

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

BAND	2008-09 £ per year
A	792.66
B	924.77
C	1,056.88
D	1,188.99
E	1,453.21
F	1,717.43
G	1,981.65
H	2,377.98

2007-2008 £m		2008-2009 £m
55.181	Gross Council Tax levied and contributions in lieu	55.326
0.140	Deduct:	0.106
(6.669)	Council Tax benefits (net of Government Grant)	(6.719)
(1.954)	Other discounts and reductions	(1.664)
1.582	Provision for bad and doubtful debts	1.769
0.082	Adjustments to previous years Council Tax	0.055
<b>48.362</b>	<b>Arrears of Community Charge recovered during the year</b>	<b>48.873</b>
	<b>Net Council Tax Income Transferred to General Fund</b>	

During 2008/09 Community Charge arrears totalling £0.055m were collected. As there is no longer a balance sheet debtor for these arrears, the amounts collected result in a credit to the Council Tax Income Account.

#### The Calculation of the Council Tax Base

The figures shown in the table below indicate the number of chargeable properties per band.

2007/08 Total	Bands	Disabled									2008/09 Total
		A	A	B	C	D	E	F	G	H	
54,368	Properties	0	26,666	9,363	4,406	5,715	5,587	2,571	613	39	54,960
(1,072)	Exemptions	0	(800)	(135)	(74)	(33)	(36)	(14)	(2)	(2)	(1,096)
-	Disabled Reliefs	107	(22)	(46)	13	19	(41)	(24)	(5)	(1)	-
(21,364)	Discounts (25%)	(40)	(13,676)	(3,454)	(1,400)	(1,315)	(1,043)	(349)	(55)	(4)	(21,336)
(667)	Discounts (50%)	0	(379)	(117)	(82)	(85)	(64)	(39)	(6)	(1)	(773)
<b>47,622</b>	<b>Total equivalent</b>	<b>97</b>	<b>22,236</b>	<b>8,260</b>	<b>3,954</b>	<b>5,330</b>	<b>5,217</b>	<b>2,426</b>	<b>589</b>	<b>34</b>	<b>48,143</b>

	Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
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40,422	Band 'D' equivalents	54	14,824	6,424	3,515	5,330	6,377	3,505	982	68	41,079
(1,755)	Bad debt provision										(1,254)
<b>38,667</b>											<b>39,825</b>



**Statement of Accounts 2008/2009**  
**Non-Domestic Rate Income Account and Supplementary Notes**

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

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Government. The national Non-Domestic Rate poundage set by the Scottish Government for 2008/09 was £0.458.

<b>2007-2008 £m</b>		<b>2008-2009 £m</b>
31.133	Gross rates levied and contributions in lieu	31.829
(5.082)	Deduct:	(5.648)
(0.780)	Reliefs and reductions	(0.784)
<b>25.271</b>	Provision for bad and doubtful debts	<b>25.397</b>
(0.042)	Prior year pool	(0.919)
18.355	Contributions from National Non-Domestic Rate Pool	21.281
<b>43.584</b>	<b>Net Income</b>	<b>45.759</b>
(0.031)	Adjustments and pre-pool years	(0.052)
<b>43.553</b>	<b>Total</b>	<b>45.707</b>

### Analysis of Rateable Values

	<b>Number</b>	<b>£m</b>
Shops	1,077	20.939
Public Houses	116	2.065
Offices (including Banks)	500	5.247
Hotels, Boarding Houses etc	32	0.764
Industrial & Freight Transport Subjects	918	14.206
Leisure, Entertainment, Caravans and Holiday Sites	170	3.052
Garages and Petrol Stations	151	1.165
Cultural	23	0.200
Sporting Subjects	8	0.169
Education and Training	77	5.472
Public Service Subjects	210	4.077
Communications (Non-Formula)	3	0.015
Quarries, Mines	14	4.664
Petrochemical	2	0.136
Religious	92	0.739
Health Medical	67	3.471
Other	281	0.593
Care Facilities	48	1.612
Advertising	40	0.075
Undertaking	21	2.148
	<b>3,850</b>	<b>70.809</b>



**Statement of Accounts 2008/2009**  
**Common Good, Trusts and Bequests and Supplementary Notes**

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

### Summary of Common Good Funds

	Darvel £	Cumnock £	Kilmarnock £	Newmilns £	Stewarton £	Total £
Capital Balance 01/04/08	-	1,000.00	153,159.46	-	-	154,159.46
Revenue Balance 01/04/08	1,260.03	1,849.32	61,314.79	2,688.44	1,905.83	69,018.41
<b>Expenditure During Year</b>	<b>1,260.03</b>	<b>2,849.32</b>	<b>214,474.25</b>	<b>2,688.44</b>	<b>1,905.83</b>	<b>223,177.87</b>
Capital Revenue	-	-	-	-	-	-
<b>Income During Year</b>	<b>Capital Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital Revenue	41.50	89.83	6,761.99	84.76	60.09	7,038.17
Capital Balance 31/03/09	-	1,000.00	153,159.46	-	-	154,159.46
Revenue Balance 31/03/09	1,301.53	1,939.15	68,076.78	2,773.20	1,965.92	76,056.58
<b>Closing Balances at 31 March 2009</b>	<b>1,301.53</b>	<b>2,939.15</b>	<b>221,236.24</b>	<b>2,773.20</b>	<b>1,965.92</b>	<b>230,216.04</b>

### Summary of Trusts and Bequests

2007-2008 Capital Fund £	2007-2008 Revenue Fund £	2007-2008 Total Funds £	Fund Balances	2008-2009 Capital Fund £	2008-2009 Revenue Fund £	2008-2009 Total Funds £
40,723.30	434,985.83	475,709.13	<b>Opening Balances 01/04/08</b>	40,723.30	446,273.71	486,997.01
-	13,434.17	13,434.17	Expenditure	-	12,719.50	12,719.50
-	24,722.05	24,722.05	Income	-	15,352.09	15,352.09
-	11,287.88	11,287.88	<b>Surplus / (Deficit)</b>	-	2,632.59	2,632.59
<b>40,723.30</b>	<b>446,273.71</b>	<b>486,997.01</b>	<b>Closing Balances at 31 March 2009</b>	<b>40,723.30</b>	<b>448,906.30</b>	<b>489,629.60</b>

2007-2008 £	Balance Sheet as at 31 March 2009	2008-2009 £
12,155.84	Investments - External	3,567.00
474,841.17	Investments - Loans Fund	486,062.60
<b>486,997.01</b>		<b>489,629.60</b>
	<b>Financed By:</b>	
40,723.30	Capital Funds	40,723.30
446,273.71	Revenue Funds	448,906.30
<b>486,997.01</b>	<b>Closing Balance at 31 March 2009</b>	<b>489,629.60</b>



**Statement of Accounts 2008/2009**  
**Common Good, Trusts and Bequests and Supplementary Notes**

## Trusts and Bequests

Name	Origin and Purpose	Loans Fund Fund £	Govt Stock Stock £	Total £
Robert Crawford's Bequest (SCO 19301)	To Provide Books For Public Library	8,226.15	1,600.00	9,826.15
Robert Cumming's Bequest (SCO 19298)	To Provide annuity For Testators Legatee Remainder For Maintenance Of Indigent Orphans Natives Of Kilmarnock/Ayrshire	2,222.36	0.00	2,222.36
John Fulton Soup Kitchen Trust (SCO 19300)	To Distribute Soup To The Poor	6,198.32	100.00	6,298.32
Murdoch's Trust (SCO 19305)	Provide An Annual Payment To One Poor Aged Deserving Kilmarnock Resident	3,905.40	0.00	3,905.40
Misses Parker's Bequest (SCO 19303)	To Provide Payments To Females Suffering From Incurable Diseases	2,291.15	0.00	2,291.15
Tannock's Trust (SCO 19304)	To Provide Annuities To Females	3,820.76	0.00	3,820.76
Archibald Taylor Fund (SCO 19308)	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescence For Certain Class Of Spinsters	423,398.65	0.00	423,398.65
Matthew L. Cochrans Bequest (SCO 19312)	To Provide Holidays For Elderly Deserving People Resident in Kilmarnock	17.41	0.00	17.41
B. C. Roxburgh Bequest	To Be Used For The Benefit Of The Citizens Of Darvel	20,634.13	0.00	20,634.13
East Ayrshire Emergency Relief Trust (SCO 24411)	Assistance for any organisation, body, resident or person suffering hardship, poverty or distress due to emergency, natural disaster, flood, subsidence, severe weather, or fire, or for such other reason as the trustees may agree	8,652.85	0.00	8,652.85
Newmilns Benevolent Assoc	For the alleviation of illness to persons residing in Newmilns and Greenholm	3,284.13	0.00	3,284.13
Graham Ramage Trust	For Cumnock Senior Citizens Club	816.22	1,367.00	2,183.22
Sommerville Trust	Relief of Poor - Som Parish	697.47	0.00	697.47
Misses Murray Legacy Trust	Relief of Poor - Old Cumnock Parish	1,897.60	500.00	2,397.60
		486,062.60	3,567.00	489,629.60

Capital & Revenue Accounts	01-Apr-08		Expenditure in Year		Income in Year		31-Mar-09		
	Capital £	Revenue £	Capital £	Revenue £	Capital £	Revenue £	Total Capital £	Total Revenue £	Total £
Robert Crawford's Bequest	2,650.00	6,873.99	0.00	0.00	0.00	302.16	2,650.00	7,176.15	9,826.15
Robert Cumming's Bequest	2,045.39	108.11	0.00	0.00	0.00	68.86	2,045.39	176.97	2,222.36
John Fulton's Soup Kitchen Trust	1,443.00	4,660.30	0.00	0.00	0.00	195.02	1,443.00	4,855.32	6,298.32
Murdoch's Trust	100.00	3,684.38	0.00	0.00	0.00	121.02	100.00	3,805.40	3,905.40
Misses Parker's Bequest	1,365.00	855.15	0.00	0.00	0.00	71.00	1,365.00	926.15	2,291.15
Tannock's Trust	2,255.00	1,447.37	0.00	0.00	0.00	118.39	2,255.00	1,565.76	3,820.76
Archibald Taylor Fund	17,599.00	404,233.91	0.00	(11,736.00)	0.00	13,301.74	17,599.00	405,799.65	423,398.65
Matthew L. Cochrans Bequest	13.91	2.96	0.00	0.00	0.00	0.54	13.91	3.50	17.41
B. C. Roxburgh Bequest	10,796.00	10,167.00	0.00	(983.50)	0.00	654.63	10,796.00	9,838.13	20,634.13
East Ayrshire Emergency Relief Trust	0.00	8,588.84	0.00	0.00	0.00	64.01	0.00	8,652.85	8,652.85
Newmilns Benevolent Association	0.00	3,036.24	0.00	0.00	0.00	247.89	0.00	3,284.13	3,284.13
Graham Ramage Trust	1,837.00	238.23	0.00	0.00	0.00	107.99	1,837.00	346.22	2,183.22
Sommerville Trust	119.00	556.86	0.00	0.00	0.00	21.61	119.00	578.47	697.47
Misses Murray Legacy Trust	500.00	1,820.37	0.00	0.00	0.00	77.23	500.00	1,897.60	2,397.60
<b>Total</b>	<b>40,723.30</b>	<b>446,273.71</b>	<b>0.00</b>	<b>(12,719.50)</b>	<b>0.00</b>	<b>15,352.09</b>	<b>40,723.30</b>	<b>448,906.30</b>	<b>489,629.60</b>



**Statement of Accounts 2008/2009**  
**Group Income and Expenditure Account for the Year ended 31 March 2009**

Details of the income and expenditure relating to the group entities for the year to 31 March 2009 are shown in the following statement.

2007-2008		Note	Gross	Gross	2008-2009
Net	Expenditure		Expenditure	Income	Net
£m	Service	£m	£m	£m	Expenditure
126.922	Education Services		149.743	(7.627)	142.116
4.217	Housing Services		77.166	(18.652)	58.514
13.440	Cultural & Related Services		94.604	(74.408)	20.196
11.060	Environmental Services		20.822	(3.271)	17.551
6.621	Fire Services		14.973	(2.722)	12.251
14.987	Roads & Transport Services		19.302	(3.499)	15.803
11.406	Police Services		13.993	(0.623)	13.370
2.650	Planning & Development Services		7.070	(0.006)	7.064
54.784	Social Work		9.138	(7.470)	1.668
2.140	Central Services to the Public		17.587	(6.375)	11.212
3.516	Corporate & Democratic Core		3.595	-	3.595
0.969	Non-Distributed Costs		1.052	-	1.052
1.146	Share of Operating Results of Associates		0.226	(2.793)	(2.567)
	Share of Operating Results of Joint Ventures:				
-	Turnover		-	-	-
-	Other Operating Income and Expenditure		0.001	-	0.001
<b>253.858</b>	<b>Net Cost of Services</b>		<b>429.272</b>	<b>(127.446)</b>	<b>301.826</b>
(2.036)	Gains on Disposal of Fixed Assets				4.182
(2.465)	Net Surplus on Trading Operations				(2.582)
12.343	Interest Payable and similar charges				11.352
0.631	Share of Interest Payable of Associates				0.574
(3.543)	Interest and Investment Income				(2.341)
(0.485)	Share of Interest and Investment Income of Associates				(0.366)
-	Exceptional Item - Impairment of Financial Instruments				2.145
(4.221)	Pensions Interest Cost and Expected Return on Pension Assets				(0.616)
10.596	Shares of Pensions Interest Cost and Expected Return on Pension Assets of Associates				11.498
<b>264.678</b>	<b>Net Operating Expenditure</b>				<b>325.672</b>
(48.362)	Council Tax				(48.873)
(142.963)	Revenue Support Grant				(171.918)
(43.553)	Non-Domestic Rates				(45.707)
<b>29.800</b>	<b>Deficit for the Year</b>				<b>59.174</b>



## Statement of Accounts 2008/2009 Reconciliation of the Single Entity Deficit for the Year to the Group Deficit

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

2007-2008		2008-2009
£m		£m
17.866	Deficit on the Council's Single Entity Income and Expenditure Account for the year	50.019
	Deficit arising from other entities included in the group accounts:	
11.934	Associates	9.154
-	Joint Ventures	0.001
<b>29.800</b>	<b>Deficit for the Year on the Group Income and Expenditure Account</b>	<b>59.174</b>



## Statement of Accounts 2008/2009 Group Statement of Total Recognised Gains and Losses

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

2007-2008		2008-2009
£m		£m
29.800	Deficit for the year on the Income & Expenditure Account Before Statutory Adjustments	59.174
(12.275)	Surplus on the revaluation of fixed assets	(201.758)
(89.586)	Actuarial gains on pension assets and liabilities	55.757
15.578	Adjustments arising from the transitional arrangements for Financial Instruments	-
(0.341)	Any other (gains)/losses	(4.598)
<b>(56.824)</b>	<b>Total Recognised (Gains) and Losses for the year</b>	<b>(91.425)</b>



**Statement of Accounts 2008/2009**  
**Group Balance Sheet**

<b>31 March 2008</b>		<b>31 March 2009</b>
£m		£m
0.211	<b>Intangible Assets</b>	0.164
Software Licences		
<b>498.225</b>	<b>Operational Assets</b>	<b>708.800</b>
176.889	Council Dwellings	361.185
276.443	Other Land and Buildings	289.528
5.593	Vehicles, Plant and Equipment	7.378
39.300	Infrastructure Assets	50.709
<b>46.691</b>	<b>Non - Operational Assets</b>	<b>7.509</b>
13.517	Investment Properties	-
28.889	Assets Under Construction	2.480
4.285	Surplus Assets	5.029
5.763	Investments in Associates	5.150
	Investments in Joint Ventures:	
-	Gross Assets	0.269
-	Gross Liabilities	(0.270)
3.495	Long-Term Prepayment	4.450
1.610	Long-Term Debtors	1.559
<b>555.995</b>	<b>Total Long-Term Assets</b>	<b>727.631</b>
<b>69.847</b>	<b>Current Assets</b>	<b>62.244</b>
0.708	Stock and Work-in-Progress	0.998
27.440	Debtors	20.924
41.650	Investments	40.273
0.049	Cash and Bank	0.049
<b>(47.011)</b>	<b>Current Liabilities</b>	<b>(47.948)</b>
(2.085)	Borrowing Repayable on demand within 12 months	(2.102)
(38.066)	Creditors	(42.551)
(6.860)	Bank Overdraft	(3.295)
<b>22.836</b>	<b>Net Current Assets</b>	<b>14.296</b>
(192.150)	Borrowing Repayable within a period in excess of 12 months	(204.305)
(0.148)	Deferred Liabilities - Finance Leases	(0.075)
(27.828)	Government Grants Deferred	(34.731)
(163.871)	Investment in Associates	(161.188)
(1.883)	Liability related to defined benefit pension schemes	(57.252)
<b>192.951</b>	<b>Total Assets Less Liabilities</b>	<b>284.376</b>
	<b>Financed by:</b>	
7.292	Fixed Asset Restatement Account	193.059
303.256	Capital Financing Account	270.349
(15.827)	Financial Instruments Adjustment Account	(17.258)
(1.883)	Pensions Reserve	(57.252)
(158.900)	Group Reserve	(163.744)
32.827	General Fund Balance	27.009
2.055	Housing Revenue Account	2.226
0.792	Revaluation Reserve - Associates	7.705
16.984	Capital Fund	15.713
6.355	Renewals and Repair Fund	6.569
<b>192.951</b>	<b>Total Net Worth</b>	<b>284.376</b>

*Alexander McPhee ACMA*  
**Executive Head of Finance and Asset Management**  
**25 September 2009**

The unaudited Statement of Accounts were issued on 25 June 2009 and the audited Statement of Accounts were authorised for issue on 25 September 2009



## **Statement of Accounts 2008/2009 Notes to the Group Statements**

### **Note 44 – Group Account Entities**

The Council has an interest in an Associated Trust, several Joint Boards and two Joint Ventures. The accounting period for most entities is 31 March 2009 with the exception of Cumnock Regeneration (Office) Ltd and Cumnock Regeneration (Retail) Ltd. The accounting period for these companies is 1 February 2009 and these results have been incorporated into the Group Accounts. Full details are disclosed below.

The Associated Charitable Trust that has been consolidated is:

- Kilmarnock Leisure Centre Trust (KLCT)

The Joint Boards that have been consolidated are:

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

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

The Joint Venture Companies that have been consolidated are:

- Cumnock Regeneration (Office) Ltd
- Cumnock Regeneration (Retail) Ltd

The two Joint Venture companies noted above were incorporated on 21 November 2007 and the period for these results is from the date of incorporation until 1 February 2009.

### **Note 45 - Kilmarnock Leisure Centre Trust (KLCT)**

This company was set up as a Charitable Trust on 30 October 1985 to provide leisure services within the Kilmarnock area. Five councillors from East Ayrshire are members of the Board and sit as Trustees. The Council's share of the net assets of the Trust has been based on the Council's contribution to revenue costs and results in 9.73% of the net assets being attributable to the Council. The Council has an obligation to indemnify and reimburse any cumulative deficit sustained by the Trust up to a maximum of £0.200m in each financial year once the reserves held by the Trust have been depleted.

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

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

The Board is a statutory body with the 34 members of the Board being elected councillors of the 12 councils. East Ayrshire Council has two elected members on the Board and the Council's share of the net assets / liabilities of the Board has been based on the precept requisition of 4.71%.

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.



## **Statement of Accounts 2008/2009 Notes to the Group Statements**

### **Note 47 - 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 4.35%.

The latest set of audited accounts for Strathclyde Joint Police Board is for the year to 31 March 2009 and has a qualified audit certificate. This qualification has arisen due to a legislative omission in respect of the new Police Pension Scheme which became operational on 6 April 2006 and its impact on the accounting requirements of FRS 17 'Retirement Benefits'. It is anticipated that legislation will be corrected during the 2009/10 financial year.

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

### **Note 48 - Strathclyde Partnership for Transport**

Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of 29 members representing the 12 constituent unitary authorities in the West of Scotland plus other interested parties. Of the 29 members, 20 are nominated from Councils and seven are public appointments. East Ayrshire Council has two elected members on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.24%.

A copy of the financial statements for SPT can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

### **Note 49 - 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. 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 Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

### **Note 50 - 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.



**Statement of Accounts 2008/2009  
Notes to the Group Statements**

The 2008/09 statements show the following:

	£m
Net Assets	0.331
Results of Operations and other financial transactions - (Surplus) / Deficit	0.014
Fixed Assets	0.156
Current Assets	0.078
Liabilities due within one year	(0.061)
Liabilities due after one year	0.158

**Note 51 – Cumnock Regeneration (Office) Ltd**

The Joint Venture company was formed in 2007 for the purpose of developing office facilities within Cumnock. The Council owns a 50% share in the company. The company's registered office is at Quartermile One, 15 Lauriston Place, Edinburgh EH3 9EP

The Council's share of Cumnock Regeneration (Office) Ltd is as follows:

	£m
Turnover	(0.001)
Profit before tax	(0.001)
Taxation	-
Profit after tax	(0.001)
Fixed Assets	-
Current Assets	0.188
Liabilities due within one year	(0.189)
Liabilities due after one year	-

**Note 52 – Cumnock Regeneration (Retail) Ltd**

The Joint Venture company was formed in 2007 for the purpose of developing retail facilities within Cumnock. The Council owns a 50% share in the company. The company's registered office is at Quartermile One, 15 Lauriston Place, Edinburgh EH3 9EP

The Council's share of Cumnock Regeneration (Office) Ltd is as follows:

	£m
Turnover	-
Profit before tax	-
Taxation	-
Profit after tax	-
Fixed Assets	-
Current Assets	0.081
Liabilities due within one year	(0.081)
Liabilities due after one year	-



## **Statement of Accounts 2008/2009 Notes to the Group Statements**

### **Note 53 - Group Cash Flow**

As the Group Cash Flow is identical to the single entity statement, this has been included on Page 20.

### **Note 54 – 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 - 11. The accounting policies of the Council and Associates noted above are fully aligned with the exception of the period over which fixed assets are depreciated.



## **Statement of Accounts 2008/2009**

### **Glossary of Terms**

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

#### **Accruals**

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

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

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

#### **Amortised Cost**

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

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

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

#### **Capital Expenditure**

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

#### **Capital Financed from Current Revenue (CFCR)**

This relates to revenue resources used to pay for capital projects.

#### **Capital Adjustment Account**

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

#### **Capital Fund**

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

#### **Capital Financing Cost**

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

#### **Community Assets**

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

#### **Contingency**

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

#### **Corporate and Democratic Core**

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

#### **Corporate Governance**

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

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

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

#### **Curtailments (Pensions)**

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

#### **Depreciation**

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

#### **Depreciated Historic Cost**

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

#### **Depreciated Replacement Cost**

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



## Statement of Accounts 2008/2009 Glossary of Terms

### Expected Rate of Return on Pension Assets

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

### Fair Value

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

### Financial Asset

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

### Financial Instrument

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

### Financial Instruments Adjustment Account

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

### Financial Liability

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

### Financial Reporting Standard (FRS)

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

### Fixed Assets

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

### Group Accounts

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

### Government Grants

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

### Government Grants Deferred

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

### Impairment

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

### Infrastructure Assets

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

### Intangible Assets

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

### Interest Cost (Pensions)

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

### Liquid Resources

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

### National Non-Domestic Rates Pool

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

### Net Book Value

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

### Net Realisable Value

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



## Statement of Accounts 2008/2009 Glossary of Terms

### Non-Operational Assets

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

### Officers' Remuneration

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

### Operating Leases

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

### Operating Assets

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

### Past Service Costs (Pensions)

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

### Prior Period Adjustments

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

### Public Private Partnerships (PPP)

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

### Related Party Transactions

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

### Revaluation Reserve

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

### Service Expenditure Analysis (SEA)

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

### Specific Government Grants

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

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

The SSIFC is incorporated within the Statement of Accounts setting out the framework within which financial control is managed and reviewed and the main components of the system, including arrangements for internal audit.

### Stocks

Stock may comprise the following:

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

### Significant Trading Operations

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

### Useful Life

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



## **Statement of Accounts 2008/2009 Independent Auditors' Report**

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

I certify that I have audited the financial statements of East Ayrshire Council and its group for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the HRA Balance, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Trust Fund accounts, the Common Good Fund accounts, and the related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

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

#### **Respective responsibilities of the Executive Director of Finance and Asset Management and auditor**

The Executive Director of Finance and Asset Management's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

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

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of East Ayrshire Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

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

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the Explanatory Foreword by the Executive Director of Finance and Asset Management and the Corporate Governance Assurance Statement by the Leader of the Council and the Chief Executive. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.



## Statement of Accounts 2008/2009 Independent Auditors' Report

### Basis of audit opinion

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

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

### Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of East Ayrshire Council and its group as at 31 March 2009 and its income and expenditure for the year then ended; and
- 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 my 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. In respect of the Building and Works Significant Trading Operation I am unable to form an opinion on whether the financial objective has been met due to the lack of reliable evidence supporting the income credited to this trading account.

Peter Tait CPFA  
Assistant Director of Audit (Local Government)

Audit Scotland  
7th Floor  
Plaza Tower  
East Kilbride  
G74 1LW

September 2009