

## Summary Operating Financial Review

The following statement by the Executive Director of Finance and Corporate Support describes some of the key points in relation to the Council's stewardship of public funds.



### Financial Performance

The budgeted net expenditure of the Council in 2012/13 was £355.230m, including the utilisation of £14.593m of balances. The year end position was a surplus of £1.746million.

The General Fund surplus for the year was £0.788m after transferring funds to the Capital Fund. This resulted in an increased General Fund balance of £35.446m of which £19.719m is earmarked and £4.254m has been approved for use in 2013/14 leaving £11.473m of an uncommitted General Fund balance.



### Council Housing

The Council owns 12,877 dwelling houses for which it charges rent. It is a legislative requirement that all expenditure incurred in respect of these houses is funded from the rental income generated.

Following adjustments required between the accounting basis and the funding basis under statute, there is a favourable variance of £0.078m on the Housing Revenue Account. This resulted in an increased HRA balance of £3.283m.



### Capital Expenditure

Capital expenditure represents money spent by the Council for the purpose of purchasing, upgrading or improving assets such as buildings and roads. The distinction from revenue expenditure is that the Council essentially receives the benefit from capital expenditure over a longer period of time. The Council incurred £62.856m of capital expenditure during 2012/13.

This expenditure was financed from a combination of Government Grants, receipts from the sale of assets, the use of revenue funding, a draw on the Capital Fund and borrowing.

## 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 2012/13 was £48.457m on General Fund Services and £14.399 on Housing.

Capital Expenditure by Service	£000
Education Services	24,996
Cultural & Related Services	4,966
Environmental Services	825
Roads & Transportation	5,973
Social Work	420
Planning & Development	1,093
Corporate & Democratic Core	10,184
<b>Total General Fund Services</b>	<b>48,457</b>
<b>Housing Services</b>	<b>14,399</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>62,856</b>

Capital Financing by Source	£000
Government Grants	8,254
Capital Receipts	783
Capital Finance from Revenue	10,190
Borrowing	41,378
Capital Fund	2,251
<b>TOTAL CAPITAL FINANCING</b>	<b>62,856</b>

## Common Good Account

The earliest legislation which reflects the existence of the Common Good can be traced back to The Common Good Act 1491. The term Common Good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these Funds but they are not Council assets and have not been included in the Council's Balance Sheet.

Balance Sheet	31 March 2013
	£000
Property, Plant and Equipment	6,843
<b>Total Non Current Assets</b>	<b>6,843</b>
Short Term Investments	207
<b>Total Current Assets</b>	<b>207</b>
<b>NET ASSETS</b>	<b>7,050</b>
Capital and Revenue Reserves	207
<b>Total Usable Reserves</b>	<b>207</b>
Revaluation Reserve	6,843
<b>Total Unusable Reserves</b>	<b>6,843</b>
<b>NET RESERVES</b>	<b>7,050</b>

## Housing Revenue Account

In accordance with the requirements of the Housing (Scotland) Act 1987, East Ayrshire Council maintains a separate Housing Revenue Account. The Council charges rent to cover all expenditure in relation to the operation and maintenance of its housing stock.

As at 31 March 2013 the Council owns 12,894 dwelling houses.

Income	£000
Council House Rents	(37,400)
Other income	(1,800)
	<b>(39,200)</b>
Expenditure	
Repairs and Maintenance	12,333
Supervision and Management	8,615
Depreciation and Impairment	25,868
Other Costs	2,766
	<b>49,582</b>
Losses on the Disposal of Assets	375
Interest and Investment Income	(76)
Interest Payable and Similar Charges	3,440
Pension Interest Cost	2,855
Expected Return on Pension Assets	(2,840)
<b>Deficit on the Housing Revenue Account</b>	<b>14,136</b>

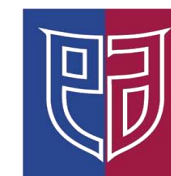
The Council owned the following types and numbers of dwellings at 31 March 2013:-

	Flats	Houses	Total
One Bedroom	1,684	851	2,535
Two Bedroom	3,351	3,095	6,446
Three Bedroom	621	3,010	3,631
Four Bedroom	15	248	263
Five Bedroom	2	-	2
<b>Total</b>	<b>5,673</b>	<b>7,204</b>	<b>12,877</b>

Balance Sheet	31 March 2013
	£000
Property, Plant and Equipment	6,843
<b>Total Non Current Assets</b>	<b>6,843</b>
Short Term Investments	207
<b>Total Current Assets</b>	<b>207</b>
<b>NET ASSETS</b>	<b>7,050</b>
Capital and Revenue Reserves	207
<b>Total Usable Reserves</b>	<b>207</b>
Revaluation Reserve	6,843
<b>Total Unusable Reserves</b>	<b>6,843</b>
<b>NET RESERVES</b>	<b>7,050</b>

In the Period from 1 April 2012 to 31 March 2013 the number of dwelling houses operated by the Council was reduced by 17.

This included the sale of 31 properties to tenants, the demolition of 8 properties, the purchasing of 12 properties and the construction of 10 new dwellings.



East Ayrshire  
COUNCIL

# Summary Financial Statements

## 2012/13



Details of the Council's spending during 2012/13 including Education and Social Services, Neighbourhood Services and Finance and Corporate Support

## Day to Day Spending

### How your money was spent

East Ayrshire Council delivers a wide range of services designed to make a real and lasting difference to the residents and the people who work in or visit the area.

	£000
Schools	126,278
Other Education and Community Learning	7,853
Social Work	90,292
Housing	114,277
Libraries, Museums and the Arts	6,250
Leisure and Recreation	12,706
Cleansing and Waste Management	13,767
Roads and Lighting	18,191
Planning and Development	12,391
Police and Fire	13,238
Other Services and Expenses	31,737
<b>Operating Expenditure</b>	<b>446,980</b>

### How the services were paid for

The services delivered by the Council are funded by the people and businesses within East Ayrshire together with contributions from Central Government and other public sector bodies.

	£000
Scottish Government General Grant	(202,316)
Scottish Government Capital Grants	(8,254)
Income from Council Tax	(48,724)
Income from Non Domestic Rates	(26,529)
<b>Taxation and Non Specific Grants</b>	<b>( 285,823)</b>
Other Government Grants	(49,351)
Grants and Contributions from Other Bodies	(16,718)
Charges for Services	(68,816)
<b>Service Income</b>	<b>( 134,885)</b>
<b>Total Income</b>	<b>(420,708)</b>
<b>DEFICIT ON THE PROVISION OF SERVICES</b>	<b>26,272</b>

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement presents the costs of running Council services between April 2012 and March 2013 and where the money came from to finance those costs.

	Expenditure £000	Income £000	Net £000
Education Services	134,131	(5,043)	129,088
Social Work	90,292	(15,318)	74,974
Roads and Transportation	20,371	(3,467)	16,904
Cultural and Related Services	18,956	(3,688)	15,268
Environmental Services	16,164	(3,002)	13,162
Other Housing Services	65,638	(56,321)	9,317
Housing Revenue Account	48,639	(38,914)	9,725
Police	8,970	(138)	8,832
Planning and Development	12,391	(7,178)	5,213
Fire	5,575	-	5,575
Corporate and Democratic Core	3,998	-	3,998
Non Distributed Costs	1,411	-	1,411
Central Services to the Public	740	(1,816)	(1,076)
<b>Net Cost of Services</b>	<b>427,276</b>	<b>(134,885)</b>	<b>292,391</b>

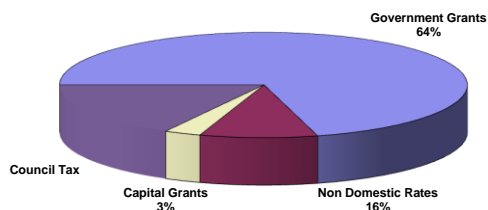
Losses on the Disposal of Assets	1,539
Interest and Investment Income	(594)
Interest Payable and Similar Charges	17,777
Pension Interest Cost	28,897
Expected Return on Pension Assets	(27,915)
<b>Net Operating Expenditure</b>	<b>312,095</b>
Government Grants	(202,316)
Distribution from NDR Pool	(26,529)
Capital Grants and Contributions	(8,254)
Income from Council Tax	(48,724)

**DEFICIT ON THE PROVISION OF SERVICES 26,272**

### Subjective Analysis

	£000
Employee Costs	172,961
Premises Costs	27,794
Transport Costs	11,047
Supplies & Services	32,954
Third Party Payments	74,953
Transfer Payments	62,480
Depreciation and Impairment Losses	60,987
Internal Recharges	(5,773)
Income	(145,012)
<b>Net Cost of Services</b>	<b>292,391</b>

### Taxation and Non Specific Grants



## Balance Sheet

The Balance Sheet shows the value of assets and liabilities recognised by the Council as at 31 March 2013.

### Net Assets

	31 March 2013 £000
Property, Plant and Equipment	911,179
Heritage Assets	55,519
Intangible Assets	97
Long Term Debtors	27
<b>Total Non Current Assets</b>	<b>966,822</b>
Inventories	1,244
Short Term Debtors	20,255
Assets Held for Sale	2,253
Short Term Investments	2,992
Cash and Cash Equivalents	21,262
<b>Total Current Assets</b>	<b>48,006</b>
<b>TOTAL ASSETS</b>	<b>1,014,828</b>
Pension Liabilities	(156,294)
Deferred Liabilities	(65,264)
Long Term Borrowing	(255,645)
<b>Total Non Current Liabilities</b>	<b>(477,203)</b>
Short Term Creditors	(46,619)
Short Term Borrowing	(13,637)
<b>Total Current Liabilities</b>	<b>(60,256)</b>
<b>TOTAL LIABILITIES</b>	<b>(537,459)</b>
<b>NET ASSETS</b>	<b>477,369</b>

### Net Reserves

	31 March 2013 £000
<b>Usable Reserves</b> <i>(Available to Fund Services)</i>	
General Fund Balance	35,446
Housing Revenue Account Balance	3,283
Renewals and Repairs Fund	8,280
Capital Fund	12,694
<b>Total Usable Reserves</b>	<b>59,703</b>
<b>Unusable Reserves</b> <i>(Unrealised and Deferred Impact on Taxation)</i>	
Revaluation Reserve	349,435
Capital Adjustment Account	245,140
Available for Sale Financial Instrument Reserve	1
Financial Instrument Adjustment Account	(14,483)
Pensions Reserve	(156,294)
Accumulated Absences Account	(6,133)
<b>Total Unusable Reserves</b>	<b>417,666</b>
<b>NET RESERVES</b>	<b>477,369</b>

£19.719m of the cumulative combined General Fund and Housing Revenue Account balance of £38.729m is currently specifically earmarked. With £4.254m approved for utilisation in 2013/14, the cumulative uncommitted balance is £14.756m.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council between April 2012 and March 2013.

	£000
<b>Surplus on the Provision of Services</b>	<b>26,272</b>
Non Cash Items in the Comprehensive Income and Expenditure Statement	(63,777)
Changes in Working Capital	3,239
Adjustment for Investing or Financing Activities included in the Net Surplus	13,929
<b>Net Cash Inflow from Operating Activities</b>	<b>(20,337)</b>
Cash Outflows from Investing Activities	62,856
Cash Inflows from Investing Activities	(13,929)
<b>Net Cash Outflow from Investing Activities</b>	<b>48,927</b>
Cash Outflows from Financing Activities	2,024
Cash Inflows from Financing Activities	(16,058)
<b>Net Cash Outflow from Financing Activities</b>	<b>(14,034)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>14,556</b>
<b>Cash and Cash Equivalents at 1 April 2012</b>	<b>35,818</b>
<b>Cash and Cash Equivalents at 31 March 2013</b>	<b>21,262</b>

## Statement by the Executive Director of Finance and Corporate Support

The Council's Financial Statements for the year ended 31 March 2013 have been prepared in accordance with proper practices as set out in the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

For the purpose of this statement some modifications were made to the figures derived from the Financial Statements in order to provide more meaningful information.

The Council's Financial Statements have been audited by Audit Scotland who have provided an unqualified opinion on the statements noting that they have been prepared in accordance with relevant legislation and the Code and give a true and fair view of the state of affairs of East Ayrshire Council as at 31 March 2013.

A full copy of the Financial Statements is available for examination on request. Applications in writing should be made to the Executive Director of Finance and Corporate Support, East Ayrshire Council Headquarters, London Road, Kilmarnock KA3 7BU

Alexander McPhee ACMA  
Executive Director of Finance and Corporate Support