

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 2011/12 was £348.379m, including the utilisation of £5.773m of balances. The year end position was a surplus of £7.088million.

The General Fund surplus for the year was £6.160m after transferring funds to replenish the Renewals and Repairs Fund. This resulted in an increased General Fund balance of £34.658m of which £17.056m is ear-marked and £6.013m has been approved for use in 2012/13 leaving £11.589m of an uncommitted General Fund balance.



Council Housing

The Council owns 12,894 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.

Within the HRA there is a favourable variance of £0.928m due to a legal settlement being no longer required partly offset by additional costs associated with the Council's Housing Investment Programme. This resulted in a reduced HRA balance of £2.325m



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 £69,960m of capital expenditure during 2011/12.

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 2011/12 was £54.686m on General Fund Services and £15.274 on Housing. This represents 90% of the planned expenditure level.

Capital Expenditure by Service	£000
Education Services	25,286
Cultural & Related Services	11,448
Environmental Services	1,953
Roads & Transportation	6,344
Social Work	801
Planning & Development	422
Corporate & Democratic Core	8,432
Total General Fund Services	54,686
Housing Services	15,274
TOTAL CAPITAL EXPENDITURE	69,960

Capital Financing by Source	£000
Government Grants	13,810
Capital Receipts	2,725
Capital Finance from Revenue	6,581
Borrowing	44,344
Capital Fund	2,500
TOTAL CAPITAL FINANCING	69,960

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 2012 £000
Property, Plant and Equipment	6,959
Total Non Current Assets	6,959
Short Term Investments	206
Total Current Assets	206
NET ASSETS	7,165
Capital and Revenue Reserves	206
Total Usable Reserves	206
Revaluation Reserve	6,959
Total Unusable Reserves	6,959
NET RESERVES	7,165

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 2012 the Council owns 12,894 dwelling houses.

Income	£000
Council House Rents	(36,150)
Other income	(2,465)
	(38,615)
Expenditure	
Repairs and Maintenance	13,707
Supervision and Management	8,655
Depreciation and Impairment	27,613
Other Costs	2,997
	52,972
Losses on the Disposal of Assets	1651
Interest and Investment Income	(244)
Interest Payable and Similar Charges	3,398
Pension Interest Cost	3151
Expected Return on Pension Assets	(3,506)
Deficit on the Housing Revenue Account	18,807

The figures for the Housing Revenue Account have been compiled in accordance with accounting requirements and include depreciation and impairment and pension costs

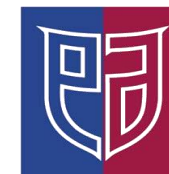
The Council owned the following types and numbers of dwellings at 31 March 2012:-

	Flats	Houses	Total
One Bedroom	1,680	844	2,524
Two Bedroom	3,357	3,101	6,458
Three Bedroom	624	3,023	3,647
Four Bedroom	15	248	263
Five Bedroom	2	-	2
Total	5,678	7,216	12,894

Balance Sheet	31 March 2012 £000
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Total Usable Reserves	206
Revaluation Reserve	6,959
Total Unusable Reserves	6,959
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In the Period from 1 April 2011 to 31 March 2012 the number of dwelling houses operated by the Council was reduced by 33.

This included the sale of 30 properties to tenants, the demolition of 44 properties, the conversion of 1 property from 2 dwellings to 1 and the construction of 40 new dwellings.



East Ayrshire
COUNCIL

Summary Financial Statements

2011/12



Details of the Council's spending during 2011/12 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	121,055
Other Education and Community Learning	11,645
Social Work	81,430
Housing	113,701
Libraries, Museums and the Arts	6,525
Leisure and Recreation	14,459
Cleansing and Waste Management	12,405
Roads and Lighting	19,651
Planning and Development	12,627
Police and Fire	15,201
Other Services and Expenses	35,834
Operating Expenditure	444,533

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	(203,679)
Scottish Government Capital Grants	(13,810)
Income from Council Tax	(48,837)
Income from Non Domestic Rates	(25,318)
Taxation and Non Specific Grants	(291,644)
Other Government Grants	(47,960)
Grants and Contributions from Other Bodies	(16,353)
Charges for Services	(66,739)
Service Income	(131,052)
Total Income	(422,696)
SURPLUS ON THE PROVISION OF SERVICES	21,837

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement presents the costs of running Council services between April 2011 and March 2012 and where the money came from to finance those costs.

	Expenditure £000	Income £000	Net £000
Education Services	132,700	(5,785)	126,915
Other Housing Services	61,622	(52,360)	9,262
Housing Revenue Account	52,079	(38,615)	13,464
Cultural & Related Services	20,984	(3,273)	17,711
Environmental Services	16,768	(3,470)	13,298
Fire Services	5,926	-	5,926
Police Services	11,035	(579)	10,456
Roads & Transportation	21,982	(3,745)	18,237
Planning & Development Services	12,627	(7,981)	4,646
Social Work	81,430	(14,439)	66,991
Central Services to the Public	1,314	(805)	509
Corporate & Democratic Core	7,825	-	7,825
Non Distributable Costs	2,719	-	2,719
Net Cost of Services	429,011	(131,052)	297,959
Losses on the Disposal of Assets			2,059
Interest and Investment Income		(1,292)	17,246
Interest Payable and Similar Charges			30,656
Pension Interest Cost		(33,147)	
Expected Return on Pension Assets			
Net Operating Expenditure			313,481
Government Grants		(203,679)	
Distribution from NDR Pool		(25,318)	
Capital Grants and Contributions		(13,810)	
Income from Council Tax		(48,837)	
SURPLUS ON THE PROVISION OF SERVICES			21,837

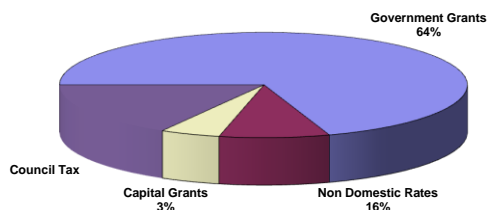
	£000
Employee Costs	173,314
Premises Costs	23,096
Transport Costs	11,909
Supplies & Services	36,725
Third Party Payments	75,545
Transfer Payments	59,537
Depreciation and Impairment Losses	66,262
Internal Recharges	(6,215)
Income	(142,214)
Net Cost of Services	297,959

SURPLUS ON THE PROVISION OF SERVICES 21,837

Subjective Analysis

	£000
Employee Costs	173,314
Premises Costs	23,096
Transport Costs	11,909
Supplies & Services	36,725
Third Party Payments	75,545
Transfer Payments	59,537
Depreciation and Impairment Losses	66,262
Internal Recharges	(6,215)
Income	(142,214)
Net Cost of Services	297,959

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 2012.

	31 March 2012 £000
Net Assets	540,466
Property, Plant and Equipment	913,603
Heritage Assets	55,519
Intangible Assets	136
Long Term Debtors	28
Total Non Current Assets	969,286
Inventories	1,168
Short Term Debtors	19,243
Assets Held for Sale	2,253
Short Term Investments	7,774
Cash and Cash Equivalents	35,818
Total Current Assets	66,256
TOTAL ASSETS	1,035,542
Pension Liabilities	(121,072)
Deferred Liabilities	(67,071)
Long Term Borrowing	(241,807)
Total Non Current Liabilities	(429,950)
Short Term Creditors	(53,538)
Short Term Borrowing	(11,588)
Total Current Liabilities	(65,126)
TOTAL LIABILITIES	(495,076)
NET ASSETS	540,466

Net Reserves

	31 March 2012 £000
Usable Reserves	59,652
(Available to Fund Services)	
General Fund Balance	34,658
Housing Revenue Account Balance	2,325
Renewals and Repairs Fund	9,104
Capital Grants Unapplied	84
Capital Fund	13,481
Total Usable Reserves	59,652
Unusable Reserves	480,814
(Unrealised and Deferred Impact on Taxation)	
Revaluation Reserve	370,070
Capital Adjustment Account	253,230
Financial Instrument Adjustment Account	(14,800)
Pensions Reserve	(121,072)
Accumulated Absences Account	(6,614)
Total Unusable Reserves	480,814
NET RESERVES	540,466

£19.381m of the cumulative combined General Fund and Housing Revenue Account balance of £36.983m is currently specifically earmarked. With £6.013m approved for utilisation in 2012/13, the cumulative uncommitted balance is £11.589m.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council between April 2011 and March 2012.

	£000
Surplus on the Provision of Services	21,837
Non Cash Items in the Comprehensive Income and Expenditure Statement	(68,794)
Changes in Working Capital	(4,011)
Adjustment for Investing or Financing Activities included in the Net Surplus	28,267
Net Cash Inflow from Operating Activities	(22,701)
Cash Outflows from Investing Activities	69,960
Cash Inflows from Investing Activities	(28,267)
Net Cash Outflow from Investing Activities	41,693
Cash Outflows from Financing Activities	2,013
Cash Inflows from Financing Activities	(43,952)
Net Cash Outflow from Financing Activities	(41,939)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,947)
Cash and Cash Equivalents at 1 April 2011	12,871
Cash and Cash Equivalents at 31 March 2012	35,818

Statement by the Executive Director of Finance and Corporate Support

The Council's Financial Statements for the year ended 31 March 2012 have been prepared in accordance with proper practices as set out in the CIPFA/LASAAC 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 2012.

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