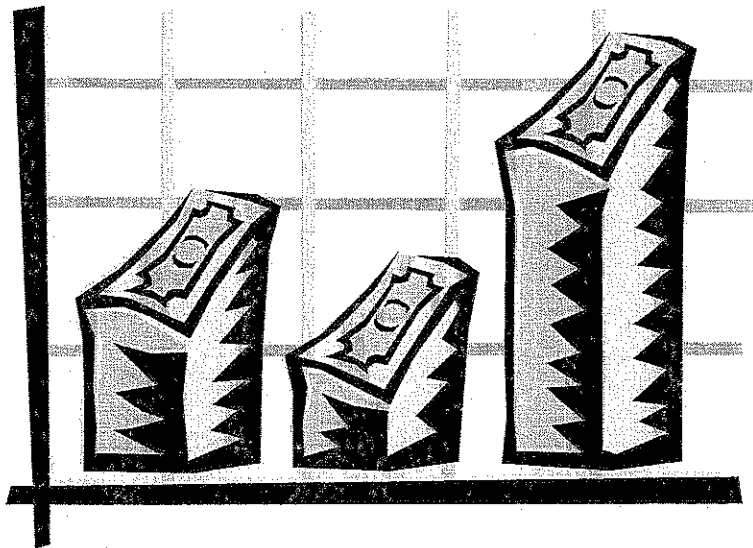


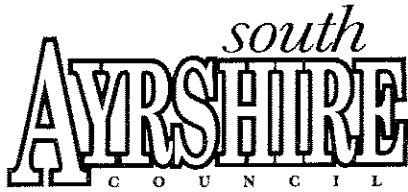


Annual Accounts

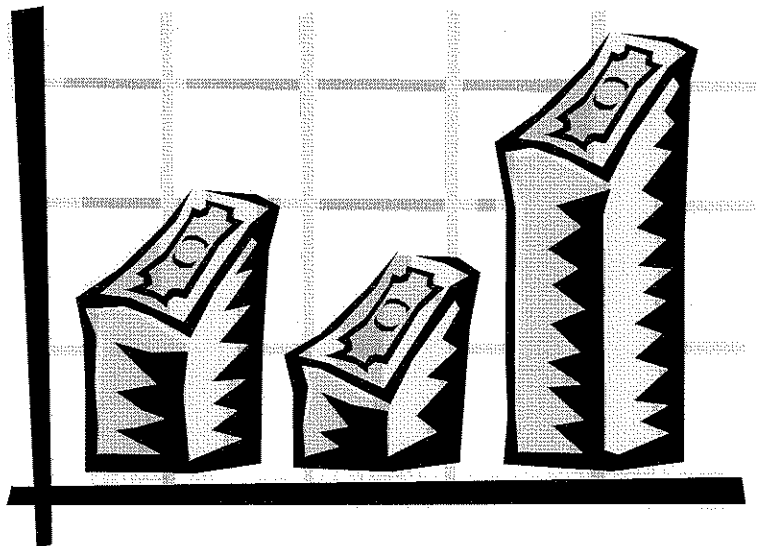


Year to

31 March 2003



Annual Accounts



Year to
31 March 2003

South Ayrshire Council
Annual Accounts 2002/03

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Explanatory Foreword

The Accounts comprise the following statements:

The report by the Depute Chief Executive summarises the financial performance of the Council during the year and highlights any major financial issues.

The Statement of Accounting Principles sets out the basis on which the accounts have been prepared.

The Consolidated Revenue Account shows the income raised by the Council during the year and how it was spent on services, financing costs and contributions to/from reserves. A comparison to budget is also made in this statement. The surplus or deficit is carried to the Consolidated Balance Sheet.

The Notes to the Consolidated Revenue Account provide additional information on some costs and income included within the Consolidated Revenue Account. The Council's expenditure has also been analysed in the Best Value Accounting Service Expenditure which is intended to aid comparison across Councils.

The Council Tax Income Account explains how the council tax income shown for the financial year in the Consolidated Revenue Account is made up.

The Non Domestic Rate Income Account shows the build up of non-domestic rate income, the contribution to or from the national pool and the resulting net income for the financial year to the Council which is shown in the Consolidated Revenue Account.

The Housing Revenue Account shows how income raised in relation to council houses was utilised during the year. A comparison with budget is made. This explains in more detail the entries for the Housing Revenue Account shown in the Consolidated Revenue Account. The surplus or deficit is carried to the Consolidated Balance Sheet.

The Consolidated Balance Sheet brings together all the assets and liabilities of the Council's General Fund, Direct Labour and Direct Service Organisations and Loans Fund. It is the statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.

The Notes to the Balance Sheet give further information on the make up of certain assets and liabilities.

The Statement of Total Movement on Reserves gives details of the balances on each reserve at the start of the financial year, movements during the financial year by source and the balance at the end of the financial year as shown in the Balance Sheet.

The Cash Flow Statement summarises the inflows and outflows of cash arising from the transactions with third parties on both day to day revenue transactions and expenditure on capital activities.

The Loans Fund Revenue Account shows the revenue transactions of the fund, which provides a central pool of finance for all the Council.

The Statement of Sundry Accounts summarises the financial performance of Trust and Other Funds administered by the Council.

The Common Good Funds are used for the benefit of specific communities and the statement provides a summary of the financial status of the funds administered by the Council.

The summary DLO/DSO Revenue and Appropriation Account gives the summarised financial outturn for each DLO/DSO for the financial year. It also shows how the overall surplus or deficit was dealt with. A note to the statement indicates whether the DLO/DSOs have achieved their statutory financial objectives. The overall DLO/DSO position is carried to the Consolidated Revenue Account.

The Capital Account shows each service's expenditure and the sources of financing.

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the authority and the Depute Chief Executive for the accounts.

The Statement on the System of Internal Financial Control sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The statement reports on significant identified weaknesses and the action undertaken to rectify these.

Report by Depute Chief Executive

1. Introduction

The accounts of South Ayrshire Council are set out in the following pages, and incorporate statistical and other information required by the Code of Practice on Local Authority Accounting.

2. Consolidated revenue account

This account gives a summary of net operating expenditure on all services funded by council tax, non-domestic rates and revenue support grant.

A summary of the account is shown on page 8.

The original 2002/03 budget assumed the use of an accumulated surplus brought forward of £2.675m. Additional surplus of £2.037m beyond the budget assumption allowed additional service expenditure to be planned. The amount to be met from government grant and local taxpayers was therefore £175.725m compared with budget of £179.380m. Income from government grant and local taxpayers was £174.971m compared with budget of £174.668m. This resulted in a loss for the year of £0.754m, with an accumulated surplus at 31st March 2003 of £3.958m.

The Council's expenditure has also been analysed on page 13 to show the Best Value Service expenditure analysis in order to comply with the requirements of the Best Value Accounting Code of Practice.

3. General fund

The accumulated surplus of £3.958m compared to the budgeted break-even position arises from lower than anticipated departmental expenditure and increased income from council tax. In setting the council's 2003/04 revenue budget, an accumulated surplus of £2.883m at 31st March 2003 was assumed.

4. Housing revenue account

A summary of the housing revenue account income and expenditure is shown on page 18. Income of £21.941m (budget £21.934m) exceeded expenditure of £21.324m (budget £21.935m), giving a surplus for the year of £0.617m. The surplus for the year requires to be added to the accumulated surplus as at 31 March 2002 of £3.952m giving an accumulated balance being carried forward to 2003/04 of £4.569m. The main reason for the surplus is lower than budgeted central administration costs and repairs and maintenance costs, offset by an increase in the bad debt provision. Members have already agreed that £0.550m of this accumulated surplus should be held in reserve for weather emergencies and that £3.441m be used to fund capital and revenue expenditure in future years.

5. Summary revenue account DLO/ DSO

A summary of the financial results for the Direct Labour/ Direct Service Organisations is shown on page 35.

Income of £36.318m exceeded expenditure of £35.175m by £1.143m (budget £1.832m). This surplus was transferred to the General Fund.

6. Council tax and non-domestic rates income account

Details of amounts received and collected in terms of the above items are shown on pages 14 to 17, together with details of rateable values/ numbers of properties for non-domestic properties. Details of the number of dwellings in each band and information on discounts, exemptions and reliefs are provided.

7. Cash flow statement

This statement - on page 27- summarises the Council's revenue and capital transactions on a cash basis, and reflects the movement in cash and cash equivalents.

8. Capital expenditure

Details of capital expenditure are shown on page 36.

The Council borrowed money within prescribed limits to fund capital expenditure.

9. Introduction of the Euro

As at 31 March 2003 the Council had incurred no expenditure and had made no commitments in respect of costs associated with the introduction of the Euro. Prior to any entry into full Euro trading, a significant review of all systems will require to be undertaken.

Statement of Accounting Principles

1. **General** - the abstract has been prepared taking into account the Code of Practice on Local Authority Accounting for Great Britain, and applying generally accepted accounting principles.
2. **Reserves and provisions** - details of all reserve funds and provisions are shown in the Statement of Total Movement in Reserves.
3. **Fixed assets** - in accordance with the Code of Practice, the following bases of valuation have been used:

- Operational (specialised) Properties are valued on the basis of Depreciated Replacement Cost (DRC)
- Operational (non-specialised) Properties are valued on the basis of the Open Market Value Existing Use (OMVEU)
- Non-operational Properties are valued on the basis of Open Market Value (OMV)
- Local Authority Housing Stock is valued on the basis of Net Realisable Value (NRV)
- Community and Infrastructure Assets are valued at Historical Cost
- Vehicles are valued on the basis of Net Realisable Value (NRV)

Housing stock, land and property are revalued on a 5 year rolling programme. The last 5 year revaluation programme was completed as at 31 March 2001. The valuations shown in these accounts reflect the second year of the latest 5 year programme.

Property valuations are carried out by the Principal Estates Surveyor, Mr Malcolm MacAskill, FRICS.

4. **Capital financing and redemption of debt** - receipts from the sale of assets, etc, are used to fund capital expenditure, and the balance is financed by advances from the Council's loans fund. Interest has been calculated and allocated to revenue accounts in accordance with the Local Authority (Scotland) Accounts Advisory Committee Guidance Note No 2, and has been accrued, where appropriate. The Council rationalised all loans fund repayments on an annuity basis with effect from 1996/97.
5. **Debt restructuring** - the Council in recent years has taken advantage of lower interest rates to restructure its loan debt. As a result of this exercise premiums have been incurred and discounts received, these will be charged to the Council's loans fund over the period of the new loans.
6. **Investments** - investments in local companies are recorded at the lower of cost or net realisable value.
7. **Stocks** - stocks are valued on either a weighted average price basis (computerised stock), or a 'first-in-first-out' (FIFO) basis.

8. **Work in Progress** – Valuation has been made at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.
9. **Debtors and creditors** - revenue and capital accounts have been prepared on an income and expenditure basis, and all known material debtor and creditor items have been brought into account.
10. **Government grants** - grants and subsidies have been matched with the expenditure to which they relate. Accruals have been made at 31 March 2003 in the appropriate revenue and capital accounts.
11. **Central support service costs** - costs have been allocated to the revenue and capital accounts of the authority largely on the basis of time spent by staff. Office accommodation has been allocated on the basis of floor area occupied. In accordance with the Accounting Code of Practice, corporate and direct services have been differentiated.
12. **Operating leases** - annual rentals under operating leases are charged to revenue when payable.
13. **Covenant scheme** – certain assets have been funded by means of a 21 year covenant. Interest on the repayments has been charged to revenue and the remaining indebtedness in respect of the covenant is recorded in the balance sheet as a deferred liability.
14. **Provisions** - the Council has made provision based on past experience, for the loss of local tax income arising from bad and doubtful debts and for successful valuation appeals. Provision has also been made for bad and doubtful debts for all other items of income and potential insurance liabilities in respect of ‘ex’ Strathclyde Regional Council.
15. **Deferred charges** - home improvement grants are now charged to the service revenue account in the year they are incurred. A corresponding adjustment is made through the capital financing reserve to ensure no net impact on Council tax.
16. **Pension costs** - the Council is a recognised ‘employing authority’ within the meaning of the Local Government Superannuation (Scotland) Regulations, and transfers sums collected from employee members and employer’s contributions to Glasgow City Council (which is the administering authority). The fund is subject to audit and actuarial valuations. This Council has no control over or access to the funds. Further information is disclosed in note 5 to the consolidated revenue account.
17. **Capital Charges** – revenue accounts are charged for the use of fixed assets by way of a capital charge or asset rental. The charge is made up of interest, at a prescribed rate, on the value of the asset and if appropriate an element of depreciation.
18. **Accruals** – Transactions have been recorded on an accruals basis, whereby sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year with provision being made on an actual or estimated basis for debtors and creditors as at 31 March 2003.

19. **Depreciation** - no depreciation has been charged on land, non-operational assets and community assets.

Infrastructure assets have been depreciated using the straight-line method over 40 years.

All other assets have been depreciated using the straight-line method over the remaining useful life of the asset. Technical officers within the owning departments determine the useful lives of non-property assets. The Principal Estates Surveyor determines the useful lives of property assets.

Depreciation is provided on vehicles on the 'straight line' basis at a rate based on the estimated remaining useful life of each vehicle.

20. **Impairment of Fixed Assets** – Where any category of fixed asset suffers an impairment loss in any financial period, this loss is recognised and charged as accelerated depreciation in that period.
21. **Capital Financed from Current Revenue** – accounting practice prohibits financing of capital expenditure from service revenue accounts other than in the case of the Housing Revenue Account.

Consolidated Revenue Account

Year ended 31 March 2003

2001/02 net expenditure £'000s	Service	2002/03 net expenditure budget £'000s	2002/03 gross expenditure £'000s	2002/03 gross income £'000s	2002/03 net expenditure £'000s
	Chief Executive's Department	6,013	35,317	30,633	4,684
	Development, Safety & Regulation	27,818	32,616	5,228	27,388
	Education, Culture & Lifelong Learning	81,219	90,287	9,379	80,908
	Environment, Land & Property	31,970	72,035	39,174	32,861
	Social Work, Housing & Health	37,154	48,216	10,999	37,217
	Housing Revenue Account	0	21,324	21,941	(617)
	Miscellaneous Services	6,427	15,280	12,041	3,239
	Social Inclusion Partnerships	273	273	0	273
	Net cost of services	190,874	315,348	129,395	185,953
	Asset Management Revenue Account	(3,329)	(3,400)	0	(3,400)
	DLO/ DSO Surplus	(1,832)	35,175	36,318	(1,143)
	Interest on Revenue Balances	(550)	(519)	0	(519)
162,795	Net operating expenditure	185,163	346,604	165,713	180,891
165	Contribution to/(from) HRA balances	0	(21,324)	(21,941)	617
(300)	Contribution to/(from) Repairs and Renewals Fund	0	0	0	0
(86)	Contribution to/(from) Insurance Fund	0	0	0	0
(6,943)	Contributions to Capital Financing Reserve	(5,783)	(5,783)	0	(5,783)
155,631	Amount to be met from government grant and local taxpayers	179,380	319,497	143,772	175,725
(73,979)	Revenue Support Grant	(88,560)	0	88,560	(88,560)
(3,842)	Non Domestic Rate Income Distributed	(4,949)	0	6,430	(6,430)
(30,838)	Non Domestic Rate Income	(33,319)	0	31,838	(31,838)
(10,264)	Other Government Grants	(7,467)	0	7,472	(7,472)
(1)	Former Rate	0	0	4	(4)
(37,647)	Council Tax Income	(40,313)	0	40,649	(40,649)
(43)	Community Charge Income	(60)	0	18	(18)
(156,614)	Amount received from government grant and local taxpayers	(174,668)	0	174,971	(174,971)
(983)	(Surplus)/deficit for year	4,712			754
(11)	Adjustment to inherited balances	0			0
(3,718)	(Surplus) / deficit brought forward	(4,712)			(4,712)
(4,712)	(Surplus) / deficit carried forward	0			(3,958)

Notes to consolidated revenue account:

- 1. Comparative Figures for 2001/02** – due to the departmental restructuring which took place at the start of the financial year 2002/03 it has not been possible to provide comparative out-turn figures for service departments for 2001/02.
- 2. Section 5 - Local Government (Scotland) Act 1986 - Publicity Account** - expenditure on publicity and advertising amounted to £322,705 as follows:-

	2001/02	2002/03
Recruitment	£32,440	£47,497
Publicity of Services	£256,993	£263,283
Publicity of Events	£8,330	£8,937
Other	£1,839	£2,988
TOTAL	£299,602	£322,705

- 3. Section 83 - Local Government (Scotland) Act 1973 - Donations** - under the above Act, a local authority may incur expenditure which is considered to be in the interest of all or part of its area to the benefit of its inhabitants. In general terms, this is the legislative provision authorising the payment of donations, and the sum which may be spent is the product of £3.80 for each member of the population (113,960).

For 2002/03, the sum authorised was £433,048 but actual expenditure was £204,409.

- 4. Trading activities** - with the exception of Contracting Services, for which a separate page is included in these accounts, there were no trading activities within the Council.
- 5. Pension costs** - the Council contributes to two pension schemes.

Local Government Superannuation (Scotland) Scheme - South Ayrshire Council subscribes to the Strathclyde Pension Fund, a funded defined benefits scheme. The scheme is supported by contributions from both employer and employee. The Council's contribution to the Fund is expressed as a percentage of the employee's contribution and for 2002-03 was set at 220%. During 2002-03 the Council made employer's contributions of £6.413m (2001-02 £5.459m). The increase in contributions arises mainly from the increase in levels from 210% to 220%. In accordance with FRS 17 "Retirement Benefits", the £6.413m contribution meets the obligation on the Council for the year to 31 March 2003.

The employer's contribution rate is determined by the Fund's Actuary based upon triennial actuarial valuations which determine whether employers are contributing sufficiently to maintain the Fund's solvency, the most recent valuation being carried out as at 31 March 2002. The employer's contribution in 2002-03 is 220% rising to 230% in 2003-04.

£0.660m (2001-02 £0.654m) of expenditure has been charged to the revenue account in respect of added years for former employees of Kyle and Carrick and Strathclyde Regional Council.

£0.400m (2001-02 £0.391m) of expenditure has been charged to the revenue account in respect of added years for former employees of South Ayrshire Council.

£0.050m (2001-02 £0.485m) of expenditure has been charged to the revenue account in respect of 'Strain on the Fund' costs and added years awarded to employees who left the Council during 2002/03.

The capital cost of discretionary increases in pensions payments agreed by the authority are as follows:

- In the year £0.507m
- In earlier years £14.401m

This includes both retirals from South Ayrshire Council itself, and retirals from predecessor authorities for which South Ayrshire Council is still making payments.

Scottish Teachers' Pension Scheme – the teachers' pension scheme is administered directly by the Scottish Executive. During 2002-03 the employer's contribution was set at 120% of the employee's. The Council paid £2.181m (2001-02 £2.226m) for employer's contributions to the Scottish Executive.

6. **Direct Labour and Direct Service Organisations.** The Council operates Direct Labour and Direct Service Organisations under the terms of the Local Government Planning and Land Act 1980 and the Local Government Act 1988. The statutory accounts of these organisations have been produced as a separate publication. Their net expenditure is also shown on the consolidated revenue account.
7. **Asset management revenue account** - the Code of Practice for Local Authority Accounting requires that services are charged with an asset rental or 'capital charge', which is based upon the current value of the asset rather than the historical financing cost. This account reflects the difference between the capital charges made in service accounts and the cost of financing those assets. The account is shown below.

<i>2001/02 £'000s</i>	<i>Asset management revenue account</i>	<i>2002/03 £'000s</i>
(20,195)	Capital charges	(18,590)
(776)	Deferred grants account	(1,508)
9,763	Depreciation	9,293
6,974	Interest	7,306
72	Expenses	99
(4,162)	Transfer to revenue account	(3,400)

8. **Contributions to capital financing reserve** - this consists of the difference between the principal repayment of capital to the loans fund not included in departmental revenue accounts and the depreciation charged (£6,948), the contribution from the deferred government grant account (£1,508), and the payment of improvement grants (£343). The account is shown below.

<i>2001/02 £'000s</i>	<i>Contributions to capital financing reserve</i>	<i>2002/03 £'000s</i>
(7,269)	Excess of principal over depreciation	(6,948)
776	Deferred government grant account	1,508
(450)	Improvement grants	(343)
(6,943)	Transfer to revenue account	(5,783)

9. Agency Income – West of Scotland Water Authority

The Council received £224,334 from West of Scotland Water Authority as an agency fee in respect of Water and Sewerage charges collected on their behalf by South Ayrshire Council.

10. Number of officers whose emoluments in the year were £40k or more.

Band	From	To	2001/02	2002/03
			No. of Officers	No. of Officers
(a)	£40,000 - £49,999		40	49
(b)	£50,000 - £59,999		20	25
(c)	£60,000 - £69,999		0	4
(d)	£70,000 - £79,999		5	1
(e)	£80,000 - £89,999		0	4
(f)	£90,000 - £99,999		1	1

11. Total of members allowances paid in the year.

	<u>2001/02</u>	<u>2002/03</u>
Members Allowances	£181,230	£ 191,640
Special Responsibility Allowance	£142,946	£ 178,284
Travel & Subsistence	£21,077	£ 18,434
Fares etc.	£803	£ 2,366
Telephone Expenses	£ 4,139	£ 7,074
Conference & Accommodation Exps	£ 7,610	£ 5,631
Totals	£357,805	£403,429

12. Local Authorities (Goods and Services) Act 1970 – Section 2 (2)

The Local Authority (Goods and Services) Act 1970 allows the Council to enter into agreements with other public bodies to provide goods and services.

The main activities in 2002/2003 were:

	£000's
Education, Culture & Life Long Learning	195
Social Work, Housing & Health	87
Environment, Land & Property	859
Development, Safety & Regulation	374
Chief Executives Department	361

13. Leasing

Operating lease expenditure during 2002/03 amounted to rental of £1.799m (2001/02 - £1.576m).

The estimated outstanding commitment payable on operating leases at 31 March is £3.422m (2001/02 - £4.061m), analysed as follows:

Operating Leases which expire:	Vehicles £'000	Computer £'000	Other £'000	2002/03 Total £'000	2001/02 Total £'000
Within 1 year	306	212	4	522	279
Between 2-5 years	2,459	143	47	2,649	3,329
Over 5 years	123	0	128	251	453
	2,888	355	179	3,422	4,061

14. Related Party Transactions

During the year transactions arose with the following related parties:

£'000s

Central Government & Government Agencies

Revenue Grants

Revenue Support Grant	88,560
NDRI	6,430
Council Tax Benefit Subsidy	5,824
Housing Benefit Subsidy	22,090
Specific Grants	13,447
Other Government Grants	3,896

Capital Grants

European Regional Development Fund	67
School Buildings Improvement Fund	614
Energy Efficiency Savings	290
Social Work	63
Arts Council	46
Infrastructure	32

Contributions to organisations

Ayrshire and Arran Tourist Board	176
North Ayr Priority Partnership Area	273

15. Deferred Charges

	<u>2001/02</u> £'000s	<u>2002/03</u> £'000s
Opening Balance as at 1 April	0	0
Improvement Grants	450	343
Written off to revenue in year	<u>(450)</u>	<u>(343)</u>
Balance as at 31 March	<u>0</u>	<u>0</u>

16. Best Value Accounting Code of Practice (BVACOP) – Service Expenditure Analysis

The Consolidated Revenue Account has been prepared in alignment with the Council's management structure, rather than the Service Expenditure Analysis detailed in the Best Value Accounting Code of Practice, in order to focus on managerial accountability and to enhance clarity of understanding. The impact of restating the Consolidated Revenue Account net expenditure with the Service Expenditure Analysis is detailed below:-

<i>2001/02 Net Expenditure</i>	<i>Service</i>	<i>2002/03 Net Expenditure Budget £</i>	<i>2002/03 Net Expenditure £</i>	<i>2002/03 Variance £</i>
70,232	Education Services	79,610	78,680	(930)
(166)	Housing Revenue Account	0	(617)	(617)
1,636	General Fund Housing	3,165	2,445	(720)
27,566	Social Work Services	38,040	38,073	33
13,930	Culture and Related Services	12,646	12,768	122
7,673	Environmental Services	11,477	11,171	(306)
12,246	Roads and Transport Services	11,010	11,201	191
2,874	Planning and Development Services	2,587	2,336	(251)
3,984	Corporate and Democratic Core	3,785	3,277	(508)
1,001	Unapportionable Central Overheads	2,886	354	(2,532)
2,126	Other Central Services to the Public	2,034	1,723	(311)
143,102	<u>Net Cost of Services</u>	167,240	161,411	(5,829)
25,222	Precepts and Levies	24,163	24,081	(82)
(4,162)	Asset Management Revenue Account	(3,329)	(3,400)	(71)
(95)	Leisure Management Surplus	(38)	(101)	(63)
(1,176)	DLO/DSO Surplus	(1,794)	(1,042)	752
339	Other Surpluses	(525)	472	997
(436)	Interest and Investment Income	(554)	(530)	24
162,794	Net Operating Expenditure	185,163	180,891	(4,272)

Collection of Council Tax, Rates and Community Charge

Council tax income account

	2001/02 £'000s	2002/03 £'000s
Gross charge	44,084	46,745
<i>Deduct:</i> Exemptions	(944)	(1,070)
Disabled relief	(54)	(59)
Discounts	(3,903)	(4,108)
Net Council tax	39,183	41,508
<i>Deduct:</i> Rebates	(5,648)	(6,111)
Less government grants	5,466	5,824
Other items	-	17
Provision for bad debts	(1,168)	(1,263)
Loss on benefits to be transferred to Miscellaneous Services	283	266
Grant on claimant error transferred to cost of collection	(59)	(83)
In year Council tax income	38,057	40,158
Prior year adjustments	(410)	491
Total Council tax income	37,647	40,649

Notes

1. **Council tax income** - the 2002/03 financial year is the eighth year of operation of the Council tax, which has replaced the community charge. The Council tax is based on the value of a domestic property, together with a personal element which takes into account the number and circumstances of that property's occupants.

Each property is placed in one of 8 valuation bands (A to H) in accordance with their value as at 1 April 1993. The Council tax charge levied for each property is calculated in proportion to the Council tax charge for a Band D property by applying fractions. A discount of 25 per cent on the Council tax charge is made where there are fewer than 2 residents of a property. Discounts of 50 per cent are made for unoccupied property. Persons in detention, students, mentally handicapped people, etc, are disregarded for Council tax purposes. Reductions in Council tax payable are also granted for disabled people.

The valuation bands, and the fractions used in calculating the Council tax payable for each valuation band, are set out below:

<i>Valuation band</i>	<i>Property valuation range</i>	<i>Fractions</i>
A	£0 to £27,000	6/9
B	£27,001 - £35,000	7/9
C	£35,001 - £45,000	8/9
D	£45,001 - £58,000	9/9
E	£58,001 - £80,000	11/9
F	£80,001 - £106,000	13/9
G	£106,001 - £212,000	15/9
H	Over £212,000	18/9

2. Calculation of the Council tax charge base 2002/03

<i>Council tax band</i>	<i>Valuation band</i>								<i>Total</i>
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>	
Total number of properties	7,428	12,412	7,943	7,448	8,621	4,172	2,515	215	50,754
<i>Less</i> exemptions/ deductions	212	256	154	62	117	65	34	4	904
<i>Less</i> adjustment for single discount	1,003	1,266	726	592	528	200	96	6	4,417
<i>Less</i> adjustment for double discount	71	104	88	84	66	27	17	6	463
Effective number of properties	6,142	10,786	6,975	6,710	7,910	3,880	2,368	199	44,970
Band D equivalent factor (ratio)	6	7	8	9	11	13	15	18	
Band D equivalent number of properties	4,095	8,389	6,200	6,710	9,668	5,604	3,947	398	45,011
Class 17 & 24 Dwellings									21
Total	4,095	8,389	6,200	6,710	9,668	5,604	3,947	398	45,032
<i>Less</i> provision for non- collection 3 per cent									1,351
Council tax base 2002/03 <i>(equivalent to a Council tax of £918)</i>									43,681

3. Council tax properties and Council tax charges

<i>Valuation band</i>	<i>Number of chargeable properties</i>	<i>Total Council tax charge £</i>
A	6,142	612
B	10,786	714
C	6,975	816
D	6,710	918
E	7,910	1,122
F	3,880	1,326
G	2,368	1,530
H	199	1,836
Total	44,970	

Non-domestic rate income account

	<i>2001/02</i> £'000s	<i>2002/03</i> £'000s
Gross charge	39,189	38,741
Deduct: Reliefs & Remissions	(6,475)	(5,315)
Interest on overpaid rates	(6)	0
Provision for bad debts	(653)	(668)
Net non-domestic rate income	32,055	32,758
Prior year adjustments	(1,217)	(920)
Total non-domestic rate income	30,838	31,838

National non-domestic rate pool (NNDRP):

NDRI Distributable	34,680	38,268
Contribution to NNDRP	30,838	31,838
Net contribution from NNDRP	3,842	6,430

Notes:

- Non-domestic rate income/ contribution from non-domestic rate pool** - with effect from 1993/94, all non-domestic rate income collected by local authorities (from non-domestic ratepayers) is paid into a national pool and redistributed to levying authorities (unitary and island Councils). The non-domestic rate income is redistributed from the national pool in proportion to the resident population of each local authority concerned, and therefore bears no direct relationship to the amount collected by those authorities.
- Rateable subjects and values**

Non-domestic rateable subjects

	<i>2001/02</i>	<i>2002/03</i>
Shops, offices, hotels, boarding houses, etc	3,167	3,168
Industrial	391	391
Formula valued	7	7
Miscellaneous	1,049	1,048
Total	4,614	4,614

Housing Revenue Account

Year ended 31 March 2003

2001/02 Actual £'000s		2002/03 Budget £'000s	2002/03 Actual £'000s	2002/03 Variance £'000s
3,077	Employee costs	2,957	2,925	32
1,147	Allocation of Central Administration etc	1,304	1,084	220
171	Insurances	226	217	9
193	Accommodation	244	203	41
387	Supplies and Services	373	312	61
4,975	Supervision and Management	5,104	4,741	363
105	Redecoration Allowances	85	95	(10)
8,482	Repairs and Maintenance	9,246	8,934	312
8,587	Repairs and Maintenance	9,331	9,029	302
619	Voids	742	748	(6)
45	Increase in Bad Debt Provision	10	251	(241)
664	Lost Rents	752	999	(247)
97	Transport Costs	100	96	4
274	Administrative Costs	302	279	23
270	Payments to Agencies, etc	271	271	0
641	Other Expenditure	673	646	27
696	Principal	357	337	20
3,964	Interest	4,044	3,865	179
41	Expenses	42	53	(11)
(350)	Interest on Revenue Balances	(350)	(323)	(27)
4,351	Financing Costs	4,093	3,932	161
2,278	CFCR	1,981	1,977	4
21,496	Total Expenditure	21,934	21,324	610
(20,033)	Dwelling Rents	(20,242)	(20,237)	(5)
(1,446)	Non Dwelling Rents	(1,469)	(1,453)	(16)
(182)	Other Income	(223)	(251)	28
(21,661)	Income	(21,934)	(21,941)	7
(21,661)	Total Income	(21,934)	(21,941)	7
(165)	Net (Surplus)/Deficit	0	(617)	(617)
(3,787)	Surplus brought forward		(3,952)	
(165)	Surplus for the year		(617)	
(3,952)	Accumulated (Surplus)/Deficit at end of year		(4,569)	

Notes to Housing Revenue Account:

1. A provision of £654,494 is included in the consolidated balance sheet for doubtful debts on housing rents.
- 2(a) At 31 March 2003, the Council held various types of accommodation, and had the following number and types of houses.

<i>Type of accommodation</i>	<i>Number of houses</i>
1 and 2 apartment	2,647
3 apartment	4,349
4 apartment	2,553
5 or more apartment	219
Total	9,768

<i>By area</i>	<i>Number of houses</i>
Ayr North	3,885
Ayr South	1,724
Troon	1,171
Prestwick	913
Maybole	870
Girvan	1,205
Total	9,768

- 2(b) At 31 March 2003, rent arrears amounted to £0.965m, being 4.4% of gross rent collectable. (2001/02 £0.867m, being 4.0% of gross rent collectable)

Consolidated Balance Sheet as at 31 March 2003

2002 - £'000s		2003 - £'000s
	Fixed assets (note 1)	
	<i>Operational -</i>	
133,955	Council dwellings	123,837
193,774	Other land and buildings	191,154
1,099	Vehicles, plant, etc	996
32,906	Infrastructure assets	35,343
878	Community assets	878
362,612		352,208
18,149	<i>Non-operational -</i>	18,806
380,761	Total Fixed Assets	371,014
18,856	Loans Premium (note 3)	18,307
141	Long term investments (note 4)	141
196	Loans (note 5)	153
	Current assets	
525	Stocks	537
2	Work in progress	64
38,029	Sundry debtors (note 9)	35,003
(18,361)	Provision for bad and doubtful debts (note 9)	(18,912)
1,400	Short term investments	4,950
38	Cash floats and imprests	43
21,633		21,685
421,587	Total Assets	411,300
	Less: Current liabilities	
823	Temporary and other loans repayable within a year	363
22,367	Sundry creditors	22,438
1,202	Provision for liabilities	245
8,989	Bank overdraft	6,481
3,249	Due to Common Good/ sundry accounts (note 6)	2,402
36,630		31,929
384,957	Total Assets less Current Liabilities	379,371
	Less: Long term liabilities	
159,068	Long term borrowing (note 7)	167,345
1,012	Covenant scheme (notes 2 & 7)	872
6,980	Government grant deferred	6,584
167,060		174,801
217,897	Total Net Assets	204,570
	Financed by	
154,588	Fixed asset restatement reserve	137,400
52,975	Capital financing reserve	57,456
576	Usable Capital Receipts Reserve	71
	<i>Reserves and fund balances</i>	
1,077	Repairs and Renewals Fund	1,116
18	Insurance Fund	0
4,712	General Fund Surplus	3,958
3,951	Housing Fund Surplus	4,569
217,897	Total Financing	204,570

Signed:



Depute Chief Executive

Date:

25th September 2003

Notes to Consolidated Balance Sheet at 31 March 2003

Note 1 - Fixed assets

Valuation of fixed assets

<i>Useful life</i>	<i>Category</i>	<i>Valuer</i>	<i>Basis of Valuation</i>	<i>Date of last Full Valuation</i>
5 to 99 years	Operational (specialised) Properties	Principal Estates Surveyor	Depreciated Replacement Cost (DRC)	31 March 2002
11 to 99 years	Operational (non-specialised) Properties	Principal Estates Surveyor	Open Market Value Existing Use (OMVEU)	31 March 2001
11 to 99 years	Non-operational Properties	Principal Estates Surveyor	Open Market Value (OMV)	31 March 2003
30 years	Local Authority Housing Stock	Principal Estates Surveyor	Net Realisable Value (NRV)	31 March 2002
Up to 40 years	Community and Infrastructure Assets	Not applicable	Historical Cost	Not applicable
1 to 7 years	Vehicles	Transport Manager	Net Realisable Value (NRV)	31 March 2001

Movement in fixed assets

The table below illustrates the movement in fixed assets, analysed by asset category, arising from additions, disposals, revaluations and depreciation during the year. As a result of these movements, the net book value of fixed assets held as at 31 March 2003 was £371m.

	<i>Council dwellings £'000s</i>	<i>Operational assets £'000s</i>	<i>Non-operational assets £'000s</i>	<i>Infrastructure assets £'000s</i>	<i>Community assets £'000s</i>	<i>Vehicles and equipment £'000s</i>	<i>Total £'000s</i>
Gross book value as at 1 April 2002	138,853	201,405	18,149	34,443	878	1,934	395,662
Revaluations	(7,096)	1,764	824	0	0	0	(4,508)
Additions	7,100	364	3	3,299	0	0	10,766
Disposals/ transfers	(5,886)	(863)	(170)	0	0	(17)	(6,936)
Gross book value as at 31 March 2003	132,971	202,670	18,806	37,742	878	1,917	394,984
Depreciation as at 1 April 2002	4,898	7,631	0	1,537	0	835	14,901
Charge for year	4,236	3,885	0	862	0	86	9,069
Balance as at 31 March 2003	9,134	11,516	0	2,399	0	921	23,970

Net book value as at 31 March 2003	123,837	191,154	18,806	35,343	878	996	371,014
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Note 2 – Covenant scheme

Covenant scheme - a covenant scheme was entered into in relation to six sports halls built in 1992. The capital costs were spread over 21 years, and the tenth capital payment of £140,000 was made in 2002/03. These sports halls are held within fixed assets.

Note 3 - Loans Premium

<i>Movements in year</i>	<i>Balance 31 March 2002 £'000s</i>	<i>Additions £'000s</i>	<i>Premiums Released £'000s</i>	<i>Balance 31 March 2003 £'000s</i>
Loans premium	18,856	0	549	18,307

Note 4 - Investments

	<i>2002 £'000s</i>	<i>2003 £'000s</i>
Freeport (Scotland) Ltd (74,000 ordinary shares)	40	40
West of Scotland Loans Fund Limited	100	100
SC Enterprise Fund	1	1
	141	141

Note 5 - Loans

	<i>2002 £'000s</i>	<i>2003 £'000s</i>
Local Government (D & F) Act 1964	2	2
Housing Acts	48	12
Payroll Rationalisation	10	10
Others	136	129
	196	153

Note 6 - Due to Common Good/ Sundry Accounts

This sum is made up of deposits by the various Common Good and sundry accounts with the Council's loans fund.

Note 7 - Analysis of borrowing

	<i>Covenant £'000s</i>	<i>PWLB £'000s</i>	<i>Local Bonds £'000s</i>	<i>Total £'000s</i>
1 to 2 years	140	723	265	1,128
2 to 5 years	420	405	1,209	2,034
5 to 10 years	312	677	91	1,080
10+ years	0	132,695	31,280	163,975
	872	134,500	32,845	168,217

Local Bonds (1 to 2 years) include EIB loans held by Glasgow City Council: debt was disaggregated, but the original loans are still administered centrally.

Note 8 – FRS 17 – Pension Assets and Liabilities

In accordance with Financial Reporting Standard No 17 – Retirement Benefits (FRS17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 5 to the Consolidated Revenue Account the Council participates in two formal schemes, the Local Government Superannuation Scheme, which is administered by the Glasgow City Council's Pension Fund and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme as the liability for payment of pensions rests ultimately with the Scottish Executive. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

The Council's assets and liabilities amounted to:

	<i>2003</i> <i>£'000s</i>
Share of assets in Glasgow City Council Fund	132,540
Estimated liabilities in City Council Fund	181,861
Net assets/ (liabilities) in City Council Fund	(49,321)

Assets and liabilities in Glasgow City Council fund are valued at fair value, principally market value for investments, and consist of:

	<i>2003</i> <i>£'000s</i>
Equity investments	98,419
Bonds	16,110
Property	15,298
Cash	2,713
Scheme liabilities	(166,953)
Unfunded liabilities	(14,908)
Net assets/ (liabilities) in City Council Fund	(49,321)

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on valuation as of 31 March 2002 by Hymans Robertson, the independent actuaries to the City Fund. The main assumptions used in the calculations are:

	<i>City Fund</i>
Rate of inflation	2.5%
Rate of increase in salaries	4.0%
Rate of increase in pensions	2.5%
Rate for discounting scheme liabilities	6.1%

Note 9 - Debtors and Provisions for Bad and Doubtful Debts

At 31st March 2003 the accounts include debtors totalling £35.003m and provisions against these debtors totalling £18.912m, analysed as follows:

	Gross Debtor £'000s	Bad Debt Provision £'000s	Net Debtor £'000s
Council Tax/ Community Charge	20,856	16,090	4,766
Non-Domestic Rates	3,283	1,949	1,334
Council House Rents	1,055	654	401
Revenue Support Grant	1,482	0	1,482
Customs and Excise	2,109	0	2,109
Sundry Debtors	6,218	219	5,999
Total	35,003	18,912	16,091

In addition, provision has been made for insurance costs totalling £0.245m in respect of South Ayrshire Council's share of ex Strathclyde Regional Council insurance claims.

Statement of Movement in Reserves

Movement in reserves

	£'000s	£'000s
Surplus/(Deficit) for the year		
General Fund	(754)	
Housing Revenue Account	617	
Add back Movements on specific revenue reserves	22	
Total increase/(decrease) in revenue reserves		(115)
Increase/(decrease) in usable Capital Receipts	(505)	
Total increase/(decrease) in capital reserves		(505)
Gains/(losses) on the revaluation, or the impairment, on fixed assets	(10,476)	
Total increase/(decrease) in unrealised value of fixed assets		(10,476)
Value of assets sold, disposed of or decommissioned		(6,712)
Capital receipts set aside	8,287	
Revenue resources set aside	(4,971)	
Total increase/(decrease) in amount set aside to finance capital investment		3,316
Other movements in capital reserves		1,165
Total movement in net worth		(13,327)

Statement of Movement in Reserves
Analysis of movement in reserves

	<i>Usable Capital Receipts</i>	<i>Fixed Asset Restatement Reserve</i>	<i>Capital Financing Reserve</i>	<i>Deferred Government Grant</i>
Movement in realised capital resources				
Amounts receivable in 2002/03	7,781			
Amounts applied to finance capital expenditure in 2002/03	(8,286)			
Movements in unrealised value of fixed assets				
Gains/(losses) on revaluation of fixed assets in 2002/03		(10,476)		
Value of assets sold, disposed of or decommissioned		(6,712)		
Amounts written off fixed asset balances for disposals in 2002/03				
Movements in amounts set aside to finance capital expenditure				
Capital receipts set aside in 2002/03				
Reserved receipts			4,922	
Usable capital receipts applied			3,365	
Total receipts set aside 2002/03			8,287	
Excess depreciation over debt repayments			(6,948)	
Capital financed from current revenue			1,977	
Total revenue resources set aside 2002/03			(4,971)	
Grants applied to capital investment in 2002/03				1,112
Amounts credited to the asset management revenue account in 2002/03				(1,508)
Total movement on government grant deferred account				
Other movements in capital reserves				
Deferred grant applied			1,508	
Improvement grants			(343)	
Total Movement on reserve in 2002/03	(505)	(17,188)	4,481	(396)
Balance as at 31 March 2002	576	154,588	52,975	6,980
Balance as at 31 March 2003	71	137,400	57,456	6,584

Cash Flow Statement

2001/02 £'000s		2002/03 £'000s	2002/03 £'000s
	Revenue Activities		
	Cash Outflows		
110,261	Cash paid to or on behalf of employees	118,950	
101,934	Other operating costs	110,762	
6,813	Housing benefit paid out	8,389	
219,008		238,101	
	Cash Inflows		
7,941	Rents (after rebates)	7,733	
7,908	DSS grants for allowances	5,329	
22,072	Other government grants (note 4)	15,919	
74,338	Revenue support grant	89,373	
31,150	Non-domestic rates	32,368	
1,453	National non-domestic rates receipts from national pool	6,772	
44,129	Council tax	46,645	
1	Former rates	4	
47	Community charge	20	
43,662	Cash received for goods and services	50,959	
232,701		255,122	
(13,693)	Net cash inflow from revenue activities (note 1)		(17,021)
	Servicing of Capital		
9,900	Interest paid	10,924	
-	Premium paid	-	
9,900		10,924	
143	Interest received	249	
9,757	Net cash outflow from servicing of Capital		10,675
	Capital Activities		
	Cash outflows:		
11,475	Purchase of fixed assets	10,766	
5,567	Other capital cash payments	6,087	
17,042	Total payments	16,853	
	Cash inflows:		
6,718	Capital cash receipts	7,781	
1,070	Capital grants	1,112	
7,788	Total income	8,893	7,960
9,254	Net cash outflow from capital activities		1,614
5,318	Net Cash inflow before Financing		
(4,005)	Management of Liquid Resources		3,550
	Increase/Decrease in investments		
	Financing		
	Cash Outflows	18,673	
9,314	Repayments of amounts borrowed		
	Cash Inflows	17,850	
8,900	New short term loans raised		
-	New long term loans raised	8,500	
414	Net cash outflow from financing		(7,677)
1,727	Decrease in cash		(2,513)

Notes to Cash Flow Statement

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

2002 £'000s		2003 £'000s	
(983)	General Fund (Surplus)/Deficit	754	
(165)	Housing Revenue Account (Surplus)/Deficit	(617)	
(11)	Adjustment to SRC inherited balance	0	
(1,159)	(Surplus)/Deficit for the year		137
	<i>Adjust surplus for items accounted for elsewhere in statement</i>		
(9,757)	Loans fund interest	(10,675)	
(2,493)	Loans fund Principal	(2,121)	
(2,159)	Capital financed from current revenue	(1,977)	
(14,409)			(14,773)
	<i>Adjust surplus for internal items</i>		
(1,062)	Contributions to funds	(39)	
1,439	Use of funds	18	
377			(21)
	<i>Adjust surplus for movements in working capital</i>		
901	Increase/(Decrease) in debtors	11,994	
794	(Increase)/Decrease in sundry creditors	(15,236)	
(214)	(Increase)/Decrease in other creditors	847	
8	Increase/(Decrease) in stock and work in progress	74	
9	Increase/(Decrease) in loans	(43)	
1,498			(2,364)
(13,693)	Net cash inflow from revenue activities		(17,021)

Note 2 – Reconciliation to Net Debt

	£'000s	£'000s
Decrease in cash	(2,513)	
Decrease in debt	7,677	
Increase in liquid resources	(3,550)	
Movement in debt in period		1,614
Net debt at 01.04.02		168,454
		170,068

Analysis of net debt	£'000s 01.04.02	£'000s Cash Flow	£'000s 31.03.03
Cash on hand	(38)	(5)	(43)
Overdrafts	8,989	(2,508)	6,481
Sub Total (A)	8,951	(2,513)	6,438
Debt due within 1 year	823	(460)	363
Debt due after 1 year	159,068	8,277	167,345
Covenant Scheme	1,012	(140)	872
Sub Total (B)	160,903	7,677	168,580
Short term investments	(1,400)	(3,550)	(4,950)
Sub Total (C)	(1,400)	(3,550)	(4,950)
Total (A)+(B)+(C)	168,454	1,614	170,068

Note 3 – Reconciliation of relevant movements within the Financing & Management of Liquid Resources

	£'000s Balance at 31.03.03	£'000s Balance At 01.04.02	£'000s 2002/03 Movement
Management of Liquid Resources			
Short term deposits	4,950	1,400	3,550
Management of Financing			
Temporary Loans	223	683	(460)
PWLB Loans	134,500	131,635	2,865
Covenant Loans	1,012	1,152	(140)
Local Bonds/EIB Loans	32,845	27,433	5,412
	168,580	160,903	7,677

Note 4 – Analysis of Other Government Grants

	£'000s
Police	7,386
Classroom assistants	1,378
Criminal Justice Management	1,006
National Grid for Learning	834
Reducing Class Sizes	515
New Opportunities Funding	467
Homeless Strategy	446
Early Intervention	443
Inclusion	379
Discipline Resources	298
Mental Illness	286
Special Education	263
Alternatives to Exclusion	248
Support for Teachers	245
Study Support	241
Council Tax Benefit Admin	197
Rebate Admin	190
Social Work Training	156
Public Private Partnership	150
Higher Still	140
New Community Schools	140
Supporting Parents	125
Verification Framework	109
Rural Public Transport	104
Sundry Grants	173
Total	15,919

Loans Fund Revenue Account

Established under Section 16 of and Third Schedule to the Local Government (Scotland) Act 1975.

<i>2001/02</i> <i>£'000s</i>		<i>2002/03</i> <i>£'000s</i>
Expenditure		
11,025	Interest paid on loans	11,368
88	Interest on revenue balances	86
113	Expenses of borrowing	152
11,226	Total	11,606

Income		
10,970	Interest recharged to departments	11,200
113	Expenses recharged to departments	152
143	Interest received	254
11,226	Total	11,606

Sundry Accounts

(a) Trust Funds

The Council currently administers 102 trust funds from local benefactors from which payments are made for specified purposes. It is proposed to amalgamate 100 of these trusts into 3 trusts to ensure they can be used effectively and beneficially for the residents of South Ayrshire.

<i>Revenue accounts</i>	<i>2001/2002 £'000</i>	<i>2002/2003 £'000</i>
Balance at 1 April	1,207	1,247
Income for year	72	75
Expenditure During Year	32	26
Balance at 31 March	1,247	1,296

<i>Balance Sheet as at 31st March</i>	<i>2002 £'000</i>	<i>2003 £'000</i>
<i>Assets</i>		
Investments	195	198
External Investments Bank A/c	35	35
Current Assets – Temporary Deposit in the Loans Fund	1,017	1,063
Total Assets	1,247	1,296
<i>Reserves</i>		
Revenue	835	879
Capital	412	417
	1,247	1,296

(b) Other Funds

	<i>2003 £'000s</i>
Balance due by loans fund	7
Investments	3
	10

Abstract of Common Good Accounts

For the Year ended 31 March 2003

Revenue Accounts

	Ayr £'000	Troon £'000	Prestwick £'000	Maybole £'000	Girvan £'000	Total £'000	2001/02 £'000
EXPENDITURE - Property Costs	177	0	0	0	2	179	350
Donations & Contributions	433	0	36	0	0	469	366
Other Expenditure	21	0	0	0	0	21	44
	631	0	36	0	2	669	760
INCOME - Rents	626	0	22	0	0	648	651
Interest on Loans	98	1	8	0	1	108	107
Other Income	0	0	0	0	0	0	4
	724	1	30	0	1	756	762
Surplus/(Deficit) for Year	93	1	(6)	0	(1)	87	2
Surplus Brought Forward	239	26	219	1	3	488	486
Accumulated Surplus	332	27	213	1	2	575	488

Balance Sheet as at 31 March 2003

2002 £'000		2003 £'000
12,891	Fixed assets (note 1)	13,170
	Current assets	
5	Loans	0
35	Stock	35
2,074	Loans Fund Investment	2,186
2,114		2,221
15,005		15,391
	Less: Current liabilities	
20	Creditors and Accruals	30
20		30
14,985		15,361
	Financed by	
3,600	Capital Reserve	3,600
488	Revenue Reserve	575
1,813	Usable Capital Receipts Reserve (Note 2)	1,823
9,084	Revaluation reserve (Note 3)	9,363
14,985		15,361

Notes to Common Good Account

- 1) **Valuation of Fixed Assets** –These assets have been revalued as part of a rolling programme by the Principal Estates Surveyor, Mr Malcolm McAskill (FRICS), and are at 2000/01 valuations.
- 2) **Usable Capital Receipts Reserve** – This reserve represents the proceeds of disposals of Common Good Assets.
- 3) **Revaluation Reserve** – This represents the difference between the costs of fixed assets and the valuations (see note 1) adjusted for disposals.

Direct Labour and Direct Service Organisations

Summary Revenue Account

Operations

The Council operates 2 Direct Labour Organisations under the provisions of the Local Government Planning and Land Act 1980, and 6 Direct Service Organisations under the provisions of the Local Government Act 1988.

Financial results

The results of the Direct Labour and Direct Service Organisations are as follows:

Year ended 31 March 2003

	<i>Turnover £'000s</i>	<i>Total expenditure £'000s</i>	<i>Operating surplus/(deficit) £'000s</i>	<i>Transfer (to)/from general fund £'000s</i>
Direct Labour				
Building Works - construction under £50000	974	670	304	(304)
Building Works - construction over £50000	2,570	2,505	65	(65)
Building Works - maintenance	10,054	9,719	335	(335)
Roads - Other	4,333	4,231	102	(102)
Direct Service				
Refuse Collection	3,160	3,145	15	(15)
Other Cleaning	2,993	2,871	122	(122)
Grounds Maintenance	3,456	3,450	6	(6)
Vehicle Maintenance	751	648	103	(103)
Building Cleaning	2,254	2,177	77	(77)
Catering – Schools and Welfare	2,648	2,673	(25)	25
Catering – Other	401	400	1	(1)
Leisure Management	2,724	2,686	38	(38)
Sub Total	36,318	35,175	1,143	(1,143)
Non Statutory Activities	17,491	17,963	(472)	472
Total	53,809	53,138	671	(671)

Financial returns

The implementation of the new CIPFA accounting guidelines has meant that the DLOs/DSOs no longer have to make a rate of return on capital employed, they merely have to break even after the appropriate capital charges have been made. All DLOs/DSOs with the exception of Catering achieved their financial target in 2002/03. A full set of the DSOs/DLOs accounts can be obtained from Financial Services.

Capital Account

Capital Expenditure for 2002/2003

By service	£'000
Roads - Transport	2,977
Education	2,480
General Services	4,409
Housing revenue account	6,982
Total payments	16,848
Financed by:	
Borrowing	10,534
Capital receipts ,grants and contributions	4,337
Revenue contributions	1,977
	16,848

Notes to the Capital Account

Note 1 - Each year the government sets a limit upon each local authority's capital spending. This limit can be increased by the use of Capital Receipts during the year. The expenditure that counts against this limit is not, however, exactly the same as that indicated in the Capital Expenditure statement.

Note 2 - Not all capital expenditure necessarily increases the value of the council's fixed assets in the year in which the expenditure occurs. Certain expenditure may maintain current values, work-in-progress may result in a further increase in value and other expenditure may not result in an equivalent enhancement of value.

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs, and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Depute Chief Executive; and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Depute Chief Executive's responsibilities

The Depute Chief Executive is responsible for the preparation of the authority's statement of accounts, which, in terms of the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice) is required to present fairly the financial position of the authority at the accounting date, and its income and expenditure for the year ended 31 March 2003.

In preparing this statement of accounts, the Depute Chief Executive of South Ayrshire Council has:

- selected suitable accounting policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Depute Chief Executive has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on the System of Internal Financial Control

This statement applies to the 2002/03 accounts for South Ayrshire Council. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of financial control can provide only reasonable and not absolute assurances 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 controls 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 forecasts and targets;
- Clearly defined capital expenditure guidelines; and
- Formal project management disciplines, as appropriate

The Internal Audit function within South Ayrshire Council is responsible directly to the Depute Chief Executive for the independent appraisal of the Council's internal systems of 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 United Kingdom. The section undertakes an annual programme of work approved by Performance Appraisal and Audit Sub Committee of Policy and Resources Committee and is based on a five-year strategic audit plan. The strategic audit plan is based on a formal risk assessment process that will be revised to reflect evolving risks and changes within the Council.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on all audits recommendations. An ongoing review process is in place to monitor the progress on the implementation of those issues and to assist managers in the performance of their duties and responsibilities in these areas. Significant matters (including no-compliance with audit recommendations) arising from internal audit work are reported directly to the Depute Chief Executive, the Chief Executive and the Council's Performance Appraisal and Audit Sub Committee.

The effectiveness of internal financial control is dependent on the actions of officers of South Ayrshire Council and by the work of Internal and External Audit. It is the Council's view that the systems for internal control were reasonably effective during 2002/03. An internal audit investigation is currently ongoing into the awarding of contracts. This investigation may identify weaknesses in internal control that would require to be addressed by the Council.



George Thorley
Chief Executive
25th September 2003



Tom Cairns
Depute Chief Executive
25th September 2003

Independent Auditors' Report to the members of South Ayrshire Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements on pages 8 to 36 under the Local Government (Scotland) Act 1973. The financial statements have been prepared in accordance with the accounting policies set out on pages 5 to 7.

This report is made solely to the members of South Ayrshire Council and to the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than South Ayrshire Council and the Accounts Commission, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of the Director of Finance and Auditors

As described on pages 3 to 4 the Depute Chief Executive of the Council is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). Our responsibilities, as independent auditors, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements present fairly the financial position of the Council at 31 March 2003 and its income and expenditure for the year. We also report if, in our opinion, the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control on page 38 complies with the requirements of the SORP. We report if, in our opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Depute Chief Executive in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly the financial position of the Council as at 31 March 2003 and its income and expenditure for the year then ended.

Failure to comply with statutory requirement

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

We draw attention to the results of the Schools and Welfare Catering Direct Service Organisation, which are detailed on page 35. Directions given under the Local Government Act 1988 require the Direct Service Organisation to at least break even. That prescribed financial objective was not met by the Direct Service Organisation.

KPMG LLP
Chartered Accountants
Registered Auditor

24 Blythswood Square
Glasgow
G2 4QS

25th September 2003

