



# **Annual Accounts**

**Year to  
31 March 2004**

**South Ayrshire Council**  
**Annual Accounts 2003/04**

*Contents*

	<i>Page</i>
<b>Explanatory Foreword</b>	1 to 2
<b>Report by the Chief Executive</b>	3 to 5
<b>Statement of Accounting Policies</b>	6 to 8
<b>Consolidated Revenue Account</b>	9
<i>Notes to Consolidated Revenue Account</i>	10 to 17
<b>Council Tax Income Account</b>	18 to 19
<b>Non Domestic Rate Income Account</b>	20 to 21
<b>Housing Revenue Account</b>	22
<i>Notes to Housing Revenue Account</i>	23
<b>Consolidated Balance Sheet</b>	24
<i>Notes to Consolidated Balance Sheet</i>	25 to 28
<b>Statement of Total Movement in Reserves</b>	29 to 31
<b>Cash Flow Statement</b>	32
<i>Notes to Cash Flow Statement</i>	33 to 35
<b>Sundry Accounts</b>	36
<b>Abstract of Common Good Accounts</b>	37 to 38
<b>Capital Account</b>	39
<b>Statement of Responsibilities</b>	40
<b>Statement on the System of Internal Financial Control</b>	41
<b>Audit Certificate</b>	42

## Explanatory Foreword

**The Accounts comprise the following statements:**

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

**The Statement of Accounting Policies** 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. 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 format which is intended to aid comparison across Councils. The Council's trading accounts' performance is shown as a note to the Consolidated Revenue Account.

**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, Housing Revenue Account 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 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 Capital Account** shows the major areas of 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 Chief Executive, as the Council's Section 95 Officer, 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 the 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

The Consolidated Revenue Account shows a surplus of £0.082m for the year. Adding the surplus brought forward from 2002/03 of £3.958m resulted in a cumulative surplus of £4.040m at 31<sup>st</sup> March 2004.

A summary of the account is shown on page 9.

#### **Budget Performance**

The original 2003/04 budget assumed the use of an accumulated surplus brought forward from 2002/03 of £2.883m. Additional surplus of £1.075m beyond the budget assumption allowed additional service expenditure to be planned.

The main factors contributing to the accumulated surplus at 31<sup>st</sup> March 2004 of £4.040m are:-

Contingency fund balance - the additional 2002/03 surplus was initially added to the Council's planned 2003/04 contingency fund within Miscellaneous Services of £1.000m, resulting in a contingency fund of £2.075m for 2003/04. Draws from the Fund of £0.817m were approved during the year, leaving a balance of £1.258m at 31<sup>st</sup> March 2004.

Additional council tax collected of £0.307m.

Departmental under-spends totalling £2.995m.

	<b>Budget 2003/04</b>	<b>Actual 2003/04</b>	<b>Over/ (Under) Spend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive's	6,214	5,470	(744)
Development, Safety & Regulation	22,508	22,139	(369)
Education, Culture & Lifelong Learning	84,912	83,775	(1,137)
Environment, Land & Property	31,458	31,445	(13)
Social Work, Housing & Health	42,232	41,500	(732)
<b>Departmental Expenditure</b>	<b>187,324</b>	<b>184,329</b>	<b>(2,995)</b>
Miscellaneous Services, Debt Charges, Pension Costs etc	(1,751)	(2,489)	(738)
<b>Total Expenditure to be Funded</b>	<b>185,573</b>	<b>181,840</b>	<b>(3,733)</b>
Revenue Support Grant/ Non-Domestic Rate Income	(139,123)	(139,123)	0
Council Tax/ Community Charge Income	(42,492)	(42,799)	(307)
<b>Funding</b>	<b>181,615</b>	<b>181,922</b>	<b>(307)</b>
<b>(Surplus)/ Deficit for Year</b>	<b>3,958</b>	<b>(82)</b>	<b>(4,040)</b>
(Surplus)/ Deficit Brought Forward	(3,958)	(3,958)	
<b>Balance at 31<sup>st</sup> March 2004</b>	<b>0</b>	<b>(4,040)</b>	

The Council's expenditure has also been analysed on page 15 to show the Best Value Service Expenditure Analysis in order to comply with the requirements of the Best Value Accounting Code of Practice.

### 3. Housing revenue account

A summary of the housing revenue account income and expenditure is shown on page 22. Income of £21.272m exceeded expenditure of £19.739m, giving a surplus for the year of £1.533m. The surplus for the year requires to be added to the accumulated surplus as at 31 March 2003 of £4.569m giving an accumulated balance being carried forward to 2004/05 of £6.102m. The main reason for the surplus is lower than budgeted repairs and maintenance costs and debt financing costs, offset by lower than budgeted rental income. Members have already agreed that £0.550m of this accumulated surplus should be held in reserve for weather emergencies and that £3.920m be used to fund capital and revenue expenditure in future years. This leaves an uncommitted balance of £1.632m.

### 4. Trading Accounts

The Local Government in Scotland Act 2003 repeals the former CCT legislation and now requires councils to maintain statutory trading accounts for 'significant trading operations'. These trading accounts require to break even over a three year rolling period. South Ayrshire Council has reviewed the guidance provided by CIPFA and has agreed to maintain statutory trading accounts for seven council services. Details of the performance of these seven services can be found in the notes to the consolidated revenue account. The council is currently undertaking a review of its activities. As part of this review, decisions will be taken on the charging policies and subsidy levels where applicable for all of its trading activities.

**5. Council tax and non-domestic rates income account**

Details of amounts received and collected in terms of the above items are shown on pages 18 to 21, 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.

**6. Cash flow statement**

This statement, on page 32, summarises the Council's revenue and capital transactions on a cash basis, and reflects the movement in cash and cash equivalents.

**7. Capital expenditure**

Details of capital expenditure are shown on page 39.

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

**8. Introduction of the Euro**

As at 31 March 2004 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.

Tom Cairns, MA CPFA  
Chief Executive  
22 June 2004

## Statement of Accounting Policies

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** - details of all reserve funds 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 third 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 2004 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 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. **Pensions** –

**a) local government pension scheme** - 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 contributions are determined by a qualified actuary on the basis of triennial valuations using the ‘projected accrued benefit’ method. The scheme is a defined benefit scheme providing pension benefits and life assurance for all permanent staff and has been accounted for in accordance with the requirements of *Financial Reporting Standard 17, Retirement Benefits* (“FRS 17”).

The defined benefits pension scheme’s assets are included at market value and this is compared to the present value of the scheme liabilities using a projected unit method and discounted at a rate prescribed by CIPFA/LASAAC. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to service revenue accounts. The expected return on the scheme’s assets and the increase during the period is the present value of the scheme’s liabilities arising from the passage of time are included within net operating expenditure. An appropriation is made to/from the pension reserve so the amount to be met from government grant and local taxpayers excludes amounts relating to pension costs and returns.

*b) Teachers pension scheme* - teachers employed by the Council are members of the Teachers Superannuation Scheme, administered by the Scottish Public Pension Agency. 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. The scheme is not able to identify each individual body's share of the underlying liabilities on a consistent and reasonable basis and as such this is accounted for as if it were a defined contribution scheme with service revenue accounts charged with contributions payable in year by the Council.

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 2004.
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.

**Consolidated Revenue Account**  
**Year ended 31 March 2004**

<i>2002/03 net expenditure (restated)</i> <i>£'000s</i>	<i>Service</i>	<i>2003/04 gross expenditure</i> <i>£'000s</i>	<i>2003/04 gross income</i> <i>£'000s</i>	<i>2003/04 net expenditure</i> <i>£'000s</i>
4,684	Chief Executive's Department	43,222	37,752	5,470
19,988	Development, Safety & Regulation	34,987	12,848	22,139
80,886	Education, Culture & Lifelong Learning	91,345	7,570	83,775
31,594	Environment, Land & Property	108,108	76,663	31,445
37,459	Social Work, Housing & Health	61,682	20,182	41,500
(622)	Housing Revenue Account	19,715	21,272	(1,557)
4,366	Miscellaneous Services	12,910	11,795	1,115
<b>178,355</b>	<b>Net cost of services</b>	<b>371,969</b>	<b>188,082</b>	<b>183,887</b>
(3,400)	Asset Management Revenue Account	2,028	0	2,028
(519)	Interest on Revenue Balances	(534)	0	(534)
(2,044)	Pension Interest Cost and Expected Return on Pension Assets	1,831	0	1,831
<b>172,392</b>	<b>Net operating expenditure</b>	<b>375,294</b>	<b>188,082</b>	<b>187,212</b>
617	Contribution to/(from) HRA balances	(19,739)	(21,272)	1,533
1,027	Contribution to/(from) Pensions Reserve	(1,137)	0	(1,137)
(5,783)	Contributions to Capital Financing Reserve	(5,768)	0	(5,768)
<b>168,253</b>	<b>Amount to be met from government grant and local taxpayers</b>	<b>348,650</b>	<b>166,810</b>	<b>181,840</b>
(88,560)	Revenue Support Grant		(99,159)	(99,159)
(6,430)	Non Domestic Rate Income from Pool		(8,203)	(8,203)
(31,838)	Non Domestic Rate Income Collected		(31,761)	(31,761)
(4)	Former Rate		0	0
(40,649)	Council Tax Income		(42,788)	(42,788)
(18)	Community Charge Income		(11)	(11)
<b>(167,499)</b>	<b>Amount received from government grant and local taxpayers</b>		<b>(181,922)</b>	<b>(181,922)</b>
754	(Surplus)/deficit for year			(82)
(4,712)	(Surplus) / deficit brought forward			(3,958)
<b>(3,958)</b>	<b>(Surplus) / deficit carried forward</b>			<b>(4,040)</b>

**Notes to consolidated revenue account:****1. Prior Year Adjustment**

The Council has fully adopted the requirements of FRS17 for the first time in 2003-04. This represents a change in accounting policy and in accordance with the requirements of *Financial Reporting Standard 3, Reporting Financial Performance*, a prior period adjustment is required to restate comparative figures in the preceding accounting period and adjusting the opening balances of reserves for the cumulative effect.

The previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policy better reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior period:

- the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are £1.017m or 0.57% higher after the replacement of employer's contributions by current service costs and net operating expenditure is £1.027m or 0.59% lower than it would be otherwise have been
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by £64.368m or 30.48%.

**2. Section 5 - Local Government (Scotland) Act 1986 - Publicity Account - expenditure on publicity and advertising amounted to £0.357m as follows:-**

2002/03 £'000s		2003/04 £'000s
48	Recruitment	40
263	Publicity of Services	250
9	Publicity of Events	47
3	Other	20
<b>323</b>	<b>TOTAL</b>	<b>357</b>

**3. 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 2003-04 was set at 230%. During 2003-04 the Council made employer's contributions of £7.070m (2002-03 £6.413m). The increase in contributions arises mainly from the increase in levels from 220% to 230%. In accordance with Financial Reporting Standard No 17 "Retirement Benefits" (FRS17), the £7.070m contribution meets the obligation on the Council for the year to 31 March 2004.

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 will increase to 240% in 2004-05.

In accordance with FRS17 "Retirement Benefits" the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Expenditure and income included in the consolidated revenue account for 2003/04 is as follows:

2002/03 £'000s		2003/04 £'000s
	<b>Amount Charged to Revenue</b>	
6,806	Current service costs	7,802
288	Past service costs	32
839	Curtailement and settlements	3
<b>7,933</b>	<b>Total Operating Charge</b>	<b>7,837</b>
	<b>Amount Credited to Revenue</b>	
17,396	Expected return on employers assets	14,221
(15,352)	Interest on pension liabilities	(16,052)
<b>2,044</b>	<b>Net Return</b>	<b>(1,831)</b>
<b>5,889</b>	<b>Net Revenue Account Cost</b>	<b>9,668</b>

Further details of the implications of FRS17 on the Consolidated Balance Sheet and Movement in Reserves are provided in notes to those sections of the accounts.

**Scottish Teachers' Pension Scheme** – the teachers' pension scheme is administered directly by the Scottish Executive. During 2003-04 the employer's contribution was set at 208% of the employee's. The Council paid £3.564m (2002-03 £2.181m) for employer's contributions to the Scottish Executive.

4. **External audit fees** – in 2003-04 South Ayrshire Council incurred the following fees relating to external audit and inspection services from the appointed auditor:

2002/03 £'000s		2003/04 £'000s
179	Agreed audit fee	168
50	Notified fixed charge element	75
<b>229</b>	<b>Total</b>	<b>243</b>

5. **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>2002/03 £'000s</i>	<i>Asset management revenue account</i>	<i>2003/04 £'000s</i>
(18,590)	Capital charges	(13,317)
(1,508)	Deferred grants account	(1,365)
9,293	Depreciation	9,202
7,306	Interest	7,394
99	Expenses	114
<b>(3,400)</b>	<b>Transfer to revenue account</b>	<b>2,028</b>

6. **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 (£6.748m), the contribution from the deferred government grant account (£1.365m), and the payment of improvement grants (£0.385m). The account is shown below.

<i>2002/03 £'000s</i>	<i>Contributions to capital financing reserve</i>	<i>2003/04 £'000s</i>
(6,948)	Excess of principal over depreciation	(6,748)
1,508	Deferred government grant account	1,365
(343)	Improvement grants	(385)
<b>(5,783)</b>	<b>Transfer to revenue account</b>	<b>(5,768)</b>

#### 7. Agency Income – West of Scotland Water Authority

The Council received £0.282m 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.

#### 8. Officers Emoluments

The number of employees whose remuneration, excluding pension contributions, was £40,000 or more in bands of £10,000 were:

<b>2002/03 No of Officers</b>	<b>Remuneration Band</b>	<b>2003/04 No of Officers</b>
49	£40,000 - £49,999	101
25	£50,000 - £59,999	25
4	£60,000 - £69,999	4
1	£70,000 - £79,999	1
4	£80,000 - £89,999	3
1	£90,000 - £99,999	2
0	£100,000 - £109,999	1
<b>84</b>	<b>Total</b>	<b>137</b>

9. **Summary of members allowances paid in the year.**

2002/03 £'000s		2003/04 £'000s
192	Members allowances	190
178	Special responsibility allowance	174
18	Travel and subsistence	19
2	Fares etc	1
7	Telephone expenses	8
6	Conference and accommodation expenses	5
<b>403</b>	<b>Total</b>	<b>397</b>

10. **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 2003/2004 were:

	£000's
Chief Executives Department	356
Development, Safety & Regulation	426
Education, Culture & Life Long Learning	14
Environment, Land & Property	1,944
Social Work, Housing & Health	91

11. **Leasing**

Operating lease expenditure during 2003/04 amounted to rental of £1.863m (2002/03 - £1.799m).

The estimated outstanding commitment payable on operating leases at 31 March is £2.845m (2002/03 - £3.422m), analysed as follows:

2002/03 Total £'000	Operating Leases which expire:	Vehicles £'000	Computer £'000	Other £'000	2003/04 Total £'000
522	Within 1 year	309	72	10	391
2,649	Between 2-5 years	2,091	79	19	2,189
251	Over 5 years	102	0	163	265
<b>3,422</b>		<b>2,502</b>	<b>151</b>	<b>192</b>	<b>2,845</b>

12. **Related Party Transactions**

Central Government has effective control over the general operations of the Council, providing the statutory framework within which the Council operates and also providing the majority of funding in the form of grants as shown below:

<b>Central Government Grants</b>	<b>2003/04 £'000s</b>
Revenue support grant	99,159
Non-domestic rate income	8,203
Council tax benefit subsidy	6,268
Housing benefit subsidy	19,907
Specific grants	10,901
Other government grants	14,593

In addition the Council received grants from other public bodies in 2003/04 as follows:

<b>Other Public Bodies</b>	<b>£'000s</b>
European Regional Development Fund	54
Ayrshire and Arran Health Board	5,308
Infrastructure	431
School Buildings Improvement Fund	859
Energy Efficiency Savings	179
Other Grants	582

During the year transactions with related companies and parties arose as follows:

<b>Contributions to Organisations</b>	<b>£'000s</b>
North Ayr and Girvan Social Inclusion Partnerships	343
Ayrshire and Arran Tourist Board	142

### 13. Deferred Charges

	<u>2002/03</u> £'000s	<u>2003/04</u> £'000s
Opening Balance as at 1 April	0	0
Improvement Grants	343	385
Written off to revenue in year	<u>(343)</u>	<u>(385)</u>
Balance as at 31 March	<u>0</u>	<u>0</u>

### 18. HRA Surplus

The surplus shown on the Housing Revenue Account differs from that shown in the 'net cost of services' section of the Consolidated Revenue Account due to the reporting requirements of FRS17 "Accounting for Retirement Benefits". The overall HRA surplus remains unaffected.



#### 14. 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>2002/03 Net Expenditure £'000</i>	<i>Service</i>	<i>2003/04 Net Expenditure £'000</i>
78,659	Education Services	77,280
(622)	Housing Revenue Account	(1,557)
2,445	General Fund Housing	2,830
38,041	Social Work Services	42,415
12,761	Culture and Related Services	14,937
11,161	Environmental Services	11,388
11,195	Roads and Transport Services	13,727
2,332	Planning and Development Services	2,536
3,275	Corporate and Democratic Core	3,819
1,481	Non Distributed Costs	981
1,721	Other Central Services to the Public	2,618
<b>162,449</b>	<b>Net Cost of Services</b>	<b>170,974</b>
16,609	Precepts and Levies	14,186
(3,400)	Asset Management Revenue Account	2,028
(103)	Leisure Management Surplus	0
(1,061)	DLO/DSO Surplus	0
472	Other Surpluses	0
0	Trading Services	(1,264)
(530)	Interest and Investment Income	(543)
(2,044)	Pension Interest Cost and Expected Return on Pension Assets	1,831
<b>172,392</b>	<b>Net Operating Expenditure</b>	<b>187,212</b>

## 15. Trading Services

The Local Government in Scotland Act 2003 introduced a statutory duty of Best Value on local authorities in Scotland with effect from April 2003. As part of the package of reforms within the Act, the legislation governing compulsory competitive tendering (CCT) was repealed. The repeal of CCT legislation removed the requirement to achieve a prescribed annual financial objective for defined local authority services and replaced it with the requirement to identify and report the results of 'significant trading operations'.

South Ayrshire Council has reviewed its activities and concluded that statutory trading accounts should be maintained for seven services, as shown in the undernoted table. All of these trading services are operated by the Department of Environment, Land and Property, and their performance is reflected in the department's out-turn within the Consolidated Revenue Account.

	<b>Trading Service</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>(Surplus)/ Deficit £'000</b>
(i)	Building works	12,111	11,500	(611)
(ii)	Catering	4,041	3,911	(130)
(iii)	Building cleaning	2,687	2,639	(48)
(iv)	Golf courses	1,804	1,707	(97)
(v)	Grounds maintenance	4,968	4,727	(241)
(vi)	Leisure	2,941	2,856	(85)
(vii)	Roads	4,050	3,998	(52)
	<b>Total Trading</b>	<b>32,602</b>	<b>31,338</b>	<b>(1,264)</b>

### (i) Building works

Building works employs 230 tradesmen and general labourers. Operations are based at two depots – Green Street Lane, Ayr and Bridge Street, Girvan, with a 24 hour emergency service provided 365 days a year. Workload consists of maintenance of the council's 9,400 houses and around 200 other buildings. During the year Building works carried out approximately 50,000 repairs to the housing stock. Around 700 South Ayrshire Homes properties are also maintained by this division.

### (ii) Catering

The catering division employs approximately 300 staff. Meals are supplied to secondary and primary schools, lunch clubs, community centres and to Social Work residential homes. Catering is also provided at staff canteens and for civic functions. The division is increasingly involved in health initiatives promoted by the Scottish Executive including 'Hungry for Success', breakfast clubs and the issue of free fruit at schools.

### (iii) Building cleaning

The Building cleaning operation employs approximately 500 staff across the council area. Each of the council's 200 properties - comprising schools, Social Work homes, libraries, sports and activity centres and office accommodation – are cleaned by staff from this division.

**(iv) Golf courses**

The division employs 22 staff including seasonal workers to operate the 8 golf courses owned by South Ayrshire Council (3 in Ayr; 3 in Troon; 1 in Girvan; and 1 in Maybole). South Ayrshire is world renowned for golf and the council-owned courses attract many tourists and visitors to the area each year.

**(v) Grounds maintenance**

Grounds maintenance employs 100 operatives and handles a wide range of grounds related work including the maintenance of the council's parks, golf courses, cemeteries, bowling greens, sports pitches and other open spaces.

**(vi) Leisure**

Leisure services employs 140 full-time and part-time staff on a wide range of leisure, sport and physical activities throughout South Ayrshire. Staffing levels are further increased with seasonal employees. The council operates 7 activity centres and 5 swimming pools as well as providing community outreach programmes, children's holiday programmes, gymnasia and after school care clubs. Leisure Services are committed to sports development in South Ayrshire, particularly in swimming, rugby and football. Reduced cost access to facilities is available through the council's leisure card.

**(vii) Roads**

Roads maintenance operations employ approximately 50 manual operatives based at 2 depots in Coylton and Girvan. The department has competed for and undertaken a number of roads maintenance contracts in competition with private sector contractors. A wide range of routine and cyclical works are also carried out including pothole repairs, gully emptying, drainage work and gritting operations.

## Collection of Council Tax, Rates and Community Charge

### Council tax income account

	2002/03 £'000s	2003/04 £'000s
Gross charge	46,745	49,571
<b>Deduct:</b> Exemptions	(1,070)	(1,116)
Disabled relief	(59)	(63)
Discounts	(4,108)	(4,463)
<b>Net Council tax</b>	<b>41,508</b>	<b>43,929</b>
<b>Deduct:</b> Rebates	(6,111)	(6,572)
<b>Less</b> government grants	5,824	6,268
Other items	17	13
Provision for bad debts	(1,263)	(1,314)
Loss on benefits to be transferred to Miscellaneous Services	266	286
Grant on claimant error transferred to cost of collection	(83)	(89)
<b>In year Council tax income</b>	<b>40,158</b>	<b>42,521</b>
Prior year adjustments	491	267
<b>Total Council tax income</b>	<b>40,649</b>	<b>42,788</b>

### Notes

1. **Council tax income** - the 2003/04 financial year is the ninth 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 2003/04

<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	7,523	12,403	8,070	7,327	8,724	4,179	2,557	217	51,000
<i>Less</i> exemptions/ deductions	368	286	158	94	70	36	21	3	1,036
<i>Less</i> adjustment for single discount	963	1,202	729	586	536	198	99	6	4,319
<i>Less</i> adjustment for double discount	81	108	97	92	81	29	22	6	516
Effective number of properties	6,111	10,807	7,086	6,555	8,037	3,916	2,415	202	45,129
Band D equivalent factor (ratio)	6	7	8	9	11	13	15	18	
Band D equivalent number of properties	4,074	8,405	6,299	6,555	9,823	5,657	4,025	404	45,242
Class 17 & 24 Dwellings	0	0	0	18	0	0	0	0	18
<b>Total</b>	4,074	8,405	6,299	6,573	9,823	5,657	4,025	404	<b>45,260</b>
<i>Less</i> provision for non-collection 3 per cent									1,358
<b>Council tax base 2003/04</b> <i>(equivalent to a Council tax of £964)</i>									<b>43,902</b>

## 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	6,111	642.67
B	10,807	749.78
C	7,086	856.89
D	6,573	964.00
E	8,037	1,178.22
F	3,916	1,392.44
G	2,415	1,606.67
H	202	1,928.00
<b>Total</b>	<b>45,147</b>	

**Non-domestic rate income account**

	<i>2002/03</i>	<i>2003/04</i>
	<i>£'000s</i>	<i>£'000s</i>
Gross charge	<i>38,741</i>	<i>39,220</i>
<b><i>Deduct:</i></b> Reliefs & Remissions	<i>(5,315)</i>	<i>(5,649)</i>
Interest on overpaid rates	<i>0</i>	<i>(2)</i>
Provision for bad debts	<i>(668)</i>	<i>(670)</i>
Net non-domestic rate income	<i>32,758</i>	<i>32,899</i>
Prior year adjustments	<i>(920)</i>	<i>(1,138)</i>
<b>Total non-domestic rate income</b>	<b><i>31,838</i></b>	<b><i>31,761</i></b>
<b>National non domestic rate pool (NNDRP):</b>		
NDRI Distributable	<i>38,268</i>	<i>39,964</i>
Contribution to NNDRP	<i>31,838</i>	<i>31,761</i>
<b>Net contribution from NNDRP</b>	<b><i>6,430</i></b>	<b><i>8,203</i></b>

**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>2002/03</i>	<i>2003/04</i>
Shops, offices, hotels, boarding houses, etc	<i>3,168</i>	<i>3,171</i>
Industrial	<i>391</i>	<i>398</i>
Formula valued	<i>7</i>	<i>7</i>
Miscellaneous	<i>1,048</i>	<i>1,026</i>
<b>Total</b>	<b><i>4,614</i></b>	<b><i>4,602</i></b>



## Housing Revenue Account Year ended 31 March 2004

<i>2002/03 Actual (restated) £'000s</i>		<i>2003/04 Actual £'000s</i>
2,970	Employee costs	2,650
1,084	Allocation of Central Administration etc	1,177
217	Insurances	209
203	Accommodation	172
312	Supplies and Services	331
<b>4,786</b>	<b>Supervision and Management</b>	<b>4,539</b>
95	Redecoration Allowances	114
8,934	Repairs and Maintenance	8,699
<b>9,029</b>	<b>Repairs and Maintenance</b>	<b>8,813</b>
748	VOIDS	581
251	Increase in Bad Debt Provision	116
<b>999</b>	<b>Lost Rents</b>	<b>697</b>
96	Transport Costs	82
279	Administrative Costs	297
271	Payments to Agencies, etc	334
<b>646</b>	<b>Other Expenditure</b>	<b>713</b>
337	Principal	185
3,865	Interest	3,484
53	Expenses	54
(323)	Interest on Revenue Balances	(348)
(775)	Return on Pension Assets	(481)
684	Interest Cost on Pension	543
<b>3,841</b>	<b>Financing Costs</b>	<b>3,437</b>
<b>1,977</b>	<b>CFCR</b>	<b>1,578</b>
<b>46</b>	<b>Contribution to/(from) Pension Reserve</b>	<b>(38)</b>
<b>21,324</b>	<b>Total Expenditure</b>	<b>19,739</b>
(20,237)	Dwelling Rents	(20,002)
(1,453)	Non Dwelling Rents	(1,014)
0	Housing Support Grant	(26)
(251)	Other Income	(230)
<b>(21,941)</b>	<b>Total Income</b>	<b>(21,272)</b>
<b>(617)</b>	<b>Net (Surplus)/Deficit</b>	<b>(1,533)</b>
<b>(3,952)</b>	<b>Surplus brought forward</b>	<b>(4,569)</b>
<b>(617)</b>	<b>Surplus for the year</b>	<b>(1,533)</b>
<b>(4,569)</b>	<b>Accumulated (Surplus)/Deficit at end of year</b>	<b>(6,102)</b>



**Notes to Housing Revenue Account:**

1. A provision of £0.505m is included in the consolidated balance sheet for doubtful debts on housing rents.
2. At 31 March 2004, the Council held various types of accommodation, and had the following number and types of houses.

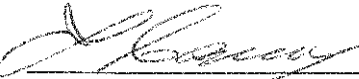
<i>Type of accommodation</i>	<i>Number of houses</i>
1 and 2 apartment	2,609
3 apartment	4,170
4 apartment	2,402
5 or more apartment	202
<b>Total</b>	<b>9,383</b>

<i>By area</i>	<i>Number of houses</i>
Ayr North	3,798
Ayr South	1,609
Troon	1,147
Prestwick	820
Maybole	891
Girvan	1,118
<b>Total</b>	<b>9,383</b>

3. At 31 March 2004, rent arrears amounted to £0.753m, being 3.6% of gross rent collectable. (2002/03 £0.965m, being 4.4% of gross rent collectable)

## Consolidated Balance Sheet as at 31 March 2004

2003 (Restated) £'000s		2004 £'000s
	<b>Fixed assets (note 1)</b>	
	<i>Operational assets</i>	
123,837	Council dwellings	114,170
191,154	Other land and buildings	187,097
996	Vehicles, plant, etc	1,198
35,343	Infrastructure assets	36,770
878	Community assets	916
<b>352,208</b>		<b>340,151</b>
18,806	<i>Non-operational assets</i>	18,507
<b>371,014</b>	<b>Total Fixed Assets</b>	<b>358,658</b>
18,307	<b>Loans Premium (note 3)</b>	<b>17,759</b>
141	<b>Long term investments (note 4)</b>	<b>141</b>
153	<b>Loans (note 5)</b>	<b>135</b>
	<b>Current assets</b>	
537	Stocks	478
64	Work in progress	121
35,003	Sundry debtors (note 9)	36,488
(18,912)	Provision for bad and doubtful debts (note 9)	(20,896)
4,950	Short term investments	21,025
43	Cash floats and imprests	38
<b>21,685</b>		<b>37,254</b>
<b>411,300</b>	<b>Total Assets</b>	<b>413,947</b>
	<b>Less: Current liabilities</b>	
363	Temporary and other loans repayable within a year	11,627
22,438	Sundry creditors (note 10)	29,699
245	Provision for liabilities (note 9)	221
6,481	Bank overdraft	7,589
2,402	Due to Common Good/ sundry accounts (note 6)	3,631
<b>31,929</b>		<b>52,767</b>
<b>379,371</b>	<b>Total Assets less Current Liabilities</b>	<b>361,180</b>
	<b>Less: Long term liabilities</b>	
167,345	Long term borrowing (note 7)	160,858
872	Covenant scheme (notes 2 & 7)	132
<b>168,217</b>	<b>Total Long Term Liabilities Excluding Pension Liability</b>	<b>161,590</b>
<b>211,154</b>	<b>Total Assets Before Pension Liability</b>	<b>199,590</b>
64,368	Pension liability (note 8)	29,611
<b>146,786</b>	<b>Total Net Assets</b>	<b>169,979</b>
	<b>Financed by:</b>	
137,400	Fixed asset restatement reserve	117,017
57,456	Capital financing reserve	61,465
71	Usable Capital Receipts Reserve	1,524
6,584	Government grant deferred	8,284
(64,368)	Pension Reserve (note 8)	(29,611)
	<i>Reserves and fund balances</i>	
1,116	Repairs and Renewals Fund	1,158
3,958	General Fund Surplus	4,040
4,569	Housing Fund Surplus	6,102
<b>146,786</b>	<b>Total Net Worth</b>	<b>169,979</b>

Signed:  Chief ExecutiveDate: 30<sup>th</sup> September 2004

## Notes to Consolidated Balance Sheet at 31 March 2004

### 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 2004
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 2004 was £358.658m.

	<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 2003	132,971	202,670	18,806	37,742	878	1,917	394,984
Revaluations	(7,090)	(4,385)	(667)	0	(254)	(995)	(13,391)
Additions	7,670	4,853	691	2,372	292	1,351	17,229
Disposals/transfers	(6,438)	(663)	(323)	0	0	(165)	(7,589)
<b>Gross book value as at 31 March 2004</b>	<b>127,113</b>	<b>202,475</b>	<b>18,507</b>	<b>40,114</b>	<b>916</b>	<b>2,108</b>	<b>391,233</b>
Depreciation as at 1 April 2003	8,705	11,488	0	2,400	0	780	23,373
Charge for year	4,238	3,890	0	944	0	130	9,202
<b>Balance as at 31 March 2004</b>	<b>12,943</b>	<b>15,378</b>	<b>0</b>	<b>3,344</b>	<b>0</b>	<b>910</b>	<b>32,575</b>
<b>Net book value as at 31 March 2004</b>	<b>114,170</b>	<b>187,097</b>	<b>18,507</b>	<b>36,770</b>	<b>916</b>	<b>1,198</b>	<b>358,658</b>

**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 fifteenth capital payment of £0.140m was made in 2003/04. These sports halls are held within fixed assets.

**Note 3 - Loans Premium**

<i>Movements in year</i>	<i>Balance 31 March 2003 £'000s</i>	<i>Additions £'000s</i>	<i>Premiums Released £'000s</i>	<i>Balance 31 March 2004 £'000s</i>
Loans premium	18,307	0	548	17,759

**Note 4 - Investments**

	<i>2003 £'000s</i>	<i>2004 £'000s</i>
Freeport (Scotland) Ltd (74,000 ordinary shares)	40	40
West of Scotland Loans Fund Limited	100	100
SC Enterprise Fund	1	1
	<b>141</b>	<b>141</b>

**Note 5 - Loans**

	<i>2003 £'000s</i>	<i>2004 £'000s</i>
Local Government (D & F) Act 1964	2	2
Housing Acts	12	0
Payroll Rationalisation	10	10
Others	129	123
	<b>153</b>	<b>135</b>

**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	135	4,094	4,369
2 to 5 years	420	406	6,178	7,004
5 to 10 years	172	2,148	28	2,348
10+ years	0	122,089	25,780	147,869
	<b>732</b>	<b>124,778</b>	<b>36,080</b>	<b>161,590</b>

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 – Retirement Benefits**

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 2 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:

<b>2003</b> <b>£’000s</b>		<b>2004</b> <b>£’000s</b>
195,363	Share of assets in Glasgow City Council Fund	247,007
(259,731)	Estimated liabilities in City Council Fund	(276,618)
<b>(64,368)</b>	<b>Net assets/ (liabilities) in City Council Fund</b>	<b>(29,611)</b>

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

<b>2003</b> <b>£’000s</b>		<b>2004</b> <b>£’000s</b>
142,810	Equity investments	180,496
23,375	Bonds	35,159
22,198	Property	21,063
6,980	Cash	10,289
(244,823)	Scheme liabilities	(261,929)
(14,908)	Unfunded liabilities	(14,689)
<b>(64,368)</b>	<b>Net assets/ (liabilities) in City Council Fund</b>	<b>(29,611)</b>

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:

<b>2003</b> <b>City Fund</b>		<b>2004</b> <b>City Fund</b>
2.5%	Rate of inflation	2.9%
4.0%	Rate of increase in salaries	4.4%
2.5%	Rate of increase in pensions	2.9%
6.1%	Rate for discounting scheme liabilities	6.5%

**Note 9 - Debtors and Provisions for Bad and Doubtful Debts**

At 31<sup>st</sup> March 2004 the accounts include debtors totalling £36.488m and provisions against these debtors totalling £20.896m, analysed as follows:

	<b>Gross Debtor £'000s</b>	<b>Bad Debt Provision £'000s</b>	<b>Net Debtor £'000s</b>
Council Tax/ Community Charge	19,013	17,450	1,563
Non-Domestic Rates	3,295	2,318	977
Council House Rents	832	505	327
Revenue Support Grant	971	0	971
Customs and Excise	1,870	0	1,870
Sundry Debtors	10,507	623	9,884
<b>Total</b>	<b>36,488</b>	<b>20,896</b>	<b>15,592</b>

In addition, a provision has been made for insurance costs totalling £0.221m in respect of South Ayrshire Council's share of ex Strathclyde Regional Council insurance claims.

**Note 9 - Creditors**

At 31<sup>st</sup> March 2004 the accounts include debtors totalling £29.699m, analysed as follows:

	<b>Creditor £'000s</b>
Scottish Executive	5,434
Inland Revenue	3,147
Department of Works & Pensions	3,255
Other Public Bodies	3,470
Loan Interest	2,081
Trade and Other Creditors	12,312
<b>Total</b>	<b>29,699</b>

**Statement of Movement in Reserves**

Movement in reserves

	£'000s	£'000s
Surplus/(Deficit) for the year		
General Fund	82	
Housing Revenue Account	1,533	
Add back movements on specific revenue reserves	42	
Deduct appropriation from pension reserve	(1,137)	
Actuarial gains and losses relating to pensions	35,894	
<b>Total increase/(decrease) in revenue reserves(note 1)</b>		<b>36,414</b>
Increase/(decrease) in usable Capital Receipts	1,453	
<b>Total increase/(decrease) in capital reserves (note 2)</b>		<b>1,453</b>
Gains/(losses) on the revaluation, or the impairment, on fixed assets	(13,391)	
<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>		<b>(13,391)</b>
<b>Value of assets sold, disposed of or decommissioned (note 3)</b>		<b>(6,992)</b>
Capital receipts set aside	7,877	
Revenue resources set aside	(4,848)	
Deferred grants released	980	
<b>Total increase/(decrease) in amount set aside to finance capital investment (note 4)</b>		<b>4,009</b>
<b>Other movements in capital reserves</b>		<b>1,700</b>
<b>Total movement in net worth</b>		<b>23,193</b>

The tables on pages 30 and 31 demonstrate how movements arising from various capital and revenue transactions affect the reserves.

## Statement of Movement in Reserves

## 1) Movement in revenue reserves

	<i>General Fund Balances £'000</i>	<i>HRA Balances £'000</i>	<i>Repairs &amp; Renewals £'000</i>	<i>Pension Reserve £'000</i>
Surplus/ (deficit) for 2003/04	82	1,533		
Appropriations (to)/ from revenue			42	(1,137)
Actuarial gains and losses relating to pensions				35,894
Balance brought forward at 1 April 2003	3,958	4,569	1,116	(64,368)
<b>Balance carried forward at 31 March 2004</b>	<b>4,040</b>	<b>6,102</b>	<b>1,158</b>	<b>(29,611)</b>

The Pension Reserve holds the difference between the pension payments made during the year in accordance with the scheme requirements and the change in the authority's recognised asset or liability for the same period. This is represented by an appropriation to or from the pension reserve. It also holds actuarial gains or losses which arise where actual events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed as detailed below.

2002/03 £'000s		2003/04 £'000s
(68,951)	Difference between the expected and actual return on assets	35,644
195,363	Value of assets	247,007
<b>(35.3%)</b>	<b>Percentage of Assets</b>	<b>14.4%</b>
662	Experience gains/ (losses) on liabilities	250
259,731	Total present value of liabilities	276,618
<b>0.3%</b>	<b>Percentage of the total present value of liabilities</b>	<b>0.1%</b>
(68,289)	Actuarial gains and losses recognised in movement in reserves	35,894
259,731	Total present value of liabilities	276,618
<b>(26.3%)</b>	<b>Percentage of the total present value of liabilities</b>	<b>13.0%</b>

## 2) Movement in realised capital reserves

	<i>Usable Capital Receipts £'000s</i>
Amounts receivable in 2003/04	9,959
Amounts applied to finance new capital investment in 2003/04	(8,506)
<b>Total increase/ (decrease) in realised capital resources in 2003/04</b>	<b>1,453</b>
Balance brought forward at 1 April 2003	71
<b>Balance carried forward at 31 March 2004</b>	<b>1,524</b>

The Usable Capital Receipts Reserve represents the value of receipts arising from the disposal of fixed assets that can be used to increase capital expenditure in future years. Capital grants are also available to enhance future expenditure.



### 3) Movement in unrealised value of fixed assets/ value of assets sold, disposed of or decommissioned

	<i>Fixed Asset Restatement Reserve £'000s</i>
Gains/ (losses) on revaluation of fixed assets in 2003/04	(13,391)
<b>Total increase/ (decrease) in unrealised capital resources in 2003/04</b>	<b>(13,391)</b>
Amounts written off fixed assets for disposal in 2003/04	(6,992)
<b>Total movement in reserve in 2003/04</b>	<b>(20,383)</b>
Balance brought forward at 31 March 2003	137,400
<b>Balance carried forward at 31 March 2004</b>	<b>117,017</b>

The Fixed Asset Restatement Reserve holds the change in current value of fixed assets arising from any revaluations. Changes in value also arise as a result of impairment, or conversely, enhancement of fixed assets.

### 4) Movements in amounts set aside to finance capital expenditure

	<i>Capital Financing Reserve</i>	<i>Government Grants Deferred</i>
<i>Capital receipts set aside in 2003/04</i>		
- reserved receipt	5,688	
- usable receipts applied	2,189	
<b>Total capital receipts set aside in 2003/04</b>	<b>7,877</b>	
<i>Revenue resources set aside in 2003/04</i>		
- capital expenditure financed from revenue	1,900	
- reconciling amount for provision for loan payment	(6,748)	
<b>Total revenue resources set aside in 2003/04</b>	<b>(4,848)</b>	
Grants applied to capital investment in 2003/04	980	3,065
Amounts credited to Asset Management Revenue Account in 2003/04		(1,365)
<b>Movement in Government Grants Deferred</b>	<b>980</b>	<b>1,700</b>
<b>Total Movement in Reserve in 2003/04</b>	<b>4,009</b>	<b>1,700</b>
Balance brought forward at 1 April 2003	57,456	6,584
<b>Balance carried forward at 31 March 2004</b>	<b>61,465</b>	<b>8,284</b>

The Capital Financing Reserve represents movement in the funding of assets arising either from capital resources such as capital receipts and income or capital funded directly from revenue contributions. It also holds the difference between principal repayment of loans and depreciation charged to service revenue accounts.

The Government Grant Deferred Account represents funding for capital projects which requires to be written off to the Consolidated Revenue Account.

## Cash Flow Statement

2002/03 £'000s		2003/04 £'000s	2003/04 £'000s
	<b>Revenue Activities</b>		
	<b>Cash Outflows</b>		
118,950	Cash paid to or on behalf of employees	126,880	
110,762	Other operating cash payments	137,042	
8,389	Housing benefit paid out	7,262	
31,496	National non-domestic rates – payments to national pool	31,249	
<b>269,597</b>		<b>302,433</b>	
	<b>Cash Inflows</b>		
7,733	Rents (after rebates)	7,397	
46,645	Council tax receipts	49,667	
38,268	National non-domestic rates receipts from national pool	39,964	
32,368	Non-domestic rates receipts	32,139	
89,373	Revenue support grant	98,949	
5,329	DWP grants for benefits	10,707	
15,919	Other government grants (note 4)	48,019	
50,983	Other operating cash receipts	40,353	
<b>286,618</b>		<b>327,195</b>	
<b>(17,021)</b>	<b>Net cash inflow from revenue activities (note 1)</b>		<b>(24,762)</b>
	<b>Servicing of Capital</b>		
10,924	Interest paid	10,151	
249	Interest received	(336)	
<b>10,675</b>	<b>Net cash outflow from servicing of Capital</b>		<b>9,815</b>
	<b>Capital Activities</b>		
	<b>Cash outflows:</b>		
10,766	Purchase of fixed assets	17,229	
6,087	Other capital cash payments	416	
<b>16,853</b>	<b>Total payments</b>	<b>17,645</b>	
	<b>Cash inflows:</b>		
7,781	Capital cash receipts	9,959	
1,112	Capital grants	3,064	
<b>8,893</b>	<b>Total income</b>	<b>13,023</b>	
<b>7,960</b>	<b>Net cash outflow from capital activities</b>		<b>4,622</b>
<b>1,614</b>	<b>Net cash (inflow)/outflow before financing</b>		<b>(10,325)</b>
	<b>Management of Liquid Resources:</b>		
3,550	Increase/(decrease) in investments		<b>16,075</b>
	<b>Financing</b>		
	<b>Cash Outflows</b>		
18,673	Repayments of amounts borrowed	15,413	
	<b>Cash Inflows</b>		
17,850	New short term loans raised	15,050	
8,500	New long term loans raised	5,000	
<b>(7,677)</b>	<b>Net cash inflow from financing</b>		<b>(4,637)</b>
<b>(2,513)</b>	<b>(Increase)/decrease in cash</b>		<b>1,113</b>

## Notes to Cash Flow Statement

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

2002/03 £'000s		2004 £'000s	
754	General Fund (Surplus)/Deficit	(82)	
(617)	Housing Revenue Account (Surplus)/Deficit	(1,533)	
<b>137</b>	<b>(Surplus)/Deficit for the year</b>		<b>(1,615)</b>
	<i>Adjust surplus/ deficit for items accounted for elsewhere in cashflow statement</i>		
(10,675)	Loans fund interest	(9,815)	
(2,121)	Loans fund principal	(1,857)	
(1,977)	Capital financed from current revenue	(1,900)	
<b>(14,773)</b>			<b>(13,572)</b>
	<i>Adjust surplus/ deficit for internal items</i>		
(39)	Contributions to funds	(42)	
18	Use of funds	0	
<b>(21)</b>			<b>(42)</b>
	<i>Adjust (surplus)/ deficit for movements in working capital</i>		
11,994	Increase/(Decrease) in debtors	(1,047)	
(15,236)	(Increase)/Decrease in sundry creditors	(7,237)	
847	(Increase)/Decrease in other creditors	(1,229)	
74	Increase/(Decrease) in stock and work in progress	(2)	
(43)	Increase/(Decrease) in loans	(18)	
<b>(2,364)</b>			<b>(9,533)</b>
<b>(17,021)</b>	<b>Net cash inflow from revenue activities</b>		<b>(24,762)</b>

**Note 2 – Reconciliation to Net Debt**

	<i>£'000s</i>	<i>£'000s</i>
Decrease in cash	1,113	
Increase in debt	4,637	
Increase in liquid resources	(16,075)	
Increase/ (decrease) in debt in period		<b>(10,325)</b>
Net debt at 01.04.03		<b>170,068</b>
		<b>159,743</b>

<b>Analysis of net debt</b>	<b>£'000s</b> <b>01.04.03</b>	<b>£'000s</b> <b>Movement</b>	<b>£'000s</b> <b>31.03.04</b>
Cash on hand	(43)	5	(38)
Overdrafts	6,481	1,108	7,589
<b>Sub Total (A)</b>	<b>6,438</b>	<b>1,113</b>	<b>7,551</b>
Debt due within 1 year	363	11,264	11,627
Debt due after 1 year	167,345	(6,487)	160,858
Covenant Scheme	872	(140)	732
<b>Sub Total (B)</b>	<b>168,580</b>	<b>4,637</b>	<b>173,217</b>
Short term investments	(4,950)	(16,075)	(21,025)
<b>Sub Total (C)</b>	<b>(4,950)</b>	<b>(16,075)</b>	<b>(21,025)</b>
<b>Total (A)+(B)+(C)</b>	<b>170,068</b>	<b>(10,325)</b>	<b>159,743</b>

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

	£'000s Balance at 31.03.03	£'000s Balance At 01.04.04	£'000s 2003/04 Movement
<b>Management of Liquid Resources</b>			
Short term deposits	4,950	21,025	16,075
<b>Management of Financing</b>			
PWLB Loans	134,635	134,500	(135)
Covenant Loans	1,012	872	(140)
Local Bonds/EIB Loans	32,933	37,845	4,912
	<b>168,580</b>	<b>173,217</b>	<b>4,637</b>

**Note 4 – Analysis of Other Government Grants**

	£'000s
Rent rebates benefit subsidy	15,214
Supporting People	7,923
Police	7,765
Council tax benefit subsidy	6,259
Criminal Justice management	1,049
Fast track children's hearings	860
New Community Schools	824
Changing Children's Services	789
Inclusion	456
Council tax benefit administration	444
National Grid for Learning	441
Rent rebate administration	421
New Opportunities funding	381
Secondary education	348
Homeless strategy	345
Continuous professional development	316
In service training	313
Mental illness	301
Local roads	253
Alternatives to exclusion	239
Study support	232
Support for teachers	206
Verification framework	187
Fraud incentive subsidy	155
Higher Still	148
Workforce expansion	139
Strategic Waste Fund	138
Children's Change Fund	130
Supporting Parents	120
Social Work training	109
Sundry grants	1,514
<b>Total</b>	<b>48,019</b>

## 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>2002/2003 £'000</i>	<i>2003/2004 £'000</i>
Balance at 1 April	1,247	1,296
Income for year	75	66
Expenditure During Year	26	36
<b>Balance at 31 March</b>	<b>1,296</b>	<b>1,326</b>

<i>Balance Sheet as at 31<sup>st</sup> March</i>	<i>2003 £'000</i>	<i>2004 £'000</i>
<i>Assets</i>		
Investments	198	193
External Investments Bank A/c	35	36
Current Assets – Temporary Deposit in the Loans Fund	1,063	1,097
<b>Total Assets</b>	<b>1,296</b>	<b>1,326</b>
<i>Reserves</i>		
Revenue	879	909
Capital	417	417
	<b>1,296</b>	<b>1,326</b>

### (b) Other Funds

	<i>2004 £'000s</i>
Balance due by loans fund	16
Investments	3
	<b>19</b>

**Abstract of Common Good Accounts**  
**For the Year ended 31 March 2004**

**Revenue Accounts**

Total 2002/03		Ayr £'000	Troon £'000	Prestwick £'000	Maybole £'000	Girvan £'000	Total £'000
179	<b>EXPENDITURE</b> - Property Costs	241	0	0	0	0	241
469	Donations & Contributions	451	0	0	0	0	451
21	Other Expenditure	23	0	0	0	0	23
669		715	0	0	0	0	715
648	<b>INCOME</b> - Rents	616	1	17	0	0	634
108	Interest on Loans	100	1	8	0	0	109
0	Other Income	10	0	0	0	0	10
756		726	2	25	0	0	753
87	<b>Surplus/(Deficit) for Year</b>	11	2	25	0	0	38
488	<b>Surplus Brought Forward</b>	332	27	213	1	2	575
575	<b>Accumulated Surplus</b>	343	29	238	1	2	613

**Balance Sheet as at 31 March 2004**

2003 £'000		2004 £'000
13,170	<b>Fixed assets (note 1)</b>	13,570
	<b>Current assets</b>	
0	Loans	2
35	Stock	35
2,186	Loans Fund Investment	2,832
2,221		2,869
15,391		16,439
	<b>Less: Current liabilities</b>	
30	Creditors and Accruals	1
30		1
15,361		16,438
	<b>Financed by</b>	
3,600	Capital Reserve	3,600
575	Revenue Reserve	613
1,823	Usable Capital Receipts Reserve (Note 2)	2,462
9,363	Revaluation reserve (Note 3)	9,763
15,361		16,438

**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.



## Capital Account

### Capital Expenditure for 2003/2004

<b>By service</b>	<b>£'000</b>
Roads - Transport	1,870
Education	2,251
General Services	5,377
Housing revenue account	7,288
Total payments	<b>16,786</b>
<b>Financed by:</b>	
Borrowing	10,089
Capital receipts, grants and contributions	4,797
Revenue contributions	1,900
	<b>16,786</b>

### 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, 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 Chief Executive; and
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Chief Executive's responsibilities

The 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 2004.

In preparing this statement of accounts, the 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 Chief Executive has also:

- maintained 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 2003/04 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 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 non-compliance with audit recommendations) arising from internal audit work are reported directly to 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. No system of control can ever give an absolute assurance that all transactions are properly processed, or that all errors have been prevented, and to that end the council is continually seeking to improve the effectiveness of its system of internal financial control.



**Tom Cairns**  
**Chief Executive**

## **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 6 to 39 under the Local Government (Scotland) Act 1973. The financial statements have been prepared in accordance with the accounting policies set out on pages 6 to 8.

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 Chief Executive and Auditors**

As described on page 40 the Chief Executive of South Ayrshire 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 South Ayrshire Council at 31 March 2004 and its income and expenditure for the year. We also report if, in our opinion, South Ayrshire 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 41 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 South Ayrshire 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 Chief Executive in the preparation of the financial statements and of whether the accounting policies are appropriate to South Ayrshire 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.

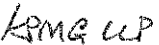
### **Failure to comply with a statutory requirement**

Without qualifying our opinion we draw attention to the following matter.

Supporting people grant of £7.25 million has been used by South Ayrshire Council during the year to 31 March 2004 to fund expenditure on housing support services, both directly and by making payments to other providers. Housing support services, as defined in the Regulation of Care (Scotland) Act 2001, require to be registered with the Care Commission. An order made under that Act required application to register to be made before 1 October 2003. However, due to the fact that multiple and complex services were being provided, it took some time for the Care Commission and individual providers to agree on the number of applications required and no valid applications were made before 1 October 2003. As a result, expenditure funded by supporting people grant since 1 October 2003 in respect of services that required to be registered is not in compliance with the statutory requirement. South Ayrshire Council estimates that the sum involved for the period from 1 October 2003 to 31 March 2004 is in the region of £3.93 million.

### **Opinion**

In our opinion the financial statements present fairly the financial position of South Ayrshire Council as at 31 March 2004 and its income and expenditure for the year then ended.

  
KPMG LLP  
Chartered Accountants  
Registered Auditor

191 West George Street  
Glasgow  
G2 2LJ

30 September 2004