

County Buildings  
Wellington Square  
AYR KA7 1DR  
Telephone No. 01292 612436



20 June 2024

**\*PLEASE NOTE THAT THE MEETING WILL BE RECORDED AND AVAILABLE TO VIEW AT A LATER DATE ON THE COUNCIL'S WEBSITE BUT WILL NOT BE LIVESTREAMED\***

**To: Councillors Dettbarn (Chair), Bell, Cullen, Kilpatrick, Lamont, McGinley, Ramsay and Weir**

**All other Elected Members for information only**

Dear Councillors

## **AUDIT AND GOVERNANCE PANEL**

You are requested to participate in the above Panel to be held **on Wednesday, 26 June 2024 at 10.00 a.m.** for the purpose of considering the undernoted business.

This meeting will be held in the **Girvan Room**, County Buildings, Ayr on a hybrid basis for Elected Members and will be available to view at the Council's website at a later date.

**Yours sincerely**

**CATRIONA CAVES**  
**Chief Governance Officer**

## **B U S I N E S S**

1. Declarations of Interest.
2. Call-ins from Cabinet.
3. Minutes of previous meeting of 29 May 2024 (copy herewith).
4. Action Log and Work Programme (copy herewith).
- 5./

Internal Audit.

5. Annual Accounts 2023/24 – Submit report by the Chief Financial Officer (copy herewith).
6. Internal Audit Annual Report 2023/24 – Submit report by the Chief Internal Auditor (copy herewith).
7. **Riverside High Flats Audit - Management Response – Submit report by the Director of Housing, Operations and Development (Members only).**
8. Corporate Lets – Submit report by the Director of Communities and Transformation (copy herewith).

External Audit.

9. External Audit Reports – Progress to 31 May 2024 – Submit report by the Chief Financial Officer (copy herewith).

Other Governance.

10. Treasury Management Annual Report 2023/24 – Submit report by the Chief Financial Officer (copy herewith).
11. Delivering Good Governance – 2023/24 Assessment – Submit report by the Chief Governance Officer (copy herewith).
12. Consideration of Disclosure of the above confidential report (agenda item 7).

For more information on any of the items on this agenda, please telephone Andrew Gibson, Committee Services on 01292 612436, Wellington Square, Ayr or  
e-mail: [committeeservices@south-ayrshire.gov.uk](mailto:committeeservices@south-ayrshire.gov.uk)  
[www.south-ayrshire.gov.uk](http://www.south-ayrshire.gov.uk)

Webcasting

Please note: this meeting may be filmed for subsequent broadcast via the Council's internet site. At the start of the meeting, it will be confirmed if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during this webcast will be retained in accordance with the Council's published policy, including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

By entering this public Council meeting you are consenting to the possibility that your image may be available for viewing online after this meeting, and video and audio recordings will be retained on Council Records. Further information on how we process your personal data can be found at: <https://south-ayrshire.gov.uk/59239>

If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact [Committee.Services@south-ayrshire.gov.uk](mailto:Committee.Services@south-ayrshire.gov.uk)

**Copyright**

All webcast footage is the copyright of South Ayrshire Council. You are therefore not permitted to download footage nor upload it to another website nor take still photographs from this footage and distribute it without the written permission of South Ayrshire Council. Please be aware that video sharing websites require you to have the permission of the copyright owner in order to upload videos to their site.

**AUDIT AND GOVERNANCE PANEL.**

Minutes of a hybrid webcast meeting on 29 May 2024 at 10.00 a.m.

Present in  
County Hall: Councillors Brian McGinley (Chair), Alan Lamont, Cameron Ramsay and George Weir.

Present  
Remotely: Councillors Julie Dettbarn and Mary Kilpatrick.

Apologies: Councillors Kenneth Bell and Chris Cullen.

Attending in  
County Hall: M. Newall, Chief Executive; T. Baulk, Chief Financial Officer; W. Carlaw, Service Lead – Democratic Governance; C. McGhee, Chief Internal Auditor; K. Anderson, Assistant Director – Corporate Policy, Strategy and Performance; G. Hunter, Assistant Director – Communities; D. Urquhart, Senior Investigations Officer; A Gibson, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending  
Remotely: K. Sharp, Audit Scotland.

**Opening Remarks.**

The Chair

- (1) welcomed everyone to the meeting; and
- (2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

**1. Sederunt and Declarations of Interest.**

The Chair called the Sederunt for the meeting and, having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

**2. Call-ins from Cabinet.**

The Panel noted that there were no call-ins from Cabinet of 21 May 2024.

**3. Minutes of Previous Meetings.**

The Minutes of the meeting of 20 March 2024 (issued) were submitted and approved.

**4. Action Log and Work Programme.**

There was submitted an update of the Action Log and Work Programme for this Panel (issued).

Having heard a Member of the Panel, the Chief Financial Officer advised that he would revisit the proposed items to be considered towards the end of this year, to ensure there was an even spread of items being considered at forthcoming meetings.

The Panel

**Decided:** to note the current status of the Action Log and Work Programme.

**Councillor Dettbarn joined the meeting during consideration of the above item.**

**Internal Audit**

**5. Corporate Fraud Team – Activity Report and 2022/23 National Fraud Initiative Update.**

There was submitted a report (issued) of 17 May 2024 by the Chief Internal Auditor advising of the Corporate Fraud Team's (CFT) activity from 1 October 2023 to 31 March 2024 and providing an update on the 2022/23 National Fraud Initiative exercise.

Having heard a Member of the Panel, it was noted that cross-matching of data was ongoing throughout the year.

A Member of the Panel enquired as to there being no reported cases of whistleblowing within the Council. The Senior Investigations Officer advised that although there had been no reported incidents, in many cases, incidents of this nature had not been reported as whistleblowing and often came from anonymous sources.

Following a Member of the Panel enquiring as to the mention in Appendix 3 of the reduction in the target number of investigations, the Chief Internal Auditor advised that targets were reviewed continuously.

After a Member of the Panel advised, that in his opinion, the report did not define the percentage of cases investigated which were actually fraudulent and subsequently that the success of the process could not be measured, the Senior Investigations Officer advised that individual cases were not mentioned in the report to ensure confidentiality but that he and the Chief Internal Auditor would look at how reporting could be improved.

A Member of the Panel asked for an update into the fraudulent activity relating to the Blue Badge Scheme in South Ayrshire. The Chief Internal Auditor advised of the work undertaken in this regard and that the Senior Investigations Officer and officers from the Ayrshire Roads Alliance teamed up to investigate any fraud issues.

The Panel, having considered the CFT activity for the six-month period to 31 March 2024

**Decided:** to note

- (1) the update on the 2022/23 National Fraud Initiative (NFI); and
- (2) that the 2024/25 NFI exercise is due to commence in October 2024 and updates on the exercise would be included within future CFT activity reports.

### **External Audit**

#### **6. External Review of Internal Audit Compliance with Public Sector Internal Audit Standards.**

There was submitted a report (issued) of 17 May 2024 by the Chief Internal Auditor providing an update on the outcome of the external assessment of the Internal Audit Service's compliance with the Public Sector Internal Audit Standards (PSIAS).

A Member of the Panel enquired if all the assessment areas, as identified in Appendix A of the report were seen as equally important. The Chief Internal Auditor advised that the standards set were what the Council complied with. The Panel Member then asked if there was any way of knowing how this Council performed in comparison to other authorities and was advised that comparisons with other Councils could be made but that there was no league tables in this regard as such, though the information was shared.

Having heard a Member of the Panel enquire as to the reviews being undertaken by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) the Chief Internal Auditor advised of the current work being undertaken by this Group and this Council's involvement.

The Chief Executive and the Panel congratulated the Chief Internal Auditor and her team on the value and standard of work they undertook.

A Member of the Panel advised that, in his opinion, it would be helpful if the role of stakeholders in the report could be expanded upon in future reports of this nature.

The Panel

**Decided:**

- (1) to note the contents of the external assessment report as detailed in Appendix 1 of the report and resultant action plan, as detailed in Annex A of the report; and
- (2) to agree that the Chief Internal Auditor provided an update on progress of the actions to the meeting of this Panel scheduled for 4 September 2024 and every six months thereafter until the action plan was fully implemented.

## 7. **Best Value Action Plan – Progress Update.**

There was submitted a report (issued) of 17 May 2024 by the Depute Chief Executive and Director of Education providing an update on the progress toward delivering the Council's Best Value Action Plan.

The Assistant Director - Corporate Policy, Strategy and Performance advised that in relation to an action listed in the Appendix to the report "Agree revised structure for Sustainability and Climate Change Team to ensure support is available to policymakers" the due date should be 31 August 2024 and not 31 March 2024, as listed.

A Member of the Panel enquired as the Action in Appendix 1 of the report "As part of the Council's revised Transformation Process, specific workforce targets and expectations will be set, cascaded, and reported against" and it there was any plans to change the approach to performance measurement in this respect. The Assistant Director - Corporate Policy, Strategy and Performance advised that performance monitoring had changed over the last eighteen months with reporting done on a quarterly basis.

Having heard a Member of the Panel raise the Action detailed relating to "Arrange training with members of Audit and Governance and Service and Partnerships Performance Panel" it was noted that although this was marked as complete, monitoring would continue to be ongoing.

Following a Member of the Panel raising the Action "Agree monitoring process for Ward Capital Investment Process and outcomes" the Chief Executive advised that work relating to Ward Capital projects was progressing well and a subsequent clear indication of participatory budgeting in action.

A Member of the Panel advised that Best Value was important for the continuous improvement to Councils and enquired how this Council was performing in comparison to previous audits. Officers advised that this year's performance was an improvement on last years and that the Council was moving in the right direction and at pace.

Having scrutinised the content of the Best Value Action Plan update report, the Panel

**Decided:** to note

- (1) the progress through the narrative set out within Appendix 1 of the report; and
- (2) the additional actions added following the 2023/24 thematic audit on Workforce Innovation.

## **Other Governance**

### 8. **Audit and Governance Panel – 2023/24 Annual Report.**

There was submitted a joint report (issued) of 17 May 2024 by Chief Financial Officer and Chief Governance Officer providing the Audit and Governance Panel Annual Report for 2023/24.

A Member of the Panel advised that the process of assessing performance of the Panel that had been used was helpful, however he was disappointed that, as stated in the report, an officer considered that the Panel's understanding of tabled reports could, on occasion, be better. The Chief Financial Officer advised that he would ensure that this concern was taken on board.

Having considered the Audit and Governance Panel annual report for 2023/34, the Panel

**Decided:** to remit the report to Council on 27 June 2024 for its consideration.

The meeting ended at 11.00 a.m.

DRAFT



# Audit and Governance Panel

Agenda Item No. 4

## Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
			NOTHING TO REPORT			

## Audit and Governance Panel

### Work Programme 2024

No	Issue	Actions	Assigned To	Due Date to Panel	Latest update
1.	<b>External Audit Reports – Progress to 31 May 2024</b>	Report to Panel	Chief Financial Officer	26 June 2024 (Quarterly)	Report to this Panel
2.	<b>Annual Accounts 2023/24</b>	Report to this Panel	Chief Financial Officer	26 June 2024 (Annually)	Report to this Panel
3.	<b>Delivering Good Governance – 2023/24 Assessment</b>	Report to Panel	Chief Governance Officer	26 June 2024 (Annually)	Report to this Panel
4.	<b>Riverside High Flats Audit – Management Response</b>	Report to Panel	Director of Housing, Operations and Development	26 June 2024	Report to this Panel
5.	<b>Internal Audit Annual Report 2023/24</b>	Report to Panel	Chief Internal Auditor	26 June 2024 (Annually)	Report to this Panel
6.	<b>Treasury Management Annual Report 2023/24</b>	Report to Panel	Chief Financial Officer	26 June 2024 (Annually)	Report to this Panel
7.	<b>Corporate Lets</b>	Report to Panel	Director of Communities and Transformation	26 June 2024 (Annually)	Report to this Panel
8.	<b>IJB Finance and Performance Report 2024 – Audit Scope</b>	Report to this Panel	Chief Financial Officer	4 September 2024 (Annually)	Not yet started
9.	<b>Internal Audit – Progress Report Quarter 1</b>	Report to this Panel	Chief Internal Auditor	4 September 2024 (Annually)	Not yet started
10.	<b>Strategic Risk Management</b>	Report to this Panel	Chief Governance Officer	4 September 2024 (Biannually)	Not yet started

## Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date to Panel	Latest update
11.	<b>External Audit Reports – Progress to 30 June 2024</b>	Report to this Panel	Chief Financial Officer	4 September 2024 (Quarterly)	Not yet started
12.	<b>Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)</b>	Report to Panel	Chief Internal Auditor	4 September 2024 (Annually)	Not yet started
13.	<b>Treasury Management and Investment Strategy Quarter 1 Update Report 2024/25</b>	Report to Panel	Chief Financial Officer	4 September 2024 (Quarterly)	Not yet started
14.	<b>Annual Audit Report 2023/24</b>	Report to this Panel	Chief Financial Officer	September 2024 (Special - date TBC) (Quarterly)	Not yet started
15.	<b>Best Value Action Plan - Progress Report</b>	Report to this Panel	Director of Communities and Transformation	October 2024 (Quarterly)	Not yet started
16.	<b>Accounts Commission Annual Report 2022/23</b>	Report to this Panel	Chief Financial Officer	October 2024 (Annually)	Not yet started
17.	<b>Internal Audit Progress Report Quarter 2 (including Midyear Review)</b>	Report to this Panel	Chief Internal Auditor	November 2024 (Annually)	Not yet started
18.	<b>Audit and Governance Panel – 2024 Annual Self-Assessment Outcome</b>	Report to Panel	Chief Financial Officer/ Chief Governance Officer	December 2024 (Annually)	Not yet started
19.	<b>Corporate Fraud Team - Activity Report and Update on National Fraud Initiative</b>	Report to this Panel	Chief Internal Auditor	December 2024 (Biannually)	Not yet started

## Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date to Panel	Latest update
20.	<b>Internal Audit – Progress Report Quarter 3</b>	Report to this Panel	Chief Internal Auditor	February 2025 (Annually)	Not yet started
21.	<b>Annual Audit Plan 2024/25</b>	Report to Panel	Chief Financial Officer	March 2025 (Annually)	Not yet started
22.	<b>Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter)</b>	Report to Panel	Chief Internal Auditor	March 2025 (Annually)	Not yet started
23.	<b>Audit and Governance Panel – 2023/24 Annual Report</b>	Report to this Panel	Chief Financial Officer/ Chief Governance Officer	May 2025 (Annually)	Not yet started

**South Ayrshire Council**

**Report by Chief Financial Officer  
to Audit and Governance Panel  
of 26 June 2024**

---

**Subject: Annual Accounts 2023/24**

---

**1. Purpose**

1.1 The purpose of this report is to present the unaudited Annual Accounts for the year ended 31 March 2024 ('the unaudited Accounts').

**2. Recommendation**

**2.1 It is recommended that the Panel:**

**2.1.1 approves the accounting policies (contained in Appendix 1 (to follow)) used in preparing the 2023/24 Annual Accounts;**

**2.1.2 considers the unaudited Annual Accounts (Appendix 1 (to follow)), noting that all figures remain subject to audit;**

**2.1.3 considers the unaudited Charitable Trust Accounts (Appendix 2 (to follow)), noting that all figures remain subject to audit; and**

**2.1.4 requests the Chief Financial Officer to report back to the Panel following completion of the audit.**

**3. Background**

3.1 Each year, the Chartered Institute of Public Finance and Accountancy (CIPFA) issues new accounting guidance called the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). All local authorities use the Code in preparing their annual accounts.

3.2 Where appropriate, the accounting policies have been revised in line with changes required by 2023/24 Code.

3.3 The unaudited Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and were submitted to the Council's external auditors, Audit Scotland, before the statutory deadline of 30 June 2024.

3.4 A full and separate audit is also required for each registered charity where Members of South Ayrshire Council are sole trustees.

3.5 Notice has been given under Regulation 5 (1) of the Local Authority Accounts (Scotland) Regulations 1985 to allow public inspection of the unaudited Accounts.

3.6 The Chief Internal Auditor's statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2024 is being provided to the members of the Audit and Governance Panel as a separate item on this agenda.

3.7 Members should note that the unaudited Accounts are currently subject to audit.

#### **4. Proposals**

4.1 A copy of the unaudited Accounts is attached to this report for information and consideration (please refer to Appendix 1 (to follow)).

4.2 Copies of the unaudited Charitable Trust Accounts are attached to this report for information and consideration (please refer to Appendix 2 (to follow)).

4.3 The audit of the Accounts will commence in July and will conclude with an Annual Audit report and Report to those Charged with Governance being presented to the Audit and Governance Panel in September 2024. The report will provide the independent auditor's report to Members of the Council, and will allow the auditor to communicate the matters raised during the audit to the Panel.

#### **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

#### **6. Financial Implications**

6.1 None arising from this report.

#### **7. Human Resources Implications**

7.1 Not applicable.

#### **8. Risk**

##### **8.1 Risk Implications of Adopting the Recommendations**

8.1.1. There are no risks associated with adopting the recommendations.

##### **8.2 Risk Implications of Rejecting the Recommendations**

8.2.1 There are no risks associated with rejecting the recommendations.

#### **9. Equalities**

9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 3.

## **10. Sustainable Development Implications**

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

## **13. Results of Consultation**

- 13.1 As indicated at paragraph 3.3 above, the unaudited Accounts will be available for public inspection during the audit process.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, due to tight timescales to produce the report.

**Background Papers**    **None**

**Person to Contact**    **Tim Baulk, Chief Financial Officer**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612620**  
**E-mail [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date:**    **18 June 2024**

# Unaudited Annual Accounts 2023-24





# South Ayrshire Council 2023-24 Annual Accounts

## Contents

### Management Commentary, Assurance Statements & Remuneration Report

<b>Section 1</b>	Management Commentary	1
<b>Section 2</b>	Statement of Responsibilities	24
<b>Section 3</b>	Annual Governance Statement	25
<b>Section 4</b>	Remuneration Report	34

### Core Financial Statements

#### Section 5

I) Comprehensive Income and Expenditure Statement	42
II) Movement in Reserves Statement	43
III) Balance Sheet	45
IV) Cash Flow Statement	46

### Notes to the Core Financial Statements

#### Section 6

Note 1	Expenditure and funding analysis	47
Note 2	Reconciliation of Adjustments Between Accounting Basis and Funding Basis shown in the Expenditure and Funding Analysis (EFA) with those shown in the Movement in Reserves Statement (MiRS)	49
Note 3	Prior period adjustments	50
Note 4	Material items of income and expense	50
Note 5	Events after the Balance Sheet date	50
Note 6	Adjustments between accounting basis and funding basis under regulations	50
Note 7	Movement in usable reserves and Transfers to or from other statutory reserves	53
Note 8	Property, plant and equipment	55
Note 9	Heritage assets	58
Note 10	Intangible assets	59
Note 11	Financial instruments	60
Note 12	Inventories	63
Note 13	Debtors	63
Note 14	Cash and cash equivalents	64
Note 15	Assets held for sale	64
Note 16	Creditors	64
Note 17	Provisions	64
Note 18	Other short term liabilities	65
Note 19	Unusable reserves	65
Note 20	Agency services	67
Note 21	External audit cost	68
Note 22	Grant income	68
Note 23	Related parties	68
Note 24	Capital expenditure and capital financing	70
Note 25	Leases	70
Note 26	Public private partnerships and similar contracts	72
Note 27	Termination benefits	74
Note 28	Defined benefit pension schemes	74
Note 29	Pension schemes accounted for as a defined contribution schemes	78
Note 30	Contingent assets and liabilities	79
Note 31	Nature and extent of risks arising from financial instruments	79

*Continued***Policies, Judgements and Assumptions****Section 7**

Note 32	Significant accounting policies	84
Note 33	Accounting standards issued not adopted	96
Note 34	Critical judgements in applying accounting policies	97
Note 35	Assumptions made about the future and other major sources of estimation uncertainty	97

**Additional Financial Information**

Section 8	Housing Revenue Account	99
Section 9	Collection of Council Tax	102
Section 10	Non-Domestic Rate Account	104
Section 11	Group Accounts	105
Section 12	Common Good Fund Accounts	108
Section 13	Trust Fund Accounts	110

**Other Statements**

Section 14	Independent Auditor's Report	112
Section 15	Glossary of Terms	113

# Section 1: Management Commentary

Welcome to South Ayrshire Council's Annual Accounts for the financial year ended 31 March 2024.

The accounts will provide you with important and useful information about our administration, financial management and performance in the financial year 2023-24.

South Ayrshire is home to over 112,000 people and encompasses the towns of Troon, Prestwick, Ayr, Maybole and Girvan, and their surrounding villages. The area is rich in heritage, with welcoming people, beautiful scenery and has a wide range of attractions suitable for all ages.

The Council is the main provider of essential services and facilities in the area, and in this section, you'll find

a summary of our key achievements over the last 12 months. I'd like to thank our dedicated and hardworking staff, who go above and beyond to make a difference every day and ensure that we provide high-quality services that meet the needs of our residents.



Mike Newall  
Chief Executive

## Highlights of 2023-24 include:

- › The first International Ayr Show – Festival of Flight was held in September 2023 and saw over 240,000 people attend the Low Green in Ayr to enjoy the three-day festival. Plans are well underway for the 2024 festival, which is set to be another spectacular event.
- › Troon will host the 152nd Open this year, once again putting South Ayrshire on the map and bringing a fantastic boost to our local economy.
- › Our 'Ayr Town Centre Framework' was given the green light. The plans, which include a new Ayr station, a transport interchange and the development of the Kyle Quarter, aim to transform the heart of the town over the next 10 years.
- › We're committed to supporting local businesses to thrive, and we introduced two hours' free parking in Ayr Town Centre to encourage footfall to the area.
- › We provided funding to local groups for a range of external events, including the Carrick Lowland Gathering, Ballantrae Festival of Food and Drink, and Dundonald Highland Games, to help make South Ayrshire a destination of choice.







- › We officially launched our 'Destination South Ayrshire' app, which showcases everything the region has to offer, from long sandy beaches and market towns to world-class golf, and award-winning local food and produce.
- › We continued our investment and involvement in projects such as the Ayrshire Growth Deal and Maybole Regeneration Project, and supported local businesses with our involvement in the Scotland Loves Local South Ayrshire gift card scheme.
- › We became one of the top local authorities in Scotland for school leavers for the third year in a row. 98.1% of our young people move on to positive destinations once they leave school, and with the Scottish average at 95.9%, this is a fantastic achievement.
- › The brand-new Prestwick North Education Campus picked up a top award at the Learning Places Scotland Awards 2023, which provide recognition of excellence in the design of educational buildings.
- › The £60m Maybole Community Campus opened its doors to pupils for the first time, and the new two-storey Sacred Heart Primary School was also completed in 2023.
- › Our new net-zero building at Bridge Street in Girvan officially opened and was shortlisted for a RICS (Royal Institution of Chartered Surveyors) regional award. With its category A+ Energy Performance Certificate (EPC), the building has an outstanding energy performance of net zero carbon or better.

- › New recycling bins were introduced in all schools across South Ayrshire to help us to improve our overall recycling rates, and increase awareness of the importance of recycling with children and young people.
- › We're committed to providing quality homes that meet the needs of tenants. The housing development at Mainholm in Ayr is one of the biggest housing programmes in Scotland and is progressing well with over 160 homes set to be completed soon. We're also building 75 new homes at the riverside development in the heart of Ayr.
- › South Ayrshire is renowned for its golf courses, and we continued our investment in courses across the area. We appointed an architect to draft initial designs for Belleisle to fit modern playing trends; completed a new safe network of paths at Darley Golf Course in Troon; improved the drainage at Lochgreen Golf Course; and a nature restoration project is underway at Dalmilling Golf Course.
- › We want to provide first-class sporting facilities for residents and visitors, and we're looking at a range of options to revamp the Citadel Leisure Centre in Ayr.
- › We also opened new access steps at the River Ayr, which will increase opportunities for local people to participate in rowing, canoeing, kayaking and paddleboarding
- › Once again, Ayr, Maidens, Prestwick, Girvan, Barassie and Troon South Beach were crowned winners of the prestigious Scotland's Beach Award. The awards recognise beaches for their fantastic amenities, including being clean, well-managed and sustainable.

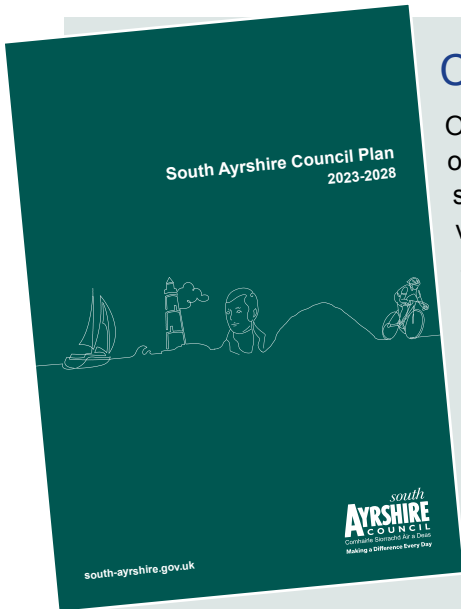


More information can be found by visiting our [website](#). We also regularly share information on our social media channels [Facebook](#), [Twitter](#) and [Instagram](#) and [LinkedIn](#).

## Plans for 2024 and Beyond

The last year has been all about building on the foundations for change that we established through our Council Plan, and the clear vision and direction we have about where we want to be.

From our budget consultation, we took on board the feedback that people are willing to pay more to protect and maintain essential services – allowing us to focus our resources where they are needed most and where they will make the biggest difference. In doing so, we have been able to fund new initiatives that will help reduce inequalities and make a real difference for people and places, especially the most vulnerable in our communities.



### Council Plan 2023-28

Our Council Plan 2023-28 outlines our key priorities, objectives and ambitions over the next few years. We have strong ambitions for an economic and sustainable future where people choose South Ayrshire as a place to live, work, visit, and invest in, and the plan sets out how we will achieve this.

The three overarching priorities of the plan are Spaces and Places; Live, Work, Learn; and Civic and Community Pride.

Under each of these priorities sit outcomes that outline what we want to achieve. These outcomes include a focus on quality education and lifelong learning; supporting local businesses; ensuring everyone has opportunities to take part in play, sport and recreation; and encouraging tourism and increased visitor numbers.

You can find out more about our Council Plan by visiting our website: [www.south-ayrshire.gov.uk/council-plans](http://www.south-ayrshire.gov.uk/council-plans)

To tie in with the priorities of the Council Plan, we're also:



**Investing £100 million**  
in the South Ayrshire Health and Social Care Partnership, an increase of 9.1%



**Investing an additional £22 million**  
in Ayr Town Centre



**Improving attainment in our schools, with £2.6 million for education**



**Upgrading the gym facilities at Troon Swimming Pool**

**Investing additional funds into our school estate**



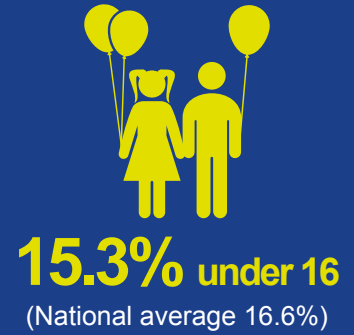
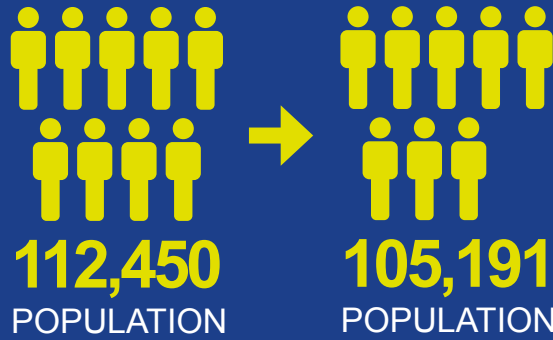
**Investing an additional £2million**  
in Troon, Maybole and Prestwick



**Committed £408 million**  
for Capital Investment projects that will benefit our communities over the next 12 years

# South Ayrshire Overview

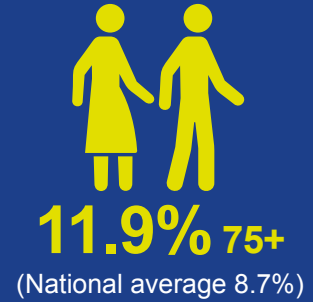
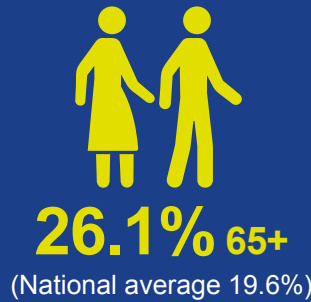
Between 2021 and 2043 the population of South Ayrshire is projected to decrease from 112,450 to 105,191. This is a decrease of 6.9% which compares to a projected increase of 1.7% for Scotland as a whole.



**58.6%**

of the population are working age (16-64) compared with

**63.8%** Nationally



By 2043 it's estimated the number of people 75+ years will have increased by 35% from

**13,664**  
people in 2021 to  
**21,040**



In 2021, South Ayrshire had the 4th highest dependency ratio in Scotland



South Ayrshire has 7 datazones in the top 5% most deprived vigintile



In 2022, there were 56,453 dwellings in South Ayrshire.

**95.5%** were occupied dwellings which is slightly less than national rate of **95.7%**



## About The Council

Elected Members

CONSERVATIVE 11  
SNP 6  
LABOUR 5  
INDEPENDENT 5  
ALBA 1



Staff



**4,971** full-time equivalent  
(as at 31 March 2024)

**70.1%**  
Ayr, Prestwick and Troon



**29.9%**  
Girvan, Maybole, rural Kyle and Carrick



(Source: National Records of Scotland, Small Area Population Estimates 2021)

● TROON

● PRESTWICK

● AYR

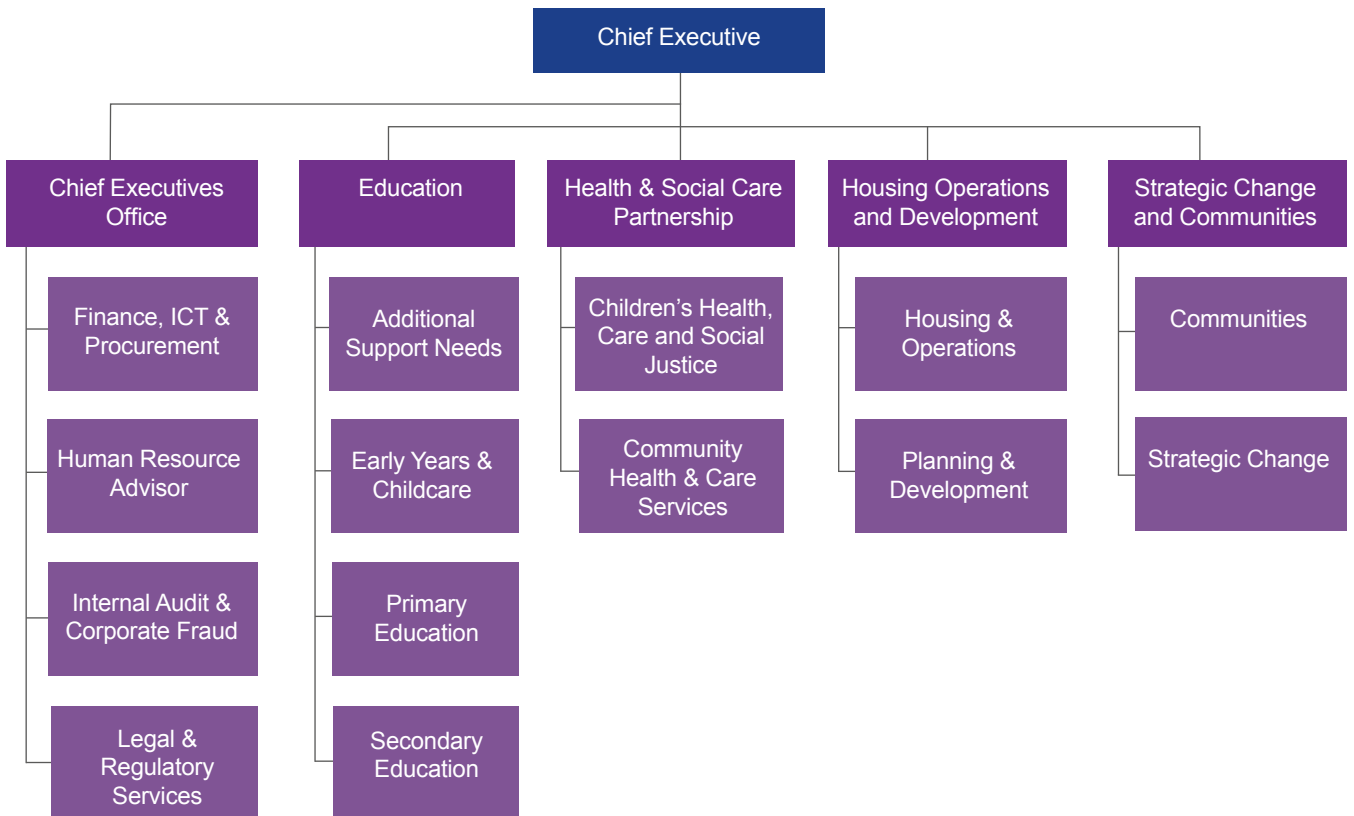
● MAYBOLE

● GIRVAN

# Our Council Structure

In November 2023, Audit Scotland presented the Controller of Audit’s report on Best Value in South Ayrshire. The report noted the progress that had been made in addressing the recommendations in the 2021 Best Value Assurance report and welcomed the Council’s approach to medium and long-term financial planning. One of the recommendations in the report indicated that the council should ensure there is sufficient capacity to achieve the change required and evidence a culture of continuous improvement within the Council.

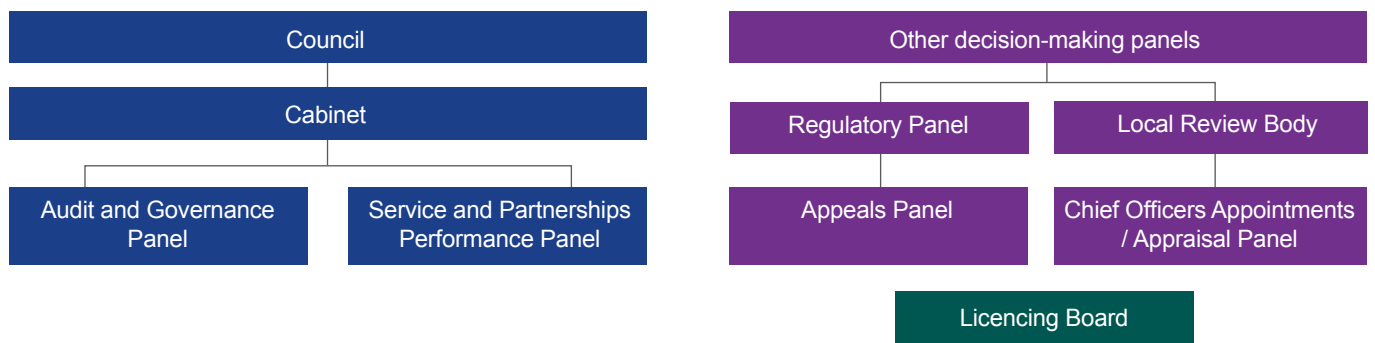
In recognition of this recommendation, Council approved the report ‘Shaping Our Future Council’ in March 2024 which included an enhanced leadership and management structure designed to improve the leadership capacity required to drive sustainable change. The structure below was in place throughout 2023-24 with the new structural changes taking effect from 1 April 2024. Further details on the changes being implemented for the 2024-25 financial year can be found by [clicking here](#).



# Political decision-making structure

The Council approved it’s most recent political decision making structure in March 2023.

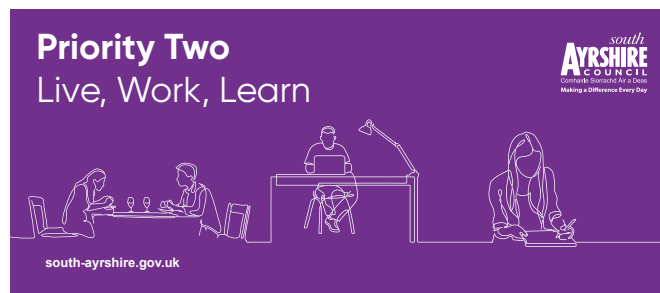
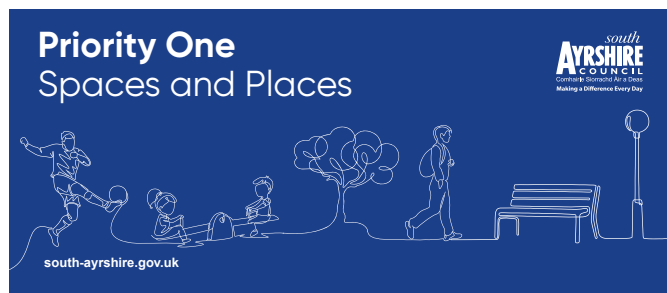
The Political decision-making structure is shown below.



The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a “Call In” for further scrutiny to the Audit and Governance Panel.

# Strategic Direction

The Council Plan (2023-2028) was agreed by Council in March 2023, and sets out the Council's framework for achieving key strategic outcomes based on three priority areas:



The Council's priorities and outcomes place an emphasis on the connection between our places and the wellbeing of our communities and environment. The place-based approach recognises that every area has a different blend of physical, social, and economic characteristics that influence each other and aims to address complex problems that no service alone a common framework, aimed at promoting a shared understanding that encourages services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities.

A further priority – Efficient and Effective Enabling Services is included in our reporting to capture the work of our support services. The plan has been in place for one year and performance against the plan has been scrutinised by the Corporate Leadership Team and the Service and Partnership Performance Panel on alternate quarters. Overall, progress toward the priorities is good, with a summary of quarter 4 performance below:

Priority Area	Actions	On track/ Completed	Off track/Not yet started/ Re-assess due date	Overall health
<b>Priority One:</b> Spaces and Places	18	5 on track and 9 completed	<ul style="list-style-type: none"> <li>1 - off track with concerns</li> <li>3 - re-assess due date</li> </ul>	✔
<b>Priority Two:</b> Live, Work and Learn	14	6 on track and 5 completed	<ul style="list-style-type: none"> <li>1 - off track with concerns</li> <li>2 - re-assess due date</li> </ul>	✔
<b>Priority Three:</b> Civic and Community Pride	8	2 on track and 2 completed	<ul style="list-style-type: none"> <li>1 - off track with concerns</li> <li>3 - re-assess due date</li> </ul>	✔
<b>Efficient and Effective Enabling Services</b>	8	4 on track and 4 completed	-	✔
<b>Total number of actions</b>	<b>48</b>	<b>17 on track and 20 completed</b>	<b>3 off track and 8 re-assess due date</b>	

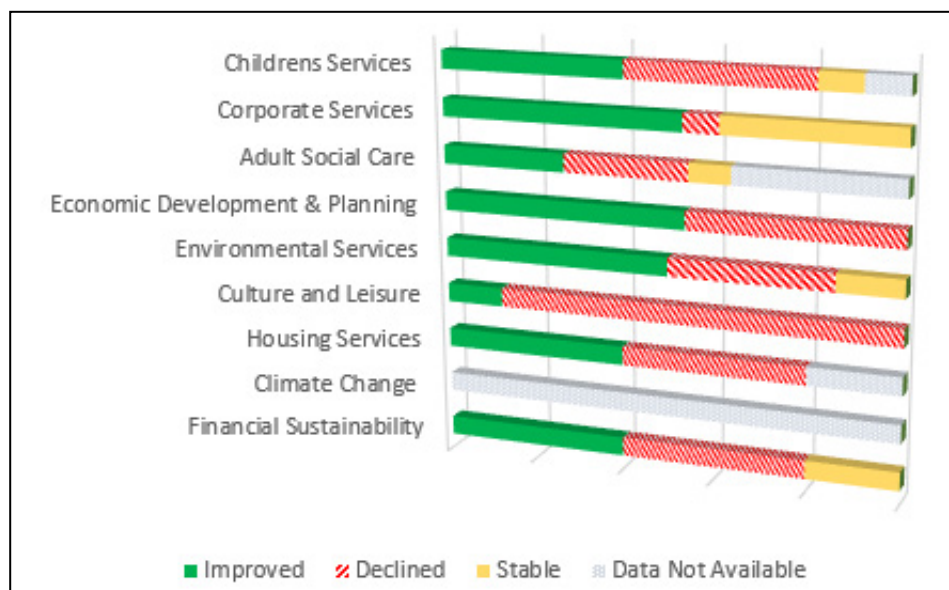
Detailed progress reports from [quarter 2](#) and [quarter 4](#) can be accessed online. Year 2 actions are due to be considered by Cabinet in June 2024 and will be reported quarterly throughout 2024-25.



## Performance against other Councils 2022-23

This analysis groups services as to whether they performed higher or lower than the average performance of all 32 Scottish Councils. The data is gathered by the Improvement Services who produce a National Benchmarking Overview report, the 2022-23 report, the latest published Local Government Benchmarking Framework information, can be accessed [here](#).

The data relating to 2022-23 continues to be impacted by the Covid-19 pandemic which means that the long-term trend data for some indicators should be treated with caution and reviewed in conjunction with the narrative provided by managers and presented to the Service, Partnership and Performance Panel in June 2024. Overall, the data suggests that 40% of the measures have improved (32% in 2021-22), 11% have remained stable (8% in 2021-22) and 36% have declined (27% in 2021-21), and 12% have no data (20% in 2021-22).



The service areas where performance was among the best was corporate services, where data showed that we were the top performing Council nationally and in our family group in terms of staff absence, with teacher absence rates sitting at 3.7 days and all other staff at 7.7 days. Both the gender pay gap and the proportion of highest paid 5% employees who are women also continue to show improving trends. School leaver destinations shows 98.1% of young people moving to positive destinations, a figure which places us 4th of the 32 local authorities and participation rates for 16–19-year-olds also remain high with an increase from 93.7% in 2021-22 to 96.6% in 2022-23.

Start-ups were significantly impacted by the Covid-19 pandemic, but our Economy and Regeneration team built on their delivery of Covid-19 business support measure to improve performance in the number of business gateway start-ups which increased from 13.5 in 2021-22 to 19.9 in 2022-23.

The services where performance was poorest included Adult Social Care where the number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+) has deteriorated further. The number of days increased from 1365 2021-22 to 2216 in 2022-23, with the national average in 2022-23 being 919. There has been very significant deterioration in this measure with South Ayrshire having been a very significant outlier since 2021 when the service experienced a workforce crisis in the in house and private care sector losing 50% of private care hours and 30% vacancy rates in house. The private sector has now stabilised although remains 50% lower than the peak of 12,000hrs per week. An additional 110 posts have been created and filled in the in-house service and we have seen consequent improvements in our performance in this measure during 2023.

In addition, Housing Services saw an increase in percentage of rent due in the year that was lost due to voids which rose from 1.1% to 1.5% and a rise in rent arrears which rose from 3.9% to 4.3%. During 2022-23 the Council had to deal with an increased number of tenancy terminations which increased pressures on the housing management teams and the Property Maintenance Service. In addition, the poorer condition of properties received following termination and the need for an increased level of repairs combined with delays in negotiating with utility providers to resolve utility issues, all contributed to the poorer performance in the void turnaround. The challenges in income collection, the cost-of-living pressures, the increased roll out of Universal Credit and legal restrictions in recovery action were significant factors influencing performance in rent arrears 2022-23.

## Financial Statements

The financial statements for 2023-24 and associated notes are set out on pages 42 to 83 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Significant Accounting Policies in Section 7 of the Accounts explains the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the Council's financial performance. An explanation of each of the financial statements which follow, and their purpose, is shown at the top of each statement.

## Financial Strategy

As is the case across all local authorities, this Council faces significant financial challenges due to the increased inflationary environment and will be required to operate within even tighter fiscal constraints for the foreseeable future alongside which the continuing difficult national economic outlook and increased demand for services is increasing the pressure on Council activity. The Council's current Medium Term Financial Plan (MTFP), published in November 2023 has been extended from the previous three-year timeframe to a five-year timeframe covering the period 2024-25 to 2028-29. This approach introduces the new methodology of maintaining one extended medium term financial plan rather than the previous approach of having a three-year MTFP alongside a ten-year Long Term Financial Outlook.

The purpose of the MTFP is to provide a clear understanding of the expected resources that will be available in the short and medium term to deliver Council Priorities. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayers' funds. The MTFP published in November 2023 indicated a potential budget gap of £49.5 million over the five-year period of the plan.

The next update to the MTFP is due in November 2024.

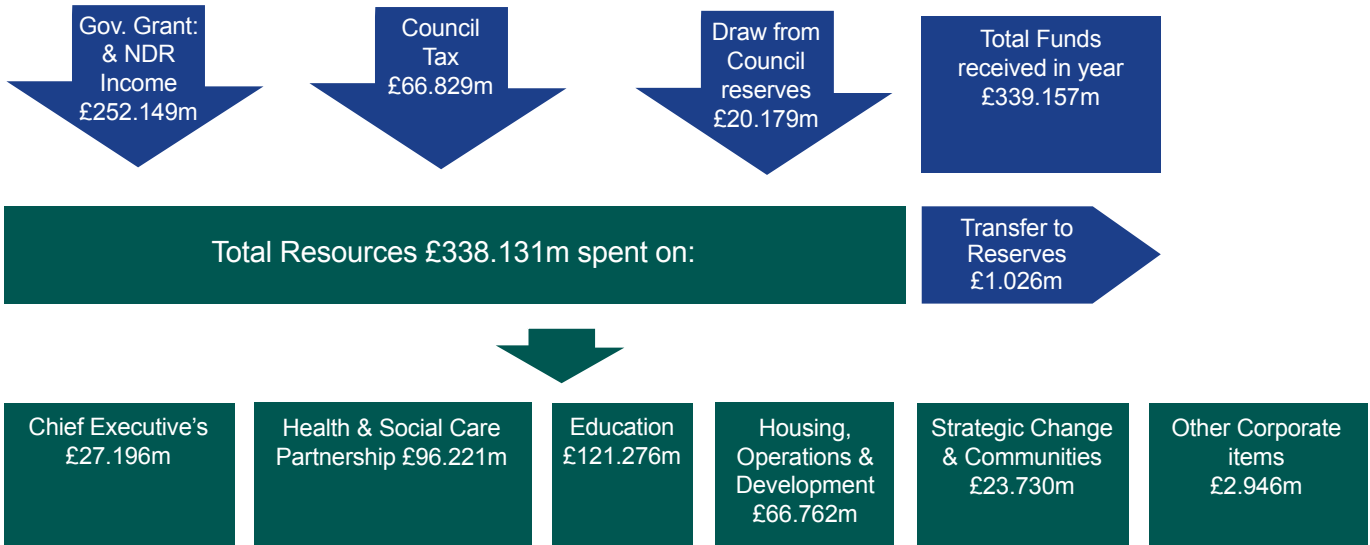
## Financial Performance

### Financial Performance Monitoring

Financial information is a key element of the Council's performance management framework with regular reporting to the Council's Cabinet. The Council's General Fund financial performance is presented in the Annual Accounts that follow this management commentary. The Comprehensive Income and Expenditure account Statement (CIES) on Page 42 sets out the Council's funding and spending in accordance with accounting requirements which is different to the way we report performance internally. The Expenditure and Funding Analysis (EFA) on page 47 provides the link between the budget management reports and the CIES.

## General Fund Revenue

The General Fund is funded by Government Grant, Council Tax Revenues and draws from accumulated reserves. The analysis below shows how the resources were used during 2023-24.



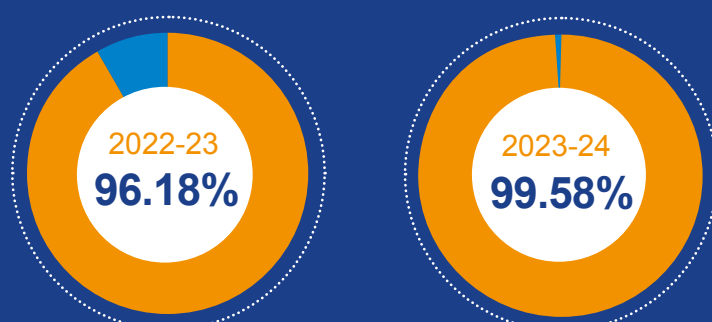
The performance of actual spend against budget for each Service area is shown in the tables opposite with an explanation of the main variance also provided. Further detail on service out-turns can be found in the Budget Management report submitted to Cabinet on 18th June 2024 and can be found at [Committee Agendas, Papers and Minutes](#).



Outturn information 2023-24				
Directorate/Service	Final Annual Budget	Actual outturn	Variance Favourable/ (adverse)	Variance analysis
	£'000	£'000	£'000	
Chief Executive's Office	29,289	27,196	2,093	Primarily due to delays in filling vacant posts and underspends in ICT contracts.
Education	121,719	121,276	443	Due to underspends in Whole Family Wellbeing Fund project expenditure which is being carried forward to 2024-25.
Housing, Operations and Development	63,981	66,762	(2,781)	Primarily due to overspends in employee costs in Facilities Management plus overspends in Ayrshire Roads Alliance costs, overspends with the Central Repairs account and under recovery in Planning fees.
Housing Revenue Account	-	759	(759)	Due to overspends in property repair costs offset by underspends in administrative costs and over recovered rental income.
Strategic Change and Communities	26,378	23,730	2,648	Due to delays in filling vacant posts combined with over recoveries of income in leisure facilities and the receipt of grant income monies which are being carried in to 2024-25.
Social Care: Provision of Services	96,221	96,221	0	On line after the transfer of the in year underspend to the Integrated Joint Board accumulated reserves.
Miscellaneous Services	1,960	2,946	(986)	Due to an overspend in Loan Charges, reflecting higher interest rates being encountered on borrowing.
Council Tax	(67,220)	(66,829)	(391)	Actual in year collections were slightly below target (0.58%) for the year which results in an overall net under recovery in income.
Government Funding	(252,149)	(252,149)	0	
Use of Balances	(20,179)	(20,179)	0	
<b>Net Cost of Service</b>	<b>0</b>	<b>(267)</b>	<b>267</b>	

The annual revised budget is the final budget at 31 March 2024 detailed in the budget management report submitted to Cabinet on the 18th June 2024 following in year updates as a result of additional government funding allocations, budget movements and allocations from earmarked balances. The initial 2023-24 revenue budget was approved by Council on 4 March 2023.

### Actual net service expenditure as a percentage of budget

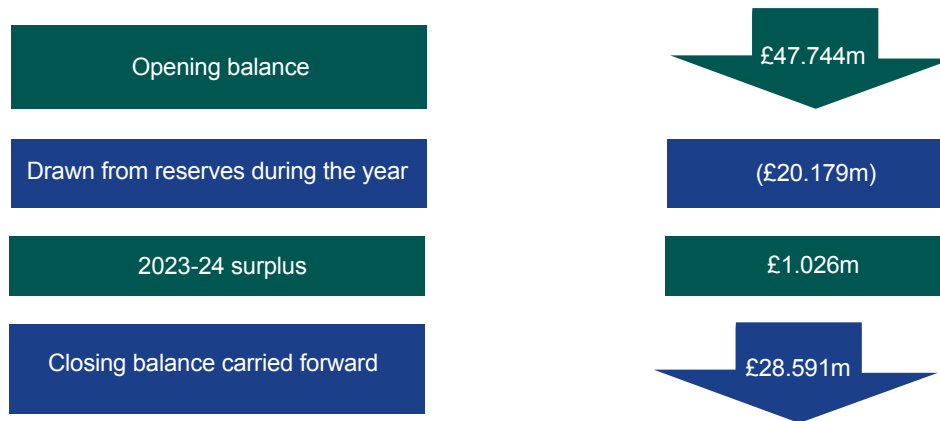


The Comprehensive Income and Expenditure Statement (CIES) sets out our funding and spending in line with accounting requirements which is different to the way we report financial performance internally. The Expenditure and Funding Analysis (EFA) provides a link between our budget management reports and the figures in the CIES. The table below provides a link between our management reporting to the first column of the EFA on page 47 which in turn links to the CIES on page 42.

Building the EFA					
Directorate/Service	Actual outturn (page 10)	Amounts not included in net cost of Services	Net Expenditure chargeable to the General Fund and HRA balances	EFA Segment	EFA Column 1 (page 47)
	£'000	£'000	£'000		£'000
Chief Executive's Office	27,196	(6,402)	20,794	Chief Executive's Office	20,794
Education	121,276	(2,949)	118,327	Education	118,327
Housing, Operations and Development	66,762	(13,061)	53,702	Housing, Operations and Development	53,702
Housing Revenue Account	759	(2,879)	(2,120)	Housing Revenue Account	(2,120)
Strategic Change and Communities	23,730	(2,046)	21,684	Strategic Change and Communities	21,684
Social Care: Provision of Services	96,221	176	96,397	Social Care: Contribution to IJB	102,112
				Social Care: Provision of Services	(5,715)
Miscellaneous Services	2,946	10,136	13,082	Miscellaneous Services	13,082
Council Tax	(66,829)	66,829	0		<b>321,866</b>
Government Funding	(252,149)	252,149	0		
Use of Balances	(20,179)	20,179	0		
<b>Net Cost of Service</b>	<b>(267)</b>	<b>322,133</b>	<b>321,866</b>		

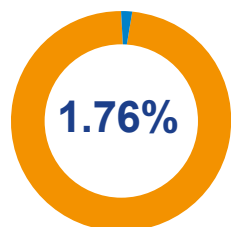
## Accumulated General Fund Reserves

The Council holds General Fund balances to meet contingencies and for specific initiatives. Within the General Fund, certain balances are earmarked to be held for specific purposes—for example, efficiency and improvements or for workforce change purposes. The Council brought forward accumulated reserves of £47.744 million from 2022-23 and the movement during the year on this balance, agreed as part of the original 2023-24 budget and through decisions taken during the year, was as follows:

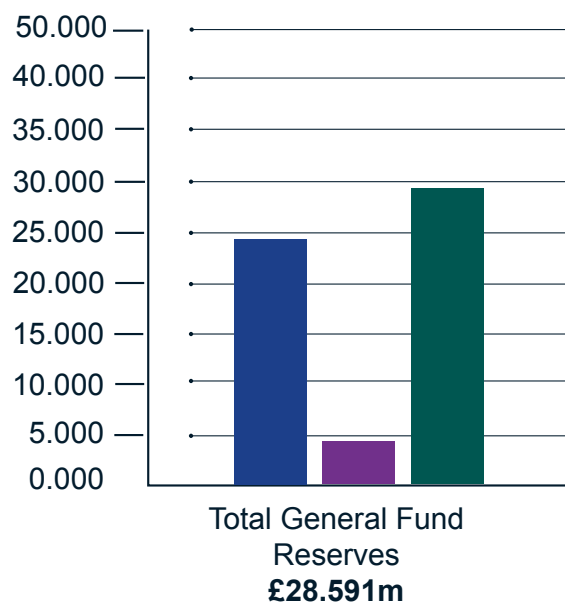


The chart below shows a breakdown of the £28.591 million accumulated reserves held at the end of 2023-24 between committed and uncommitted funds.

### 2023-24



Uncommitted funds as a percentage of annual budgeted expenditure



Further detail on the reserve balances held can be found in Note 6 on page 53 and in the 2023-24 General Service Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes](#)

The South Ayrshire HSCP is holding its own reserves of £16.465 million, £12.226 million of general earmarking of funds for use in future years and £4.239 million of a general unallocated reserve. The reserves held by the partnership are not included with the Council's £28.591 million shown above.

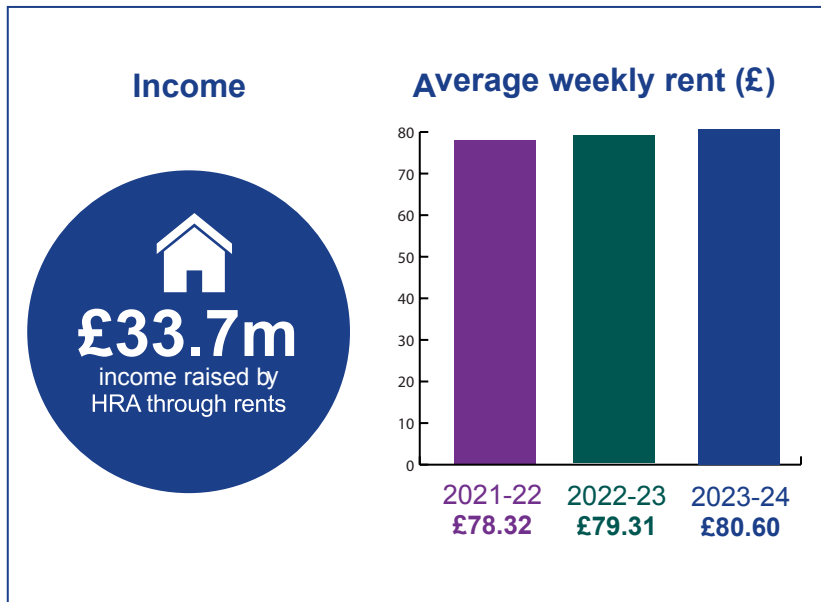
The Council keeps its level of balances under review and, as per the approved Council Financial Strategy, aims to maintain an uncommitted balance of generally between 2% and 4%, but as a minimum at least 2% of annual running costs. As noted above uncommitted reserves held sits at 1.76% which is below the desired level. A review of all reserves, both committed and uncommitted, is planned during 2024-25.



## Housing Revenue Account

In addition to Government funding, Non-Domestic Rates and Council Tax income, the Council also receives income each year from Council house rents. There is a legal requirement for Councils to maintain a Housing Revenue Account (HRA) – separate from all other Council services – for all housing stock held by the Council. All spending and income related to Council house rented accommodation must be included in the HRA.

This income can only be used to meet the costs of delivering a housing service for our tenants in South Ayrshire. This includes managing the housing service, day-to-day repairs and larger investment through the modernisation of our properties.



The Council continues to make ongoing capital investment in its' housing stock to improve and maintain properties in line with the Scottish Housing Quality Standard and the Energy Efficiency Standards for Social Housing. Levels of investment are informed through assumptions contained in the Housing Revenue Account (HRA) Business Plan and the HRA Capital and Revenue budget is approved annually by Council, taking account of identified investment and the approved Strategic Housing Investment Plan. In Late 2020, the Council carried out a rent setting consultation with tenants and in January 2021, the Council approved a rent increase of 1.5% each year for the 3-year period from 2021-22 to 2023-24.

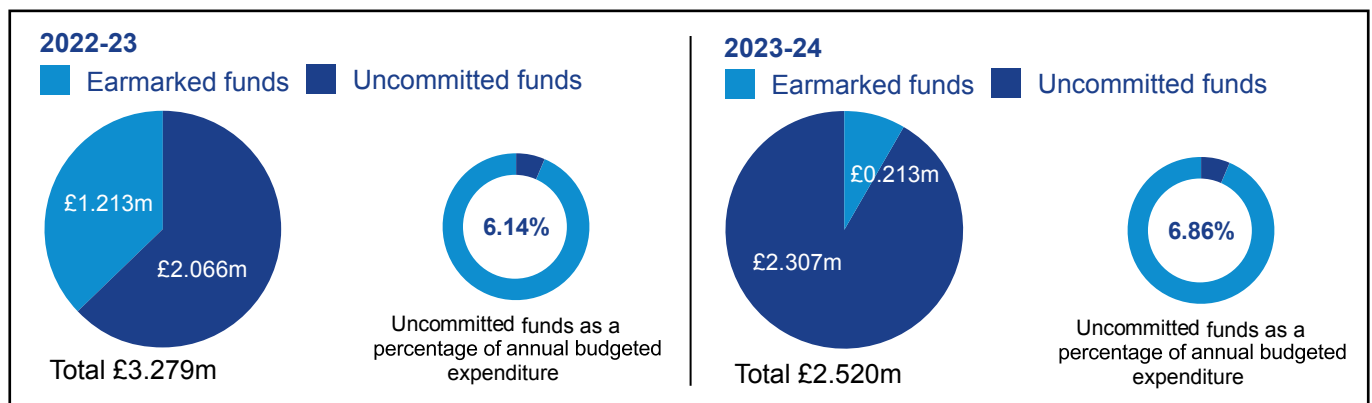
As outlined in the report to the meeting of South Ayrshire Council on 1 March 2023, when preparing the 2023-24 budget, it was acknowledged that the rate of inflation was higher than previously assumed and this was impacting on revenue and capital budgets. As part of the approved 2023-24 HRA budget, budgets were adjusted, and this contributed to offsetting increased pressures in other areas. An uncommitted sum of £1m was used in 2023-24 to help mitigate rising repairs costs. Despite the budget and wider economic challenges, in recognition that 2023-24 was the final year of the previously agreed 1.5% rent increase and taking account of other cost of living pressures, the Council maintained its' commitment to apply the 1.5% increase in 2023-24. Additionally, given the cost-of-living pressures in 2023-24, Scottish Government Ministers agreed with Council's to keep rent increases to an average of less than £5.00 per week. Based on the 2022-23 average weekly rent of £79.31 (over a 52-week period), the 2023-24 rent increase of 1.5% applied by the Council was well below the agreed permitted average at that time.

A review of the HRA Business Plan was undertaken during 2023-24 and further consultation took place with tenants during November/ December 2023 on rent setting options. At a Special Meeting of South Ayrshire Council on 17th January 2024, the Council approved a rent increase of 4.5% each year for the 3-year period from 2024-25 – 2026-27.



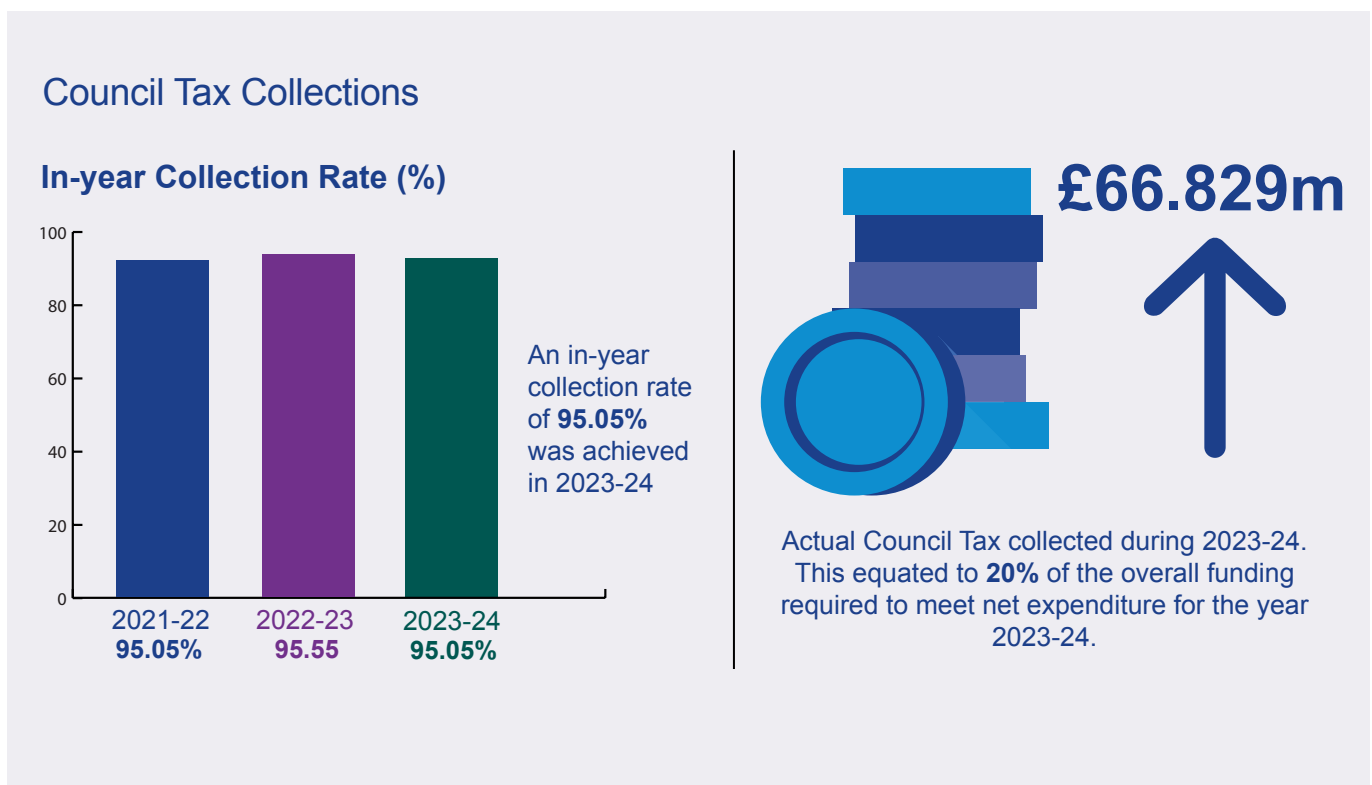
In 2023/24, gross rent arrears were £1.525 million, which was 4.63% of the rent due in the reporting year. This was an increase on £1.396 million (4.32%) in 2022-23. Despite the increase of £0.129 million, the Council's performance remains strong in comparison to other Scottish Local Authorities. During 2023/24, the recovery of income and provision of support to households has remained challenging, as many households are experiencing cost of living hardship. In 2023/24, the Council continued to utilise the remaining grant provision approved by Council to support tenants in hardship to sustain their tenancy and prevent homelessness. A total of 32 tenants were assisted with awards totalling £0.034 million.

The challenges in income collection, the cost-of-living pressures, the increased roll out of Universal Credit and legal restrictions in recovery action were significant factors influencing performance in the management of rent arrears and recovery of rental income. This activity is closely scrutinised within the Housing Service and a range of mitigations and actions to manage rent arrears are in place to minimise the impact of the increase in gross rent arrears. Officers continue to actively reach out to households at early stages to provide advice, information, and support to tenants in managing their ongoing rent obligations and making affordable repayment arrangements for arrears.



Earmarked reserves have reduced during 2023-24 mainly due to the draw down of funds to support capital investment previously approved for that purpose.

Further detail on the uncommitted balances held can be found in the 2023-24 HRA Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes](#).

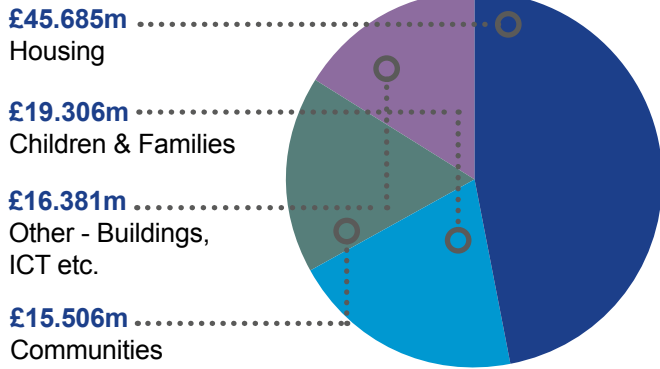




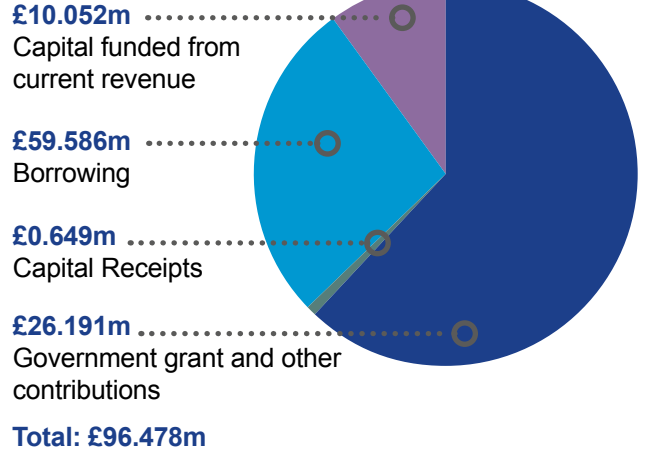
## Capital Expenditure and Income

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability and sustainability. The Council continued to make significant capital investment in schools, roads, leisure, ICT, housing and other capital projects during 2023-24 and spent in total £96.478 million during the year. The funding of this spend was financed through government grants and other contributions, capital receipts from the sale of assets, capital financed from current revenue sources and borrowing. The charts below show the breakdown of both spend and financing of the programme.

### Expenditure



### Income



## Capital Investment 2023-24

During 2023-24, output from the construction industry continued to fall. The main challenges are the impact of the coronavirus pandemic, a cost of living crisis and the need to reduce carbon emissions to achieve net zero.

Towards the end 2023, adverse weather conditions including heavy rainfall, strong winds and cold temperatures also negatively impacted on construction activity.

The cost of living crisis has resulted in rising costs of building materials with inflation on building materials rising by 25% compared to last year.

The global pandemic caused many construction companies to cease trading and skilled operatives to leave the sector, causing a skills gap. Labour constraints and contractor availability continues to adversely affect the industry. The conflict in Ukraine continues to impact on component availability and the supply chain.

Achieving net zero carbon emissions is the most significant long-term challenge facing the construction industry. Although sustainable practices do have an overall positive impact, to meet the targets of net zero by 2050 and reduce emissions by 75% by 2035, a major change in delivery of building projects, and how we manage existing stock, will be required.

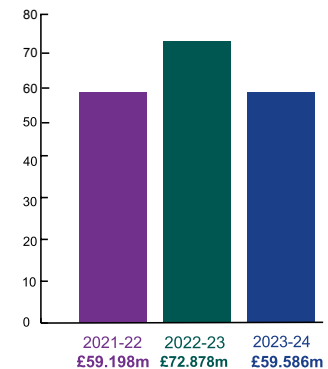
## Treasury Management Activity

The Annual Treasury Management and Investment Strategy applicable for the 2023-24 financial year was approved by Council on 4 March 2023. The 2023-24 Strategy can be found at [Committee Agendas, Papers and Minutes](#)

The Strategy provides the detailed information and narrative on the authority’s capital investment plans, treasury management activity (borrowing and investments), prudential indicators and the loans fund liabilities. Where capital investment is financed from borrowing, it is required to be prudent, affordable and sustainable.

### New 2023-24 Borrowing

The Council’s borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council’s borrowing is for capital investment purposes and is either sourced from the use of internal cash balances held (internal borrowing) or comes from the Public Works Loan Board (PWLB), a Government-sponsored body set up with the primary purpose of lending to UK local authorities. Borrowing for capital investment purposes is paid for by charging a proportion of the cost along with interest each year to the revenue account over the life of the asset.

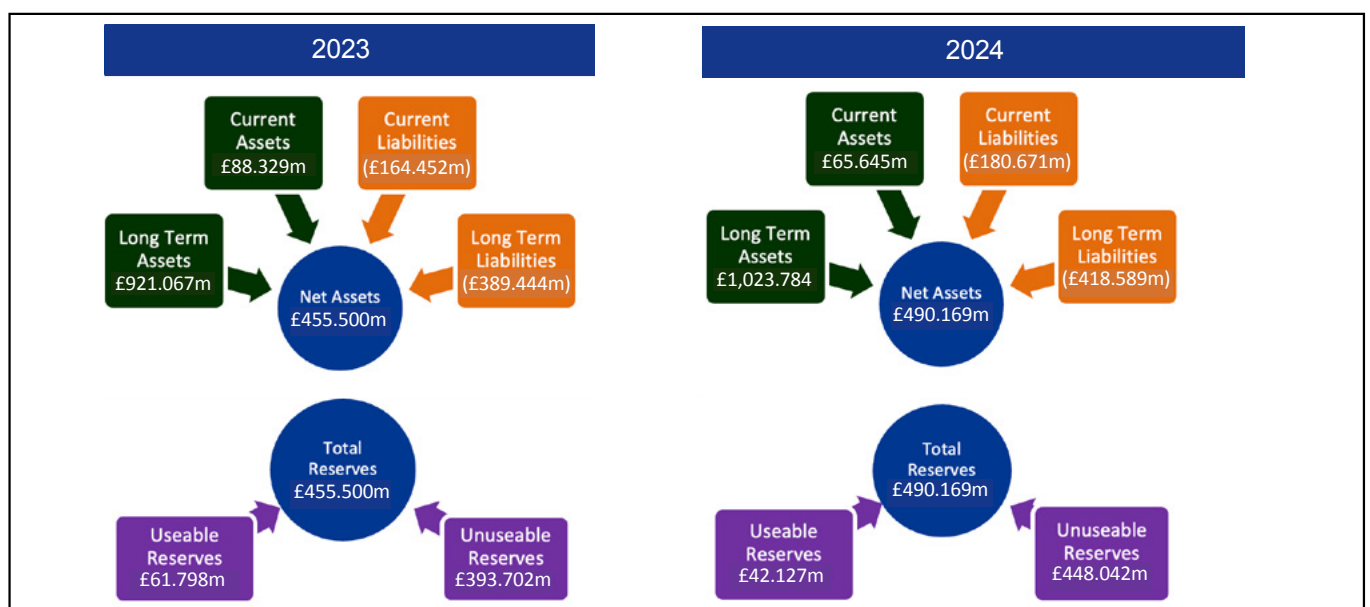


The 2023-24 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 26 June 2024 and remitted to Council for approval. The key Treasury Management indicators drawn from that report are noted below:

Indicator	2022-23	2023-24	Comment
Capital Financing Requirement	£484.612m	£534.483m	External debt levels remain lower than the CFR which reflect the Councils’ strategy to fund part of its capital expenditure using internal funds resulting in an under borrowed position.
Gross External Debt levels	£447.336m	£475.682m	
(Over) / Under borrowed	£37.276m	£58.801m	
Ratio of Financing Costs to Net Revenue Stream - General Fund	6.06%	6.48%	These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council.
Ratio of Financing Costs to Net Revenue Stream - HRA	10.96%	12.99%	

## Balance Sheet

The Balance Sheet on page 45 summarises the Council’s assets and liabilities at 31 March 2024. The Balance Sheet brings together Long-term assets, Current assets, Current liabilities and Long-term liabilities resulting in total Net Assets of £490.169m for 2024 and shows how the Net Asset position is funded by Useable and Unusable reserves.



# Additional Information

## Pension Fund

The Council is required to disclose its share of Strathclyde Pension Fund's assets and liabilities, both current and future. The disclosure information is provided to the Council by the Pension Fund actuaries following their annual valuation of the Fund. Formal valuations take place every three years, with the latest formal valuation applicable for 2023-24 having taken place on 31 March 2023. The disclosure requirements for pension benefits under IAS19 are detailed at Note 28.

The appointed actuary assessed the Council's share of Strathclyde Pension Fund as a net asset of £305.635 million as at 31 March 2024 (2022-23: £265.031 million) which was subsequently reduced to £nil by the application of an asset ceiling adjustment, following consideration of the level of pension fund asset actuarial valuations at a national level. However, the valuation excludes the valuation of unfunded pension obligations, the present value of which has been assessed as a liability of £25.037 million. Accordingly, the overall pension valuation in the Balance Sheet as at 31 March 2024 is a net liability of £25.037 million.

The valuation is only applicable at the Balance Sheet date and fluctuates on a daily basis, primarily due to its reliance on stock market movements.

## Public Private Partnership

The Council previously entered into a Public Private Partnership (PPP) agreement with Education for Ayrshire (e4a) for the construction and operation of two new secondary and three new primary schools, together with an annex to an existing secondary school. The first unitary charge payment relating to these schools was made during 2007-2008. During 2017-18 and then in 2019-20 the Council took occupation of the New Ayr Academy and New Queen Margaret Academy respectively, both of which were constructed via a Design, Build, Finance and Maintain contract, commonly referred to as DBFM through the Schools for the Future Programme. This form of contract is similar to the existing PPP contract except responsibility for most janitation and cleaning etc. remains with the Council.

In accordance with Finance Circular 10/2022, the Council has applied a permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-23 on a retrospective annuity basis to the three SCA's currently in place. The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset.

## Group Accounts

The Council has an interest in a number of other organisations and is therefore required to prepare Group Accounts. The Group Accounts are included separately in the Council's core statements and consolidate the results of the Council with its share of the results of two subsidiaries and four associates. The inclusion of the subsidiaries and associates in the Group Balance Sheet increases both the net assets and reserves by £49.631 million (£50.012 million in 2022-23), representing the Council's share of the net assets in these entities.

## Common Good and Trust Funds

The Council administers a Common Good Fund which comprises five distinct sub-funds, Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves. Details of income and expenditure accounts and balance sheets can be found on page 108 of these accounts.

The Council also administers several Trust Funds, some of which are registered charities. Details of income and expenditure accounts and balance sheets can be found on page 110 of these accounts.

Separate annual accounts and a Trustees' Annual Report have been prepared for the charitable trusts. These are subject to separate external audit and are available on the Council's website.

## Major Fire Incident in Ayr

In September 2023, a major fire incident took place in Ayr at the building formerly known as the Station Hotel, adjacent to Ayr Railway Station. The building which is owned by a third party had previously been notified as a dangerous building under Section 29 of the Building (Scotland) Act 2003, which resulted in the Council encapsulating much of the building in safety works for public protection reasons.

Following the fire, and again under Section 29 of the Building (Scotland) Act 2003, the Council commenced works considered necessary as it was assessed that the building constituted an immediate danger to persons in or about the building or to the public generally or to adjacent buildings or places.

The severe structural damage caused by the fire resulted in the rail traffic through Ayr Railway Station being suspended for a lengthy period of time whilst emergency works commenced and continued. As a result of the undue financial burden caused by the large-scale emergency, the Council contacted the Scottish Government and requested emergency financial assistance under the National Bellwin scheme. This application was accepted and will result in the majority of emergency safety works cost incurred by the Council being defrayed by Scottish Government Bellwin Scheme funding.

## New Enterprise Resource Planning (ERP) Cloud Solution

In May 2024, following an 18-month implementation programme, the Council went live with a new Oracle Fusion Enterprise Resource Planning (ERP) Cloud Solution as a replacement for the on-premises Oracle Enterprise Business Suite. The cloud solution is a fully integrated Financial, Human Resources, Payroll and Procurement system, providing efficient and effective management information across the Council.

Like any major new system implementation that touches nearly every corner of the Council's business, a number of reporting and other issues occurred during the first year following go live. The internal system team, together with Council service staff and the Council's external support partners, have made good progress and resolved many of the early issues encountered. In order to address the remaining items, plans are being developed to amend some processes and offer additional training and support to users, with the aim of realising the significant benefits of operating an integrated cloud solution.



# Outlook and Key Risks

## Financial Outlook

The Council published its most recent Medium Term Financial Plan (MTFP) in November 2023.

This year's MTFP was extended from the previous three-year time-frame to a five-year time-frame covering the period 2024-25 to 2028-29. This approach introduces the new methodology of maintaining one extended medium term financial plan rather than the previous approach of having a three-year MTFP alongside a ten-year Long Term Financial Outlook.

The purpose of the MTFP, is to provide a clear understanding of the expected resources that will be available in the short and medium term to deliver Council Priorities. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayers' funds.

As is the case across all local authorities, the Council faces significant financial challenges due to the increased inflationary environment and will be required to operate within even tighter fiscal constraints for the foreseeable future alongside which the continuing difficult national economic outlook and increased demand for services is increasing the pressure on Council activity.

The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of Aggregate External Finance (General Revenue Grant and Non-Domestic Rates income) which accounts for approximately 80% of the Council's funding. The expectation is that future Scottish Government funding will be severely limited or more likely flatlined. This means that current service provision will become unaffordable within the estimated funding envelope, therefore decisions are required to increase income through other means (council tax or fees and charges) or to contract council service provision by reducing or ceasing certain non-priority service provision areas.

Contained within the MTFP is a budget strategy that sets out the key principles to ensure a robust and strategic approach to financial planning is progressed. This Budget Strategy will be key to ensuring that the achievement of the Council's Strategic Priorities identified in the new Council Plan are confined within the resources available to support the delivery of key outcomes.

The years through to 2029 (the end of the latest MTFP time-frame) will be challenging financially, given the available funding anticipated. Managing the financial pressures whilst seeking to deliver the Council's priorities will be difficult and will require a comprehensive review of the revenue budget, planned costs and performance as well as a review of the capital plans and aspirations in order to ensure that the Council remains financially resilient.

## Strategic Change Programme

The Council's Strategic Change Programme was established in 2021 to develop and deliver business change projects across the Council.

In March 2024 the Council approved a revised strategic approach to Shaping Our Future Council. This work is to be led by the Director of Education and Depute Chief Executive and will involve strategic leadership support within the Corporate Policy, Strategy and Performance Team and the Transformation service.

As part of this decision, Council also approved the establishment of a Transformation Board chaired by the Chief Executive as the officer ultimately responsible for the transformation of the Council. Membership of the Board comprises Chief Officers of the Council.

The Board will focus its work around four key areas of strategic change.

Key Area 1: Our Workforce    Key Area 2: Our Technology

Key Area 3: Our Asset        Key Area 4: Our Delivery Model

In order to support this activity, as part of the budget setting process for 2024-25, the Council agreed to contribute £5 million of funding to establish a new Transformation Fund in recognition that the design, development and implementation of change activity may require upfront investment to enable the realisation of benefits.

Benefits trackers for each funded project will clearly demonstrate cashable and noncashable benefits, target dates and how benefits will be measured.

Regular benefits realisation updates and reports on live and completed projects will be monitored by the Transformation Board

## Climate Change

In June 2019, South Ayrshire Council adopted its first Sustainable Development and Climate Change Strategy. The strategy set out the Council's overall goal for sustainable development and climate change that: 'People in South Ayrshire enjoy a good quality of life while working to reduce greenhouse gas emissions to avoid the worst effects of climate change and build resilience to adapt to its impacts'.

In October 2020 South Ayrshire Council adopted stretching targets for the reduction of the organisation's greenhouse gas emissions, with the aim of delivering against the council's public sector climate change duties as well as its moral and ethical obligations in this area.

At the same time the council also committed to make a green recovery from Covid-19.

This commitment intends to ensure that the disruption brought by the pandemic is harnessed as an opportunity for positive change while leaving the negative behaviours, habits and impacts of both the pre Covid-19 era and the pandemic in the past. By moving forward in ways which build and develop on the positives we will be best placed to deliver a resilient and low carbon future with a focus on wellbeing and future generations.

Climate change has been identified as a strategic risk and as such features in the Council's Strategic Risk Register as one of the four strategic risks classified within the Protection Theme.

In March 2024, the council approved its third carbon budget for the period 2024-25. The carbon budget sets carbon emission targets for each directorate within the council, with the aim of reducing these in line with its carbon emissions target reduction. The carbon budget for 2024-25 considers the spend and trajectory the council needs to be on to meet its targets, as well as the historic carbon emissions required by individual service areas for service delivery. A ten-year projection has also been issued to budget holders to allow them to plan for longer term change projects and associated savings. Carbon budget information and how it can be developed is being considered as part of the refresh of the Sustainable Development and Climate Change Strategy.

Each year, in line with the Climate Change (Scotland) Act 2009, the Council reports on and makes available publicly via submission to the Scottish Government its Annual Climate Duty Report. The report covers a variety of information on climate change activity, governance arrangements and emissions data. The most recent report was considered by the Cabinet in November 2023 and reported a reduction in emissions of 45 percent from 2014-15 baseline information. The report can be found at [Committee Agendas, Papers and Minutes](#).

Climate change now features as a cross cutting theme of the latest Council Plan which sets out our high level approach for South Ayrshire and all services are now working to deliver. In addition Climate Change questions have been included into the new integrated impact assessment currently being rolled out to ensure climate change is considered in all council decision making and Key projects, such as the development of design guidance, the coastal change adaptation study at Ballantrae and a number of nature restoration projects, have been undertaken.

## Cost of Living Crisis

The cost of living crisis continues to have a demonstrable impact on local communities, with many people struggling to manage increasing financial pressures. The impact of the crisis on local people, the local economy and on council services has resulted in the cost of living crisis being identified as a risk on the Council's Risk Register. A Member/ Officer Working Group has been established to consider the activities being undertaken by the council to mitigate the impact of the cost of living crisis.

A range of Council services provide support to people most affected by the cost of living crisis.

**Information and Advice Hub** - plays a crucial role in supporting people to mitigate the impact of the cost of living crisis. Advisors are professionally trained to the standards required by the Scottish National Standards for Information and Advice Providers (SNSIAP). The team provides comprehensive, professional and impartial services for local people, helping them to access the right benefits, to maximise their household income and to manage debt, including sequestration.

**Thriving Communities** - continue to support communities and residents impacted by the cost of living crisis through a range of interventions and initiatives. Resources continue to target our most deprived communities. Employability provision is underpinned by the Scottish Government's No One Left Behind agenda and more recently supported by the UK Shared Prosperity Fund.

**Housing Service** - plays a pivotal role in supporting council tenants, homeless households and potentially homeless households, with a clear focus on tenancy sustainment and prevention of homelessness. For council tenants there is a focus on early contact and intervention to provide appropriate advice, support, and signposting where necessary to help tenants maintain their rental payments and sustain their tenancy.

**Revenues and Benefits Services** - The service provides ongoing support for customers who are in receipt of social security benefits or are on a low income by processing claims for Housing Benefit and Council Tax Reduction, Education Benefit Payments (Free School Meals and Clothing Grants), Discretionary Housing Payments, and the Scottish Welfare Fund (Crisis Grants and Community Care Grants).

Further work aligned to the Member/ Officer Working Group is progressing to develop a Financial Inclusion Strategy and Action Plan and that work will be undertaken to review customer/ client data relating to the cost of living crisis to inform the strategy and action plan going forward.

## Key Risks

The top risks for the Council are set out in our Strategic Risk Register which is reviewed and updated by the Council's Corporate Leadership Team (CLT). The Strategic Risk Register is regularly presented to the Audit and Governance Panel for review and scrutiny and thereafter presented to Cabinet for approval. The register contains fourteen strategic risks broken down across three risk themes; Governance, Protection and Resources.

The Strategic Risk Register was updated during 2023-24 to ensure that any new and emerging risks were recognised and mitigating actions identified.

The information overleaf summarises the top strategic risk under each risk theme facing the Council, as determined during 2023-24, alongside the mitigating actions.

In addition to the key risks shown overleaf a further significant risk is recognised in terms of Local Government funding and the significant budget gaps identified in the Financial Strategy section on Page 8. Further details to maintain our financial sustainability will be presented in the updated Medium Term Financial Plan to be brought to Cabinet in the coming months.

Risk theme	Governance	Protection	Resources
Risk title	External factors	Financial Inclusion	Financial Constraints
Potential risk	A range of external factors out with the Council's control such as the pandemic, Brexit, Ukraine, cost of living crisis, industrial action, disruptive weather or other, may adversely impact on the ability to fulfil Council objectives and deliver critical services.	Significant risk that the cost of living crisis, rising inflation and the current economic climate is having a detrimental impact on the local community, both public and employees.	There is a risk that current, planned or expected levels of service cannot be delivered due to limited or reducing funding.
Potential effect	Requirement to re-allocate resources, failure to deliver services to an acceptable level or drive desired improvements. Restrictions on budget, reputational damage.	Specific low-income groups are hardest hit. Current crisis is bringing unaccustomed hardships to groups who have previously managed financially. Impact on lowest paid Council staff.	Failure to deliver key services or meet change in service demands.
Mitigations	<ol style="list-style-type: none"> <li>Continued Horizon scanning to anticipate and respond to risks.</li> <li>Watching brief and continual discussion on funding requirements for any unanticipated emergencies.</li> <li>Dissemination of information to officers and members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA).</li> <li>The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). Chief Executive attends Strategic ALRP.</li> <li>The Level of Interaction between Health / Councils and partners has increased and allows for more efficient collaboration in emergency planning. The HSCP Risk and Resilience Forum is well established.</li> <li>24/7 on call service in place via Civil Contingencies to respond to, and coordinate, Council emergency response to major incidents.</li> <li>Staffing and resourcing arrangements are in place to support those individuals and families arriving in South Ayrshire from Ukraine."</li> </ol>	<ol style="list-style-type: none"> <li>Withdrawal of the National Insurance increase.</li> <li>Increasing the Scottish Child Payment to £25 per week from 14 November 2022</li> <li>Winter Heating Payments paid.</li> <li>Rent Freeze Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords.</li> <li>'One stop shop' website to help those struggling financially.</li> <li>The Community Planning Partnership has a Financial Inclusion Strategic Delivery Group who provide direction, identify any gaps in support and direct resources to areas of most need and demand.</li> <li>A Member Officer Working Group for the Cost-of-Living Crisis has been established.</li> </ol>	<ol style="list-style-type: none"> <li>Annual 2023/24 budget prepared and approved in March 2023.</li> <li>Maintain pressure on Scottish Government to agree settlements which reflect Local Authority needs through participation in CoSLA groups.</li> <li>Updated five year Medium Term Financial Plan approved by Cabinet in November 2023</li> <li>Annual Treasury Management Strategy prepared and approved by Council March 2023. Details credit and counterparty risk. Next update due in March 2024.</li> <li>Treasury Management Practices (TMP's) updated annually to reflect Treasury risk such as credit and counterparty risk management, liquidity risk management, interest rate risk management and exchange rate risk management.</li> <li>£2.5m Inflation reserve established in February 2023 to mitigate inflationary impact during 2023-24</li> </ol>

A full copy of the Strategic Risk Register presented the Audit and Governance Panel in March 2024 can be found at: [Committee Agendas, Papers and Minutes](#).



# Acknowledgement

We would like to acknowledge the significant effort of all the staff across the Council, who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the financial position at 31 March 2024.

# More information

Our website holds more information on our strategies, plans, policies and our performance and spending which can be found by accessing the link below.

[south-ayrshire.gov.uk](https://south-ayrshire.gov.uk)



## Section 2: Statement of Responsibilities

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer (as the Council's Section 95 Officer) for the Annual Accounts.

### The Council's responsibilities

The Council is required to:

- plan for the proper administration of its financial affairs and to ensure that the proper officer of the Council has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For South Ayrshire Council that officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far, as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

### The Chief Financial Officer's responsibilities

The Chief Financial Officer, as Section 95 Officer, is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*).

In preparing these Annual Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation; and
- complied with the Code of Practice (in so far as it is compatible with legislation).

The Chief Financial Officer 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.

I certify that the Annual Accounts statements give a "true and fair view" of the financial position of the Council at the reporting date and the transactions of South Ayrshire Council and its group for the year ended 31 March 2024.

---

*To be signed on behalf of South Ayrshire Council  
by the Leader of the Council*

*(Audited accounts only)*

---

**Tim Baulk BA Acc CPFA  
Chief Financial Officer**

**26<sup>th</sup> June 2024**

# Section 3: Annual Governance Statement

This statement sets out the framework within which the Council has put in place proper arrangements (known as the governance framework), for the governance of the Council's affairs thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal financial control are in place.

## Scope of Responsibility

South Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 2003 to plan to secure Best Value, through continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, effectiveness, the need to meet the equal opportunity requirements, and contributing to the achievement of sustainable development.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. 2021-22 was the first full year of compliance with the CIPFA Financial Management Code 2019 (FM Code). The FM Code provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively. We have assessed our compliance and are satisfied that our governance and related processes meet the requirements of the Code. A copy of the Council's Framework is available on our website at <https://www.south-ayrshire.gov.uk/article/40259/Delivering-Good-Governance> and can also be obtained from the Service Lead – Democratic Governance, South Ayrshire Council, County Buildings, Wellington Square, Ayr, KA7 1DR.

The Council complies with the requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2016". The Council's Chief Financial Officer (Section 95 Officer) has overall responsibility for the Council's financial arrangements and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff.

The Council complies with the requirements of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Appropriate policies, strategies and procedures are in place to effectively manage the risk of fraud and corruption. In addition, a Corporate Fraud Team is in place which reports to the Chief Internal Auditor and is responsible for proactively and reactively investigating all types of corporate fraud against the Council.

The Council complies with the Public Sector requirement within Standard 1210 Proficiency, of the Public Sector Internal Audit Standards (PSIAS) 2013, "The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced". The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff.

Elected Members and Officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Audit and Governance Panel, which acts as the Council's Audit Committee, operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit and Governance Panel performs a scrutiny role in relation to the application of PSIAS and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

This statement explains how the Council has complied with the Framework and meets the requirements of The Local Authority Accounts (Scotland) Regulations 2014 which requires all relevant bodies to prepare an Annual Governance Statement.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, and values by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

Any system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, objectives and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, objectives, and outcomes, to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively, and economically.

The governance framework has been in place at South Ayrshire Council for the year ended 31 March 2024 and up to the date of approval of this statement of accounts.

## The Governance Framework

The Council's Framework is built around seven principles and twenty-one sub principles that set out the key building blocks of good governance. These are allocated to lead officers who review and assess the effectiveness of the arrangements that are in place within South Ayrshire Council.

	<b>Core Principle</b>	<b>Sub-principles</b>
<b>A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	Behaving with integrity
		Demonstrating strong commitment to ethical values
		Respecting the rule of law
<b>B</b>	<b>Ensuring openness and comprehensive stakeholder engagement</b>	Openness
		Engaging comprehensively with institutional stakeholders
		Engaging with individual citizens and service users effectively
<b>C</b>	<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	Defining outcomes
		Sustainable economic, social, and environmental benefits
<b>D</b>	<b>Determining the actions necessary to optimise the achievement of the intended outcomes</b>	Determining actions
		Planning actions
		Optimising achievement of intended outcomes
<b>E</b>	<b>Developing the Council's capacity, including the capability of its leadership and the individuals within it</b>	Developing the Council's capacity
		Developing the capability of the Council's leadership
<b>F</b>	<b>Managing risks and performance through robust internal control and strong public financial management</b>	Managing risk
		Managing performance
		Robust internal control
		Managing data
		Strong public financial management

<b>G</b>	<b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	Implementing good practice in transparency
		Implementing good practices in reporting
		Assurance and effective accountability

## Internal Financial Control

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 system of financial control can only ever provide reasonable and not absolute assurance, that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its system of internal controls.

The main objectives of the Council’s internal control systems are:

- to ensure adherence to management policies and directives in order to achieve the organisation’s objectives.
- to safeguard assets.
- to ensure relevance, reliability, and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- to ensure compliance with statutory regulations.

The system of financial control is reviewed to ensure continued effectiveness of the work of managers in the Council.

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Internal Audit section operates in accordance with United Kingdom Public Sector Internal Audit Standards which came into force with effect from 1 April 2013 (and updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and considers the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks and priorities of the organisation. The plan, and any material changes to the plan during the year, is approved by the Audit and Governance Panel. The annual assurance statement from the Chief Internal Auditor for the 2023-2024 financial year states “overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council’s framework of governance, risk management and control arrangements for the year ending 31 March 2024”.

Internal Audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management’s responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and assumed the risk of



not acting. Matters arising from internal audit work are reported to all Members, Chief Executive, Chief Financial Officer (as Section 95 Officer), Chief Governance Officer (as Monitoring Officer) and external audit.






















Internal Audit use a system of common definitions in internal audit engagement opinions, as set out by CIPFA in their guidance of April 2020. Definitions are broadly in line with those already used. This aids the reader of the report in understanding control weaknesses. 'Substantial assurance' is where a sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited; 'Reasonable assurance' is where there is a generally sound system of governance, risk management and control in place. 'Limited assurance' is where significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. 'No assurance' is where immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited. Of the twenty-two reviews completed by Internal Audit during 2023-2024, nine resulted in 'substantial assurance', ten resulted in 'reasonable assurance' and three resulted in 'limited assurance'. Management have continued to react positively to all audit reports and have agreed to all audit recommendations raised in 2023-2024 in order to enhance internal controls and to minimise the risks associated with audit findings.




Regarding the entities incorporated in the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the lead officers within the Council who have responsibility for the development and maintenance of the governance environment, Internal Audit's Annual Statement on the Adequacy of Internal Controls, and also by comments made by the external auditor and other review agencies and inspectorates.

Relating this, a year-end assessment against each of the 21 sub principles within the Council's Framework has been undertaken and signed off by the respective Service Leads / Chief Officers. These assessments were scrutinised by the Audit and Governance Panel in June 2024, ahead of formal consideration of the Council's unaudited Annual Accounts also in June 2024 as agreed with the Council's external auditor.

2023-24 Assessments of each aspect in the Delivering Good Governance Framework					
Behaving with integrity		Sustainable economic, social, and environmental benefits		Managing performance	
Demonstrating strong commitment to ethical values		Determining actions		Robust internal control	
Respecting the rule of law		Planning actions		Managing data	
Openness		Optimising achievement of intended outcomes		Strong public financial management	
Engaging comprehensively with institutional stakeholders		Developing the Council's capacity		Implementing good practice in transparency	
Engaging with individual citizens and service users effectively		Developing the capability of the Council's leadership		Implementing good practices in reporting	
Defining outcomes		Managing risk		Assurance and effective accountability	

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
-------------	---	---	---

This assessment shows twenty aspects are assessed as 'Effective' and one as effective but with scope for improvement.

## Review of 2023-2024 Planned Improvement Actions

The following improvement actions were identified in the 2022-2023 Annual Governance Statement and progress is shown against each action in the table below. These Actions, where not fully implemented, have rolled over to the 2024-2025 Improvement Action Programme:

Core Principle	2023-2024 Improvement Action	Progress
<b>Behaving with integrity</b>	Introduction of new procedures for the Conflict-of-Interest Register for Employees	Introduction of new procedures re Conflict-of-Interest Register completed (implemented).
<b>Ensuring openness</b>	Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	The Integrated Impact Assessment (IIA) was approved by Cabinet on the 26th of September. The IIA incorporates Public Sector Equality Duty, Fairer Scotland Duty, Human Rights, Children's Rights and Wellbeing Impact Assessment (CRWIA), Sustainability and Climate Change and a number of cross-cutting issues: trauma informed, health and wellbeing, ageing population, The Promise and Rurality. The IIA has been launched as a pilot for testing within Strategic Change and Communities Directorate (implemented).
	Governance through reporting by Officers to ensure consultation data and findings are published	The annual log of consultations for 2023/2024 will be posted on the Council's 'Have Your Say' website. Officers are collating this information (not fully implemented).
	Review of Ayrshire Roads Alliance Operational Arrangements	Final report and recommendations presented to the Project Board. Recommendations will be taken forward by Director of Housing Operations and Development, with an update on progress provided at the Transformation Board in July/August (implemented).
<b>Defining outcomes</b>	Revision of the Council's Land and Property Asset Management Plan	The revision of the Council's Land and Property Asset Management Plan will be submitted to Cabinet in June 2024. The Transforming the Estate report will be reviewed by the Council's ELT and Transformation Board prior to being submitted to Cabinet after recess (not fully implemented).
<b>Determining the actions</b>	Review of the Health and Social Care Partnership Adult Mental Health Strategy	It was anticipated that a new manager for the service would start in March 2023, but they did not start until October 2023. The engagement process to develop the Strategy started in February 2024 and the Strategy will be published by December 2024 (not fully implemented).
	Refreshing the Council's corporate evaluation tool 'How Good is our Council'	Following agreement from Executive Leadership Team (ELT) and the Best Value Working Group, the Council has adopted the Public Service Improvement Framework as it's self-evaluation tool. The framework has been used to assist in the service planning process and will be rolled.

<p><b>Managing risks and performance</b></p>	<p>The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management</p>	<p>Following the roll-out of Oracle Fusion, a number of operational and reporting issues were identified during financial year 2023/24. Although some 'teething issues' were anticipated, the volume and breadth of some of the challenges faced were significant and consequently required more time and resource to identify, test and deploy solutions. Although this process remains ongoing, the proposed technical solutions - supported by a training refresh - are expected to deliver improvement in the user experience that will subsequently facilitate further improvements in system processes through wider adoption of system functionality (not fully implemented).</p>
--	--	--

## Other 2023-2024 Governance Developments

Members and senior officers use performance management information as part of a consistent and well-managed approach to scrutiny and reporting. The Service and Partnerships Performance Panel is becoming effective at demonstrating the use of performance management information, data, and benchmarking, linked to service planning. Improvements in performance management and scrutiny are leading to a greater level of change and improvement.

A rolling programme of Elected Member training continues to be provided, a training briefing on Planning and Short Term Lets was provided to Members in June 2023. Induction training for the Regulatory Panels (Licensing and Planning) and the Local Review Body was provided to a new Elected Member in October 2023. All Panel and Council Meetings are open to the public, while hybrid Panel and Council meetings continued to be live webcast throughout 2023-2024.

The Council's political decision-making structures continue to be refined. During 2023-2024 the Council's management structure was revised to further strengthen their support in the delivery of the Council's strategic objectives. Chief Officers continue to work in conjunction with Service Leads to refine responsibilities to focus on service delivery and enhancements, as well as achieving balanced budgets.

The Council's enterprise resource planning system (Oracle Fusion) was rolled out in April 2023. This system is in place to promote the adoption of best practice and help drive further improvement in financial management.

The Council Plan identifies key areas of focus over the next four years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. Service Plans supporting the new Council Plan were approved by Council in June 2023 (for year one of the Council Plan). In February 2024 the service planning process began to develop Council Plan actions for year two of the Council Plan (2024-2025). New templates for Council Plan actions were developed, for service improvement plan actions and for workforce plan actions. The Council has adopted the Public Sector Improvement Framework (PSIF) for self-evaluation and in March 2024, the Council's Leadership Team undertook the self-assessment for the leadership theme. The results of the self-assessment were analysed by the PSIF team at the Improvement Service and two workshops were then held with the Council's Leadership Team to plan for improvement going forward.

The Council's performance management framework is designed to help deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis. Service Leads develop plans with clear targets that are based around the Council's priorities with quarterly reporting to Service and Partnerships Performance Panel and the Council's Leadership Team. Our annual reporting to Service and Partnerships Performance Panel identifies progress on Local Government Benchmarking Framework indicators. This report allows for comparison with other local authorities in our family group alongside commentary from the responsible officer.

Work through the Council's Strategic Change Programme continued to ensure a project approach to the delivery of key outcomes. The programme is underpinned by a governance framework focusing on benefit realisation and effective reporting. To ensure the appropriate level of governance is in place for the change



programme, reports providing updates on the success of the programme were delivered to Cabinet in June 2023 and to the Council's Service and Partnerships Performance Panel in January 2024. The Council's Strategic Change Executive, which oversees the change programme, also received bi-monthly programme updates. In March 2024, Council approved proposals to increase the scope and resource of the Council's approach to transformation, focussing on four key transformation priorities: Our Workforce; Our Technology; Our Assets; and Our Delivery Model. A new Transformation Board will oversee a Transformation Programme of projects, replacing the Strategic Change Programme.

A final review of the Future Operating Model was presented to the Strategic Change Executive and then Elected Members in June 2023. The review presented analysis on staff feedback on the new way of working, anticipated savings, and changes in energy use. Information was also provided on capacity levels at buildings with more staff working from home which will support colleagues in ensuring an efficient corporate asset estate.

The Council's Corporate Workforce Plan (2022-2025) moved beyond its mid-point, with a range of action plan activities reported to Service and Partnerships Performance Panel now marked as complete. Current actions include a focus on enhanced workforce reporting, improved recruitment processes, and a review of Occupational Health support. 'Workforce' represents one of the four pillars within the Council's new Transformation programme, and a range of priority projects will progress to support the following themes – 'Our people are productive and have the right skills to deliver our services'; 'Our people are empowered to respond to the needs of our customers'; 'Our people are inspired to identify and make improvements to service delivery'; and 'We value the wellbeing of our people and promote healthy working lives'.

Workforce planning is now embedded within the 2024 Service Plan template and is a subject included in the Council's Leadership Development Programme. Detailed workforce planning reports were issued to all Directors which highlighted a range of workforce considerations, maturity levels, risks, and critical role analysis. These reports will also inform the Directorate workforce planning groups.

Audit Scotland changed its process from best value assurance reporting to thematic reviews. During 2023/24 the Council participated in a thematic review of workforce innovation and reported on this to Audit and Governance Panel in March 2024. The Council's recent external audit, which focused on the theme of workforce innovation, was viewed as positive by Audit Scotland.

The Strategic Risk Register continues to be regularly reviewed, updated, and reported to the relevant Panels. Risks continue to be grouped under three themes - Governance, Protection and Resources – with fourteen strategic risks identified as having the potential to significantly threaten the achievement of the Council's overarching objectives.

The Health and Social Care Partnership's six Locality Planning Partnerships have continued to meet in all 6 localities over the past year. In April 2023 the Community Planning Board agreed to a collaborative approach in relation to locality planning, whereby the 6 locality planning partnerships led by South Ayrshire Health and Social Care Partnership (HSCP) combined the statutory requirements of both community empowerment and integration legislation. Following on from this, work was undertaken to refresh locality plans. The Locality Planning Partnership chairs met with HSCP and community planning to agree on new terms of reference to support the new collaborative approach. Key developments relating to Locality Planning are reported to the Strategic Planning Advisory Group.

Participatory Budgeting spend for 2023-2024 will be reported to the Council's Service and Partnerships Performance Panel in June 2024. The Council's 1% Participatory Budgeting activity target for financial year 2023-24, as derived from the information contained in the 2023-2024 Finance Order FC5/2023, was £2.580m as defined by COSLA and Scottish Government as: 'The total estimated expenditure for revenue, as per the Local Government finance circular, less assumed Council tax intake'. The Council has exceeded the 1% Participatory Budgeting activity target for financial year 2023-2024 with a total spend of £5.223m, surpassing the target by £2.643m.

An annual report on the Local Outcomes Involvement Plan was presented to the Community Planning Board in October 2023 and work continues on the delivery of outcomes for the strategic themes. The new Local Outcomes Improvement Plan was developed during 2023/24 for the period 2024-2029. A consultation took place during January and February 2024 with members of the public on the Council's proposed high level strategic themes on Place and Wellbeing and Supporting Priorities.

The Council has clear arrangements in place to support good governance and accountability. The Council's performance management framework incorporates the Council Plan, Local Government Benchmarking Framework, the Local Outcomes Improvement Plan, and self-evaluation. This framework ensures regular monitoring of progress against local and national objectives, trends over time, performance against appropriate benchmarks, authorities, and comparative data.

The Service and Partnerships Performance Panel plays a key role in scrutiny by Elected Members. A refreshed performance management framework for 2023-2028 was approved by Cabinet on 20 June 2023. All performance reports, including the Council's Performance Management Framework and Annual Performance Report, are available on the Public Performance Reporting area of the Council's website. Quarter 2 and Quarter 4 performance reports were developed in a dashboard format, and these are also now publicly available. We are continuing to improve how we publicly report on the Council's performance as part of our statutory duty to make performance information available to citizens and communities and involve them more in improving services.

The 5-year review that North and East Ayrshire Councils require to undertake of their Integrated Joint Board (IJB) Scheme is in the process of being completed. The Council has joined this review so that in future all 3 Council's align in their approach for future reviews. The next steps are for the groups that have examined the constituent parts of the review to report to their respective Council's later in 2024.

Review of the operational arrangements within the Ayrshire Roads Alliance was undertaken by the Council's Strategic Change Team during 2023-2024. A final report and recommendations were presented to the project board and recommendations will be taken forward, with an update on progress provided to the Council's Transformation Board later in 2024.

Following storm damage resulting in the closure of the Quay zone, the Council are working with the Quay zone and their Service Level Agreement to establish what services can be provided and where possible from alternative Council venues. Services are working closely with the Quay zone to assist them with alternative venues and alternative ways of delivering their services given that the building that they operate is currently out of service.

During 2023-24, the Council's Delivering Good Governance Framework continued to be refined, working in conjunction with Chief Officers and Service Leads, reporting the outcome to Elected Members. The supporting improvement actions from this year's assessment form part of a rolling programme to address any recognised areas for development and emerging priorities.

## 2024-2025 Improvement Actions

	Core Principle	Improvement Action
A	Behaving with integrity	No actions planned.
B	Ensuring openness	Governance through reporting by Officers to ensure consultation data and findings are published.
		Review of formal operational agreements in place with Partnerships.
C	Defining outcomes	Revision of the Council's Land and Property Asset Management Plan.
D	Determining the actions	Review of the Health and Social Care Partnership Adult Mental Health Strategy.
E	Developing the Council's capacity	Revision and updating of Role Profiles for Elected Members.

<b>F</b>	<b>Managing risks and performance</b>	The new Enterprise Resource Planning system will facilitate both the adoption of good practice and further improvement in financial management and control.
<b>G</b>	<b>Deliver effective accountability</b>	No actions planned.

## Assurance

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2023-2024 provides reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

# Section 4: Remuneration Report

The Remuneration Report provides details of the local authority's remuneration policy for senior councillors and senior employees and details of any role the local authority has in determining the remuneration policy for any local authority subsidiary body.

## Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority Accounts (Scotland) Regulations 2014). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(5) (6) and 3.4.5.1 (1) of *The Code* have been included in separate tables for remuneration paid to councillors, remuneration of senior employees and remuneration of officers in excess of £50,000.

All information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland (unless where it is stated that the information is not subject to audit). All other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

## Arrangements for remuneration

South Ayrshire Council sets the remuneration levels for Senior Councillors and Senior Officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services and the funds available to the Council.

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). Various amendments have been made since that time and the salaries payable to members were cited under the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2020 and came into force on 1 April 2022. The regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations.

When determining the level of remuneration for councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). In accordance with the regulations South Ayrshire Council may have 1 Leader, 1 Provost and up to 14 Senior Councillors. The regulations set out the maximum that the Council may pay as remuneration of Senior Councillors. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits. In 2023-24 South Ayrshire Council had the following posts: 1 Leader, 1 Provost and 12 Senior Councillors. The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme. Remuneration of elected members for 2023-2024, including the Leader, Provost, Depute Provost, and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 01 March 2023. All allowances and expenses paid to elected members follow policies and procedures and are reviewed regularly to ensure continued relevance and compliance with legislation.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committees (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/152 sets the amount of salary for the Chief Executive of South Ayrshire Council for the period. South Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS).

## Remuneration

The following tables provide details of the remuneration of the Council's Senior Councillors and Senior Employees.

The term *remuneration* means gross salary, fees & allowances, taxable expenses, and compensation for loss of employment. Amounts presented are on an accrual's basis. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

The annual return of councillors' salaries and total expenses paid for 2023-2024 is available on the Council's website by following the link: [https://www.south-ayrshire.gov.uk/media/12115/Members-Expenses-2023-2024/pdf/Members\\_Expenses\\_2023-2024\\_PDF.pdf?m=1716998985183](https://www.south-ayrshire.gov.uk/media/12115/Members-Expenses-2023-2024/pdf/Members_Expenses_2023-2024_PDF.pdf?m=1716998985183)

### Remuneration of Senior Councillors and Chair of Joint Boards (subject to audit)

Name	Post title	2023-2024		2022-2023
		Gross salary & allowances	Total Remuneration	Total Remuneration
		£	£	£
M Dowey	Leader of the Council	40,235	40,235	37,709
I Campbell	Provost	30,177	30,177	26,626
M Kilpatrick	Senior Councillor (1)	24,362	24,362	2,013
A Clark	Senior Councillor (2)	27,035	27,035	26,063
I Davis	Senior Councillor (2)	27,035	27,035	23,855
S Ferry	Senior Councillor (2)	27,035	27,035	23,855
M Kilbride	Senior Councillor (2)	27,035	27,035	23,855
L Lyons	Senior Councillor (2)	20,114	20,114	23,855
R Pollock	Senior Councillor (2)	27,035	27,035	23,855
R Shields	Senior Councillor (2)	27,035	27,035	21,717
P Henderson*	Senior Councillor (1)	6,167	6,167	25,143
P Saxton	Senior Councillor (1)	24,362	24,362	23,946
W Grant**	Senior Councillor (1)	-	-	23,946
I Cavana	Senior Councillor (1)	24,362	24,362	23,467
B Connolly	Senior Councillor (2)	27,035	27,035	26,063
K Bell	Senior Councillor (1)	24,362	24,362	21,496
H Hunter**	Senior Councillor (1)	-	-	19,507
H Moonie**	Provost	-	-	2,776
I Cochrane**	Senior Councillor (2)	-	-	2,450
J Dettbarn	Senior Councillor (1)	23,311	23,311	2,450
B McGinley**	Senior Councillor (2)	-	-	2,450
C Cullen**	Senior Councillor (2)	-	-	2,450
C MacKay**	Senior Councillor (1)	-	-	2,208
A Spurling**	Senior Councillor (1)	-	-	2,241
		<b>406,697</b>	<b>406,697</b>	<b>413,996</b>

There were no non-cash expenses & benefits-in-kind paid during 2023-24 or 2022-23.

\*Denotes that this member is no longer in this position from 02/07/2023

\*\*Denotes that this member no longer holds this position and costs relate to prior financial year 2022-23

Note:

Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2023-24 Annual Return which is available on the Council's website.

The post of Senior Councillor (2) carries responsibilities of portfolio holder and Senior Councillor (1) carries responsibilities of Panel Chair and Depute Provost.

Total remuneration is presented on an accrual's basis. There are no taxable expenses or compensation for loss of office payments associated with the above posts.

### b) Remuneration paid to Councillors (subject to audit)

The Council paid the following salaries and expenses to all councillors (including the Senior Councillors above) during the year.

	2023-2024	2022-2023
	£	£
Salaries	667,676	642,743
Expenses	15,368	10,086
	<b>683,044</b>	<b>652,829</b>

The annual return of councillors' salaries and expenses for 2023-2024 is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI) which results in a minor difference.

### c) Remuneration of senior employees (subject to audit)

Name & post	Year ended 31 March 2024		2022-2023
	Gross salary & allowances £	Total Remuneration £	Total Remuneration £
M Newall - Chief Executive	134,726	134,726	102,293
E Howat - Chief Executive	90,142	90,142	146,116
T Eltringham - Director of Health & Social Care Partnership	133,376	133,376	125,767
K Braidwood - Director of Housing, Operations & Development	11,801	11,801	-
L McRoberts - Depute Chief Executive & Director of Education	125,456	125,456	110,610
J Bradley - Director of Communities & Transformation	120,504	120,504	102,293
T Baulk - Chief Financial Officer	98,684	98,684	92,739
C Caves - Chief Governance Officer	98,684	98,684	92,989
W Wesson - Chief HR Officer	72,464	72,464	65,973
C McGhee - Chief Internal Auditor	64,133	64,133	59,503
D Gillies – Director of Place***	-	-	78,946
	<b>949,970</b>	<b>949,970</b>	<b>977,229</b>

\*E Howat left the employment of South Ayrshire Council on 27th October 2023.

\*\*K Braidwood commenced employment with South Ayrshire Council on 26<sup>th</sup> February 2024 £120,502 full year equivalent.

\*\*\*D Gillies left the employment of South Ayrshire Council on 15 September 2022 costs relate to the prior financial year 2022-23.

Figures above include the following election fees: 2023-24 W Wesson £100.

Total remuneration is presented on an accrual's basis. The senior employees in the table above include any Council employee who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money) or reports directly to the Chief Executive, during the year to which the report relates, whether solely or collectively with other persons. There were no Taxable expenses or non-cash expenses & benefits in kind made during 2023-24.

#### d) Officers' remuneration (subject to audit)

The Council's employees receiving more than £50,000 remuneration for the year, excluding pension contributions, were remunerated within the following bandings:

Remuneration Bands	Number of Employees 2023-2024	Number of Employees 2022-2023
£50,000 - £54,999	237	159
£55,000 - £59,999	157	112
£60,000 - £64,999	70	67
£65,000 - £69,999	81	53
£70,000 - £74,999	29	17
£75,000 - £79,999	15	7
£80,000 - £84,999	7	4
£85,000 - £89,999	2	2
£90,000 - £94,999	2	8
£95,000 - £99,999	11	-
£100,000 - £104,999	-	2
£105,000 - £109,999	-	-
£110,000 - £114,999	2	1
£115,000 - £119,999	-	-
£125,000 - £129,999	2	1
£140,000 - £144,999	-	-
£145,000 - £149,999	-	1
	<b>615</b>	<b>434</b>

#### Pension benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The term *pension benefits* cover in-year pension contributions for the employee or councillor by the Council and the named person's accrued pension benefits at the reporting date.

Councillors' and employees' pension benefits are based on a career average revalued earnings scheme and is for benefits earned after 6 April 2015. Pension benefits are built up in a year or part year ending 31 March at a rate of 1/49<sup>th</sup> of the actual pensionable pay received in that scheme year and added to the member's pension account. The pension account is adjusted annually in line with the cost of living as currently measured by the Consumer Price Index.

The scheme's normal retirement age for both councillors and employees are the same as their state pension age with a minimum age of 65.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.



The tiers and members' contribution rate for 2023-24 were as follows:

	<b>Contribution rate</b>
<b>Full time pay</b>	<b>2023-2024</b>
On earnings up to £23,000	5.50%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.50%
On earnings above £38,601 and up to £51,400	9.50%
On earnings above £51,401	12.00%

	<b>Contribution rate</b>
<b>Full time pay</b>	<b>2022-2023</b>
On earnings up to £22,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.50%
On earnings above £37,401 and up to £49,900	9.50%
On earnings above £49,901	12.00%

If a person works part-time the contribution is based on the actual pensionable pay earned. This includes earnings of additional hours up to the post's full-time hours.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current employment.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by HMRC. The accrual rate guarantees a pension account based on 1/49<sup>th</sup> of actual pensionable salary received and years of pensionable service (prior to 2015 the actual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service; prior to 2009 the actual rate guaranteed based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

**a) Pension benefits of senior councillors (subject to audit)**

The pension entitlements for senior councillors for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

Name	Post title	In-year pension contributions		Accrued pension benefits		
		For year to 31 March 2024 £	For year to 31 March 2023 £		As at 31 March 2024, £000	Difference from 31 March 2023 £000
M Dowe	Leader of the Council	6,843	7,278	Pension	4	1
				Lump sum	-	-
I Campbell	Provost	5,824	5,028	Pension	4	1
				Lump sum	-	-
M Kilpatrick	Senior Councillor (1)	1,878	389	Pension	12	5
				Lump sum	2	-
A Clark	Senior Councillor (2)	5,218	5,030	Pension	7	1
				Lump sum	-	-
I Davis	Senior Councillor (2)	5,218	4,604	Pension	4	1
				Lump sum	-	-
S Ferry	Senior Councillor (2)	5,218	4,552	Pension	1	1
				Lump sum	-	-
M Kilbride	Senior Councillor (2)	5,201	4,552	Pension	1	1
				Lump sum	-	-
L Lyons	Senior Councillor (2)	3,882	4,604	Pension	3	1
				Lump sum	-	-
R Pollock	Senior Councillor (2)	5,218	4,604	Pension	3	1
				Lump sum	-	-
R Shields	Senior Councillor (2)	5,218	4,191	Pension	1	1
				Lump sum	-	-
P Henderson	Senior Councillor (1)	1,190	4,853	Pension	4	1
				Lump sum	-	-
P Saxton	Senior Councillor (1)	4,702	4,622	Pension	9	2
				Lump sum	2	-
W Grant**	Senior Councillor (1)	-	4,622	Pension	-	-
				Lump sum	-	-
I Cavana	Senior Councillor (1)	-	1,126	Pension	10	-
				Lump sum	2	-
B Connolly	Senior Councillor (2)	4,073	5,030	Pension	6	1
				Lump sum	-	-
K Bell	Senior Councillor (1)	4,702	4,149	Pension	1	1
				Lump sum	-	-
H Hunter**	Senior Councillor (1)	-	-	Pension	-	-
				Lump sum	-	-
H Moonie**	Provost	-	536	Pension	-	-
				Lump sum	-	-
I Cochrane**	Senior Councillor (2)	-	473	Pension	-	-
				Lump sum	-	-
J Dettbarn	Senior Councillor (2)	4,498	473	Pension	4	1
				Lump sum	-	-
B McGinley**	Senior Councillor (2)	-	473	Pension	-	-
				Lump sum	-	-
C Cullen**	Senior Councillor (2)	-	473	Pension	-	-
				Lump sum	-	-
C MacKay**	Senior Councillor (1)	-	426	Pension	-	-
				Lump sum	-	-
A Spurling**	Senior Councillor (1)	-	-	Pension	-	-
				Lump sum	-	-
		<u>68,883</u>	<u>72,088</u>		<u>80</u>	<u>20</u>

Note – the above table details the councillors previously listed in table a) “Remuneration of Senior Councillors” who are also members of the council pension scheme.

\*Denotes that this member is no longer in this position from 02/07/2023

\*\*Denotes that this member no longer holds this position and costs relate to prior financial year 2022-23

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service including any service with a Council subsidiary body, and not just their current appointment.

### b) Pension benefits of senior employees (subject to audit)

The pension entitlements of senior employees for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

Name	In-year pension contributions		Accrued pension benefits		
	For year to 31 March 2024	For year to 31 March 2023	As at 31 March 2024,	Difference from 31 March 2023	
	£	£	£000	£000	
M Newall - Chief Executive	26,002	19,742	Pension	85	22
			Lump Sum	153	41
E Howat – Chief Executive*	17,397	28,200	Pension	89	6
			Lump Sum	135	-
T Eltringham – Director of Health & Social Care Partnership	25,742	24,273	Pension	79	11
			Lump Sum	122	13
K Braidwood - Director of Housing, Operations & Development**	2,278	-	Pension	-	-
			Lump Sum	-	-
L McRoberts - Depute Chief Executive & Director of Education	22,998	21,348	Pension	5	3
			Lump Sum	-	-
J Bradley - Director of Communities & Transformation	23,257	19,742	Pension	46	6
			Lump Sum	49	3
T Baulk - Chief Financial Officer	18,466	17,899	Pension	51	7
			Lump Sum	69	7
C Caves - Chief Governance Officer	19,046	17,899	Pension	29	4
			Lump Sum	12	1
W Wesson – Chief HR Adviser	13,233	12,723	Pension	28	4
			Lump Sum	28	2
C McGhee – Chief Internal Auditor	12,378	11,484	Pension	24	2
			Lump Sum	29	-
D Gillies – Director of Place***	-	10,015	Pension	-	-42
			Lump Sum	-	-51
	<b>180,797</b>	<b>183,325</b>		<b>1,033</b>	<b>39</b>

\*E Howat left the employment of South Ayrshire Council on 27th October 2023.

\*\*K Braidwood commenced employment with South Ayrshire Council on 26<sup>th</sup> February 2024 £120,502 full year equivalent.

\*\*\*D Gillies left the employment of South Ayrshire Council on 15 September 2022 costs relate to the prior financial year 2022-23.

### Exit packages of employees (subject to audit)

The table below sets out the number and costs of exit packages for both 2023-2024 and 2022-2023 financial years. The in-year costs include redundancy, pay in lieu of notice, pension strain costs and compensatory lump sums. The table also includes notional values for Compensatory Added Years (CAY) pension payments, which represents the estimated present value of all future payments until death. This value is based on pension providers' actuarial assumptions on pensioner longevity and other factors. As such, these figures are subject to change and will not reflect actual costs incurred. Exit packages exclude any costs in relation to ill health retirements.

Exit package cost band (including special payments)	2023-2024			2022-2023		
	Number of exit packages	Cost £	Notional CAY cost £	Number of exit packages	Cost £	Notional CAY cost £
£0 - £20,000	2	22,456	-	3	34,875	-
£20,001 - £40,000	5	128,594	-	3	76,443	-
£40,001 - £60,000	1	41,447	-	-	-	-
£60,001 - £80,000	1	64,737	-	1	64,792	-
£80,001 - £100,000	1	89,559	-	-	-	-
£100,001+	1	68,522	49,084	3	488,138	106,223
<b>Total</b>	<b>11</b>	<b>415,315</b>	<b>49,084</b>	<b>10</b>	<b>664,248</b>	<b>106,223</b>

There were no compulsory redundancies during 2023-2024 or 2022-2023.

## Trade union facility time (not subject to audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and require the Council to collate and publish the following information:

### No of employees (and full-time equivalent) who were relevant trade union officials during the year.

Percentage of working hours spent on Trade Union facility time	No	FTE
0%	-	-
1 – 50%	40	38.66
51 – 99%	-	-
100%	-	-
	<b>40</b>	<b>38.66</b>

### Percentage of total pay spent on trade union facility time and trade union activities.

Based on the above information, the percentage of the Council's total pay spent on Trade Union facility time is estimated at 0.01%. Approximately 0.01% of total paid Trade Union facility time is spent on Trade Union activities, as defined by section 170 (1)(b) of the Trade Union and Labour Relations (Consolidation) Act 1992.

*To be signed on behalf of South Ayrshire Council by the Leader and the Chief Executive Officer (audited accounts only)*

# Section 5: Core Financial Statements

## I) Comprehensive Income and Expenditure Statement for the year ended 31 March 2024

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

2022-2023 (restated)				2023-2024				
Council			Group	Council			Group	
Expend	Income	Net	Net	Expend	Income	Net	Net	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
56,402	(26,851)	29,551	29,551	Chief Executive's Office	51,836	(26,292)	25,544	25,544
138,847	(19,653)	119,194	119,194	Education	142,895	(22,044)	120,851	120,851
74,923	(13,865)	61,058	60,851	Housing, Operations and Development	83,071	(16,344)	66,727	66,520
35,363	(33,671)	1,692	1,692	Housing Revenue Account	34,701	(34,356)	345	345
43,288	(11,682)	31,606	31,357	Strategic Change and Communities	35,573	(12,319)	23,254	23,005
106,305	-	106,305	106,305	Social Care: Contribution to IJB	102,112	-	102,112	102,112
129,740	(137,792)	(8,052)	(8,052)	Social Care: Provision of Services	127,026	(132,917)	(5,891)	(5,891)
8,441	(1,119)	7,322	7,312	Miscellaneous Services	6,149	(1,203)	4,946	4,920
-	-	-	605	Common Good Funds	-	-	-	145
<b>593,309</b>	<b>(244,633)</b>	<b>348,676</b>	<b>348,815</b>	<b>Cost of services</b>	<b>583,363</b>	<b>(245,475)</b>	<b>337,888</b>	<b>337,551</b>
		3,626	3,626	Loss on disposal of non-current assets			4,975	4,975
				<b>Financing and investment income and expenditure:</b>				
		17,875	17,875	Interest payable and similar charges			22,481	22,481
		(1,305)	(1,305)	Interest and investment income	<i>Note 11</i>	(1,955)	(1,955)	(1,955)
		813	813	Net interest on the net defined benefit liability	<i>Note 28</i>	(1,062)	(1,062)	(1,062)
		-	2,740	Share of (surplus) on provision of services by associates		-	-	(567)
		(335,774)	(335,774)	<b>Taxation and non-specific grant income</b>	<i>Note 22</i>	(349,331)	(349,331)	(349,331)
		<b>33,911</b>	<b>36,790</b>	<b>Deficit on the provision of services</b>		<b>12,996</b>	<b>12,092</b>	<b>12,092</b>
		(11,500)	(11,500)	(Surplus) on the revaluation of property, plant, and equipment		(70,116)	(70,116)	(70,116)
		(63)	(63)	Deficit/(surplus) on financial assets measured at fair value		(38)	(38)	(38)
		(41,013)	(41,013)	Remeasurements of the net defined liability (asset)	<i>Note 28</i>	48,261	48,261	48,261
		-	2,920	Share of other comprehensive income and expenditure of associates		-	-	1,285
		<b>(52,576)</b>	<b>(49,656)</b>	<b>Other comprehensive (income) and expenditure</b>		<b>(21,893)</b>	<b>(20,608)</b>	<b>(20,608)</b>
		<b>(18,665)</b>	<b>(12,866)</b>	<b>Total comprehensive (income) and expenditure</b>		<b>(8,897)</b>	<b>(8,516)</b>	<b>(8,516)</b>

## II) Movement in Reserves Statement for the year ended 31 March 2024

This statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" (i.e., those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the *Comprehensive Income and Expenditure Statement*. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance before any discretionary transfers to and from the earmarked reserves of the Council. The Group element of the statement below provides details of the Council's share of the results of two subsidiaries and four associates. Separate notes to the Group are contained in section eleven of the accounts on pages 106 to 108.

2023-2024	Council Reserves								Share of Group	Total Group Reserve
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Other Statutory Funds	Capital fund	Total usable reserve	Unusable reserves	Total Council reserves	Usable and unusable	Usable and unusable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023</b>	47,744	3,279	9,478	1,159	138	<b>61,798</b>	<b>393,702</b>	<b>455,500</b>	50,012	<b>505,512</b>
<b>Movement in reserves during 2023-2024</b>										
(Deficit)/ surplus on the provision of services	(19,776)	6,780	-	-	-	<b>(12,996)</b>	-	<b>(12,996)</b>	904	<b>(12,092)</b>
Other comprehensive income and expenditure	-	-	-	-	-	-	<b>21,893</b>	<b>21,893</b>	(1,285)	<b>20,608</b>
<b>Total comprehensive income and expenditure</b>	<b>(19,776)</b>	<b>6,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,996)</b>	<b>21,893</b>	<b>8,897</b>	<b>(381)</b>	<b>8,516</b>
Adjustments between accounting basis and funding basis (Note 6)	(3,297)	(7,539)	223	(38)	3,976	<b>(6,675)</b>	<b>6,675</b>	-	-	-
<b>Net increase/ (decrease) before transfers</b>	<b>(23,073)</b>	<b>(759)</b>	<b>223</b>	<b>(38)</b>	<b>3,976</b>	<b>(19,671)</b>	<b>28,568</b>	<b>8,897</b>	<b>(381)</b>	<b>8,516</b>
Transfers to/from earmarked reserves (Note 7)	3,920	-	-	50	(3,970)	-	-	-	-	-
<b>Increase/ (decrease) in 2023-2024</b>	<b>(19,153)</b>	<b>(759)</b>	<b>223</b>	<b>12</b>	<b>6</b>	<b>(19,671)</b>	<b>28,568</b>	<b>8,897</b>	<b>(381)</b>	<b>8,516</b>
<b>Balance at 31 March 2024</b>	<b>28,591</b>	<b>2,520</b>	<b>9,701</b>	<b>1,171</b>	<b>144</b>	<b>42,127</b>	<b>448,042</b>	<b>490,169</b>	<b>49,631</b>	<b>539,576</b>

2022-2023 (restated)	Council Reserves								Share of Group	Total Group Reserve
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Other Statutory funds	Capital fund	Total usable reserve	Unusable reserves	Total Council reserves	Usable and unusable	Usable and unusable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2022</b>	39,877	9,531	6,379	1,682	1,472	<b>58,941</b>	<b>377,894</b>	<b>436,835</b>	55,811	<b>492,646</b>
<b>Movement in reserves during 2022-2023</b>										
(Deficit) surplus on the provision of services	(40,076)	6,165	-	-	-	<b>(33,911)</b>	-	<b>(33,911)</b>	(2,879)	<b>(36,790)</b>
Other comprehensive income and expenditure	-	-	-	-	-	-	<b>52,576</b>	<b>52,576</b>	(2,920)	<b>49,656</b>
<b>Total comprehensive income and expenditure</b>	<b>(40,076)</b>	<b>6,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,911)</b>	<b>52,576</b>	<b>18,665</b>	<b>(5,799)</b>	<b>12,866</b>
Adjustments between accounting basis and funding basis (Note 5)	45,462	(12,417)	3,099	(567)	1,191	<b>36,768</b>	<b>(36,768)</b>	-	-	-
<b>Net increase/ (decrease) before transfers</b>	<b>5,386</b>	<b>(6,252)</b>	<b>3,099</b>	<b>(567)</b>	<b>1,191</b>	<b>2,857</b>	<b>15,808</b>	<b>18,665</b>	<b>(5,799)</b>	<b>12,866</b>
Transfers to/from earmarked reserves (Note 6)	2,481	-	-	44	(2,525)	-	-	-	-	-
<b>Increase/ (decrease) in 2022-2023</b>	<b>7,867</b>	<b>(6,252)</b>	<b>3,099</b>	<b>(523)</b>	<b>(1,334)</b>	<b>2,857</b>	<b>15,808</b>	<b>18,665</b>	<b>(5,799)</b>	<b>12,866</b>
<b>Balance at 31 March 2023</b>	<b>47,744</b>	<b>3,279</b>	<b>9,478</b>	<b>1,159</b>	<b>138</b>	<b>61,798</b>	<b>393,702</b>	<b>455,500</b>	<b>50,012</b>	<b>505,512</b>



### III) Balance Sheet as at 31 March 2024

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held. Reserves are reported in two categories: (i) usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and (ii) unusable reserves, i.e., those reserves that the Council is not able to use to provide services. These include reserves that hold unrealised gains or losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the *Movement in Reserves Statement* line "Adjustments between accounting basis and funding basis".

2022-2023 (restated)				2023-2024	
Council £'000	Group £'000		Note	Council £'000	Group £'000
883,802	898,627	Property, plant, and equipment	8	1,000,989	1,015,254
6,175	6,175	Heritage assets	9	6,161	6,161
7,491	7,491	Intangible assets	10	15,566	15,566
1,033	1,033	Long-term investments	11	1,068	1,068
22,566	22,566	Other long-term assets (pensions)	28	-	-
<b>921,067</b>	<b>935,892</b>	<b>Long-term assets</b>		<b>1,023,784</b>	<b>1,038,049</b>
30,377	30,377	Short-term investments	11	5,066	5,066
641	641	Assets held for sale	15	191	191
720	722	Inventories	12	673	675
45,965	45,967	Short-term debtors	13	42,604	42,606
10,626	10,626	Cash and cash equivalents	14	17,111	17,111
<b>88,329</b>	<b>88,333</b>	<b>Current assets</b>		<b>65,645</b>	<b>65,649</b>
(84,348)	(84,348)	Short-term borrowing	11	(85,125)	(85,125)
(73,519)	(73,663)	Short-term creditors	16	(88,104)	(88,216)
(1,005)	(1,025)	Short-term provisions	17	(1,507)	(1,527)
(5,580)	(4,750)	Other short-term liabilities	18	(5,935)	(4,860)
<b>(164,452)</b>	<b>(163,786)</b>	<b>Current liabilities</b>		<b>(180,671)</b>	<b>(179,728)</b>
(846)	(846)	Long-term provisions	17	(864)	(846)
-	34,547	Investments in associates/joint ventures		-	34,449
(274,797)	(274,797)	Long-term borrowing	11	(308,635)	(308,635)
(2,469)	(2,469)	Other long-term liabilities (finance leases)	25	(2,319)	(2,319)
(25,772)	(25,772)	Other long-term liabilities (pensions)	28	(25,037)	(25,037)
(85,560)	(85,590)	Other long-term liabilities	11	(81,734)	(81,764)
<b>(389,444)</b>	<b>(354,927)</b>	<b>Long-term liabilities</b>		<b>(418,589)</b>	<b>(384,170)</b>
<b>455,500</b>	<b>505,512</b>	<b>Net assets</b>		<b>490,169</b>	<b>539,800</b>
61,798	61,798	Usable reserves	7	42,127	42,127
393,702	393,702	Unusable reserves	19	448,042	448,042
-	50,012	Group reserves		-	49,631
<b>455,500</b>	<b>505,512</b>	<b>Total reserves</b>		<b>490,169</b>	<b>539,800</b>

Tim Baulk BA Acc CPFA - Chief Financial Officer

26<sup>th</sup> June 20224



## Section 6: Notes to the Core Financial Statements

### Note 1: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022-2023 (restated)			2023-2024		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
18,818	10,733	29,551	20,794	4,750	25,544
112,603	6,591	119,194	118,327	2,524	120,851
49,216	11,842	61,058	53,702	13,025	66,727
4,003	(2,311)	1,692	(2,120)	2,465	345
20,554	11,052	31,606	21,684	1,570	23,254
106,305	-	106,305	102,112	-	102,112
(14,474)	6,422	(8,052)	(5,715)	(176)	(5,891)
(8,401)	15,723	7,322	13,082	(8,136)	4,946
<b>288,624</b>	<b>60,052</b>	<b>348,676</b>	<b>321,866</b>	<b>16,022</b>	<b>337,888</b>
(287,758)	(27,007)	(314,765)	(298,034)	(26,858)	(324,892)
<b>866</b>	<b>33,045</b>	<b>33,911</b>	<b>23,832</b>	<b>(10,836)</b>	<b>12,996</b>
<b>49,408</b>			<b>51,023</b>		
<b>(866)</b>			<b>(23,832)</b>		
<b>2,481</b>			<b>3,920</b>		
<b>51,023</b>			<b>31,111</b>		

The following table provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

<b>2023-2024</b>	<b>Adjustments for capital purposes (Note 1)</b>	<b>Net changes for the pension's adjustment (Note 2)</b>	<b>Other differences (Note 3)</b>	<b>Total adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive's Office	4,861	(2)	(109)	4,750
Education	2,669	(2)	(143)	2,524
Housing, Operations and Development	13,216	(3)	(188)	13,025
Housing Revenue Account	2,475	12	(22)	2,465
Strategic Change and Communities	1,653	(2)	(81)	1,570
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	(3)	(173)	(176)
Miscellaneous Services	(8,540)	404	-	(8,136)
<b>Net cost of services</b>	<b>16,334</b>	<b>404</b>	<b>(716)</b>	<b>16,022</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(25,378)	(1,062)	(418)	(26,858)
<b>Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement</b>	<b>(9,044)</b>	<b>(658)</b>	<b>(1,134)</b>	<b>(10,836)</b>

<b>2022-2023</b>	<b>Adjustments for capital purposes (Note 1)</b>	<b>Net changes for the pension's adjustment (Note 2)</b>	<b>Other differences (Note 3)</b>	<b>Total adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive's Strategic Office	7,455	3,121	157	10,733
Education	1,288	4,509	794	6,591
Housing, Operations and Development	5,905	5,640	297	11,842
Housing Revenue Account	(3,166)	816	39	(2,311)
Strategic Change and Communities	7,615	3,258	179	11,052
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	6,114	308	6,422
Miscellaneous Services	12,776	2,947	-	15,723
<b>Net cost of services</b>	<b>31,873</b>	<b>26,405</b>	<b>1,774</b>	<b>60,052</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,403)	813	(417)	(27,007)
<b>Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement</b>	<b>4,470</b>	<b>27,218</b>	<b>1,357</b>	<b>33,045</b>

### Note 1: Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

**Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and investment income and expenditure** – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those receivables without conditions or for which conditions were satisfied throughout the year.

The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note 2: Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pensions related expenditure and income:

**For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

**Note 3: Other differences.**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

**Expenditure and income analysed by nature.**

The authority's expenditure and income are analysed as follows:

	2023-2024 £'000	2022-2023 £'000
<b>Expenditure</b>		
Employee benefit expenses	237,345	248,048
Other service expenses	308,783	310,489
Depreciation, amortisation, and impairment	36,173	35,585
Interest payments	22,481	17,875
(Gain) or Loss on the disposal of assets	4,975	3,626
<b>Total Expenditure</b>	<b>609,757</b>	<b>615,623</b>
<b>Income</b>		
Fees, charges, and other service income	(245,475)	(244,633)
Interest & investment income	(1,955)	(1,305)
Income from Council Tax, non-domestic rates	(114,537)	(95,023)
Government grants and contributions	(234,794)	(240,751)
<b>Total Income</b>	<b>(596,761)</b>	<b>(581,712)</b>
<b>Deficit on the provision of services</b>	<b>12,996</b>	<b>33,911</b>

**Note 2: Reconciliation of Adjustments Between Accounting Basis and Funding Basis shown in the Expenditure and Funding Analysis (EFA) with those shown in the Movement in Reserves Statement (MiRS)**

	2023-2024 £'000	2022-2023 £'000
Adjustments between Accounting Basis and Funding Basis per EFA	(10,836)	33,045
Application of receipts to finance capital expenditure	(118)	(2,060)
Transfer of capital receipts from revenue to reserves	4,279	5,783
<b>Adjustments between Accounting Basis and Funding Basis per MiRS</b>	<b>(6,675)</b>	<b>36,768</b>

### **Note 3: Prior period adjustment.**

A prior period adjustment has been made in respect of the present value of unfunded pension obligations (£25.772m) in the Balance Sheet. The effect of this adjustment is to reduce the value of the net pension asset as of 31 March 2023 from £22.566m to a net pension liability of £3.206m.

Comparative (2022-2023) information for both the *Comprehensive Income and Expenditure Statement* and *Note 1: Expenditure and Funding Analysis* have been restated to reflect a change in the Council's management structure during 2023-2024.

### **Note 4: Material items of expenditure and income.**

Where material items of expenditure and income are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) or disclosed in other notes, *The Code* requires a disclosure of the nature and amount of these items. Material items of expenditure and income are detailed below:

	2023-2024 £'000	2022-2023 £'000
Housing Benefit/ Discretionary Housing Payments paid	24,380	25,323
Housing Benefit/ Discretionary Housing funding received	(22,738)	(23,276)

### **Note 5: Events after the Balance Sheet date.**

The unaudited Annual Accounts were authorised for issue on 26 June 2024.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types: those that existed at the balance sheet date where the accounts should be adjusted to reflect these (an adjusting event); and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material (a non-adjusting event). There are no such events to report for 2023-24.

### **Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the usable reserves that the adjustments are made against.

#### **General Fund**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Council are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### **Housing Revenue Account balance**

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the Act that is available to fund future expenditure in connection with the Council's landlord function.



## Capital Grants Unapplied Account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions, that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

## Repairs and Renewals Fund

The Repairs & Renewals Fund is used to assist with abnormal repairs and maintenance to Council assets and holds contributions received from the general fund for this purpose. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2023-2024

	General Fund balance £'000	Housing revenue account balance £'000	Capital grants unapplied account £'000	Repairs & renewals fund £'000	Capital fund £'000	Net movement £'000
<b>Adjustments primarily involving the capital grants unapplied account:</b>						
Application of grants to capital financing transferred to the capital adjustment account	-	-	80	38	-	(118)
<b>Adjustments primarily involving the capital adjustment account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(22,352)	(11,659)	-	-	-	34,011
Amortisation of intangible assets	(2,162)	-	-	-	-	2,162
Capital grants and contributions applied	20,388	9,966	(303)	-	(3,976)	(26,075)
Net gain or (loss) on sale of non-current assets	(4,894)	(81)	-	-	-	4,975
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	8,111	1,674	-	-	-	(9,785)
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	-	-	-	-	-	-
Capital expenditure charged against the general fund and HRA balances	2,542	7,510	-	-	-	(10,052)
<b>Adjustments primarily involving the financial instruments adjustment account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	331	87	-	-	-	(418)
<b>Adjustments primarily involving the employee benefit statutory mitigation account:</b>						
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	695	22	-	-	-	(717)
<b>Adjustments primarily involving the pensions reserve:</b>						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 28)	638	20	-	-	-	(658)
<b>Total adjustments</b>	<b>3,297</b>	<b>7,539</b>	<b>(223)</b>	<b>38</b>	<b>(3,976)</b>	<b>(6,675)</b>

Figures for 2022-2023 are provided in an additional table below for the purposes of comparison.

2022-2023	General Fund balance £'000	Housing revenue account balance £'000	Capital grants unapplied account £'000	Repairs & renewals fund £'000	Capital fund £'000	Net movement £'000
<b>Adjustments primarily involving the capital grants unapplied account:</b>						
Application of grants to capital financing transferred to the capital adjustment account	-	-	121	567	1,372	(2,060)
<b>Adjustments primarily involving the capital adjustment account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(19,727)	(12,284)	-	-	-	32,011
Amortisation of intangible assets	(3,574)	-	-	-	-	3,574
Capital grants and contributions applied	20,997	10,031	(3,220)	-	(2,563)	(25,245)
Net gain or (loss) on sale of non-current assets	(3,623)	(3)	-	-	-	3,626
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	7,644	1,349	-	-	-	(8,993)
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	(21,720)					21,720
Capital expenditure charged against the general fund and HRA balances	2,338	14,101	-	-	-	(16,439)
<b>Adjustments primarily involving the financial instruments adjustment account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	315	103	-	-	-	(418)
<b>Adjustments primarily involving the employee benefit statutory mitigation account:</b>						
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1,735)	(39)	-	-	-	1,774
<b>Adjustments primarily involving the pensions reserve:</b>						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 28)	(26,377)	(841)	-	-	-	27,218
<b>Total adjustments</b>	<b>(45,462)</b>	<b>12,417</b>	<b>(3,099)</b>	<b>567</b>	<b>(1,191)</b>	<b>36,768</b>

## Note 7: Movement in Useable Reserves and Transfers to or from other Statutory Reserves

**Movement in useable reserves** - This note details the movement during the year on all useable reserves held by the Council on 31 March 2024, along with the purpose of each fund held.

Reserve:	31 March 2023	Movements during the year	31 March 2024	Purpose
	£000	£000	£000	
<b>General Fund balance uncommitted</b>	7,442	(2,998)	4,444	This balance represents 1.76% of future budgeted expenditure.
<b>Affordable Housing</b>	1,182	672	1,854	Contributes towards the provision of new build social housing.
<b>Efficiency &amp; Improvement Fund</b>	1,278	(115)	1,163	Used to provide short-term enabling funding to promote and support service redesign.
<b>Workforce Change Fund</b>	5,931	(416)	5,515	Used to meet the severance and other employee related costs arising from any Council's workforce service redesign measures.
<b>Earmarked Funds</b>				
Election reserve	29	(29)	-	Various projects for which funds have been identified prior to 31 March 2024 but where spending plans exist in future years.
Civil Contingency	97	27	124	
Employability reserve	469	(369)	100	
Invest in South Ayrshire	200	-	200	
Ayrshire Growth Deal - PMO	195	(74)	121	
Community Hall fund	573	-	573	
Revenue Budget contribution	1,120	(1,120)	-	
Directorate Earmarking	4,604	(1,988)	2,616	
Corporate Support - Capacity Issues	507	(281)	226	
Levelling Up - additional capacity	125	-	125	
Golf Strategy - health and safety issues	455	(298)	157	
Station Hotel - Encapsulation costs	500	(194)	306	
Additional Public Holiday (Kings Coronation)	83	(83)	-	
PPP Reserve commitment to 2023/24 to 2026/27 budgets	14,000	(5,000)	9,000	
Inflation reserve	2,500	(2,459)	41	
Ash Tree Die back	542	(230)	312	
<b>Covid-19</b>	5,912	(4,198)	1,714	Covid-19 funds received up to 31 March 2024 but where spending plans exist in future years.
<b>General Fund Balance</b>	<u>47,744</u>	<u>(19,153)</u>	<u>28,591</u>	
Reserve (continued):	31 March 2023	Movements during the year	31 March 2024	Purpose
	£000	£000	£000	
<b>Housing Revenue Account</b>	3,279	(759)	2,520	£0.213m is earmarked to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.307m to be held as a contingency for unexpected or emergency situations.
<b>Housing Revenue Account Balance</b>	<u>3,279</u>	<u>(759)</u>	<u>2,520</u>	

**Other reserves**

<b>Capital grants unapplied</b>	9,478	223	9,701	Records amounts that have been credited to the Comprehensive Income and Expenditure Statement but not yet applied to fund capital expenditure.
<b>Capital fund</b>	138	6	144	Used for financing capital expenditure and the repayment of the principal of loans.
<b>Repair and renewals fund</b>	1,159	13	1,172	Used to assist with abnormal repairs and maintenance to Council properties where these arise in an emergency and where there is no mainline budget available, or where the use of the fund is planned as part of the budget process. It may also be used to facilitate asset improvement and savings/ efficiencies.
<b>Other Reserves Balance</b>	10,775	242	11,017	
<b>Total Useable Reserves</b>	<b>61,798</b>	<b>(19,670)</b>	<b>42,127</b>	<b>Total Useable Reserves per the Movement in Reserves Statement on Page 45</b>

**Transfer to or from other statutory reserves** - This note sets out the amounts set aside from the General Fund in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2023-2024. Figures for 2022-2023 are provided in an additional table below for the purposes of comparison.

**2023-2024**

	<b>General Fund Balance</b>	<b>Repairs and Renewals Fund</b>	<b>Capital Fund</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contribution to Repair and Renewal Fund from General Fund	50	(50)	-
Contribution from Capital Fund to General Fund	(3,970)	-	3,970
<b>Total adjustments</b>	<b>(3,920)</b>	<b>(50)</b>	<b>3,970</b>

**2022-2023**

	<b>General Fund Balance</b>	<b>Repairs and Renewals Fund</b>	<b>Capital Fund</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contribution to Repair and Renewal Fund from General Fund	44	(44)	-
Contribution to Capital Fund from General Fund	(2,525)	-	2,525
<b>Total adjustments</b>	<b>(2,481)</b>	<b>(44)</b>	<b>2,525</b>

## Note 8: Property, Plant and Equipment

This note details the movement in Property, Plant and Equipment (PPE) during 2023-24. The valuation bases, useful lives and depreciation methods used are disclosed below.

### 2023-2024

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2023	295,076	311,613	120,193	41,800	2,816	1,672	83,957	857,127
Additions in year	19,115	22,674	1,695	1,254	1,615	-	38,786	85,139
Disposals in year	(50)	(4,954)	-	-	-	-	(605)	(5,609)
Revaluation adjustments to revaluation reserve	-	29,855	34,912	(44)	111	59	-	64,893
Revaluation adjustments to CIES	-	(7,967)	6,704	-	(6,509)	(142)	-	(7,914)
Other reclassifications*	10,116	45,756	25	256	2,541	(112)	(66,286)	(7,704)
<b>At 31 March 2023</b>	<b>324,257</b>	<b>396,977</b>	<b>163,529</b>	<b>43,266</b>	<b>574</b>	<b>1,477</b>	<b>55,852</b>	<b>985,932</b>
<b>Depreciation and impairment</b>								
At 1 April 2023	10,077	2,996	-	30,974	-	-	604	44,651
Depreciation charge for the year	10,868	7,096	3,005	3,477	-	11	-	24,457
Depreciation/Impairment written to revaluation reserve	-	(2,596)	(2,570)	(2)	(43)	(3)	-	(5,214)
Impairment losses to CIES	-	(2,026)	-	-	(97)	-	819	(1,304)
On disposals	-	(219)	-	-	-	-	(604)	(823)
Other reclassifications	87	(395)	8	(47)	140	-	-	(207)
<b>At 31 March 2024</b>	<b>21,032</b>	<b>4,856</b>	<b>443</b>	<b>34,402</b>	<b>-</b>	<b>8</b>	<b>819</b>	<b>61,560</b>
<b>Net book value at 31 March 2024</b>	<b>303,225</b>	<b>392,121</b>	<b>163,086</b>	<b>8,863</b>	<b>574</b>	<b>1,470</b>	<b>55,033</b>	<b>924,372</b>
<b>Nature of asset holding</b>								
Owned	303,225	389,723	-	8,863	574	1,470	55,033	758,888
Finance lease	-	2,398	-	-	-	-	-	2,398
PPP	-	-	163,086	-	-	-	-	163,086
	<b>303,225</b>	<b>392,121</b>	<b>163,086</b>	<b>8,863</b>	<b>574</b>	<b>1,470</b>	<b>55,033</b>	<b>924,372</b>

**2022-2023**

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Schools PPP Assets</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets not for Sale</b>	<b>Assets Under Construction</b>	<b>Total PPE</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>								
At 1 April 2022	<b>278,453</b>	<b>254,143</b>	<b>115,334</b>	<b>38,090</b>	<b>2,008</b>	<b>2,467</b>	<b>69,481</b>	<b>759,976</b>
Additions in year	11,974	29,812	1,368	3,405	352	0	59,621	<b>106,532</b>
Disposals in year	(99)	(3,818)	-	(372)	(9)	(120)	(1,170)	<b>(5,588)</b>
Revaluation adjustments to revaluation reserve	-	3,110	2,405	2	-	9	-	<b>5,526</b>
Revaluation adjustments to CIES	-	(8,198)	1,086	-	-	9	-	<b>(7,103)</b>
Other reclassifications*	4,748	36,564	-	675	465	(693)	(43,975)	<b>(2,216)</b>
<b>At 31 March 2023</b>	<b>295,076</b>	<b>311,613</b>	<b>120,193</b>	<b>41,800</b>	<b>2,816</b>	<b>1,672</b>	<b>83,957</b>	<b>857,127</b>
<b>Depreciation and impairment</b>								
At 1 April 2022	-	<b>3,973</b>	-	<b>27,033</b>	-	-	<b>431</b>	<b>31,437</b>
Depreciation charge for the year	10,077	5,909	2,883	4,296	-	30	-	<b>23,195</b>
Depreciation/Impairment written to revaluation reserve	-	(3,981)	(1,981)	(2)	-	(10)	-	<b>(5,974)</b>
Impairment losses to CIES	-	(2,148)	(902)	-	-	-	605	<b>(2,445)</b>
On disposals	-	(764)	-	(340)	-	(14)	(432)	<b>(1,550)</b>
Other reclassifications	-	7	-	(13)	-	(6)	-	<b>(12)</b>
<b>At 31 March 2023</b>	<b>10,077</b>	<b>2,996</b>	<b>-</b>	<b>30,974</b>	<b>-</b>	<b>-</b>	<b>604</b>	<b>44,651</b>
<b>Net book value at 31 March 2023</b>	<b>284,999</b>	<b>308,617</b>	<b>120,193</b>	<b>10,826</b>	<b>2,816</b>	<b>1,672</b>	<b>83,353</b>	<b>812,476</b>
<b>Nature of asset holding</b>								
Owned	284,999	306,059	-	10,826	2,816	1,672	83,353	<b>689,725</b>
Finance lease	-	2,558	-	-	-	-	-	<b>2,558</b>
PPP	-	-	120,193	-	-	-	-	<b>120,193</b>
	<b>284,999</b>	<b>308,617</b>	<b>120,193</b>	<b>10,826</b>	<b>2,816</b>	<b>1,672</b>	<b>83,353</b>	<b>812,476</b>

**Infrastructure Assets (Note 1 below)**

<b>2022-23</b>		<b>2023-24</b>
<b>£'000</b>		<b>£'000</b>
<b>65,553</b>	<b>Net book value at 31 March 2023</b>	<b>71,326</b>
7,769	Expenditure	7,382
437	Reclassifications	525
(2,433)	Depreciation	(2,616)
<b>71,326</b>	<b>Net book value at 31 March 2024</b>	<b>76,617</b>
812,476	Other PPE Assets (tables above)	924,372
<b>883,802</b>	<b>Total Property Plant and Equipment assets</b>	<b>1,000,989</b>

**Note 1** - Infrastructure asset values have been disclosed in accordance with the Scottish Government's Finance Circular 9/2022 Statutory Override - Accounting for Infrastructure Assets. The council has applied both statutory overrides set out in the circular which are as follows:

- For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- For the accounting periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part.

## Depreciation

As highlighted in Significant Accounting Policies, note 32 Section 7 to these accounts on pages 91 to 93 under "Property, plant and equipment", depreciation is provided for all assets with a determinable life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below:

<b>Category</b>	<b>Sub-category</b>	<b>Useful life (years)</b>	<b>Valuer</b>	<b>Basis of Valuation</b>	<b>Date of last valuation</b>
Schools' PPP assets	~	40	Estates Co-ordinator	Current Value	31-Mar-24
Other land and buildings	Buildings	5 to 40	Estates Co-ordinator/ External valuer	Current Value / Fair Value / Historic Cost	Valued on a 5-year rolling programme
	Land	Up to 999	Estates Co-ordinator	Current Value / Fair Value / Historic Cost	As above
	Specialised buildings	10 to 40	Estates Co-ordinator	Current Value	As above
Council dwellings	~	19-23	DVS Property Specialists	Existing Use Value – Social Housing 'Beacon Principle' (EUVSH)	31-Mar-22
Vehicles	~	0 to 7	Transport Manager	Net Realisable Value (NRV)	Not Applicable
Equipment	~	5 to 20	Not applicable	Historical Cost	Not Applicable
Infrastructure assets	~	Up to 40	Not applicable	Historical Cost	Not Applicable
Assets under construction	~	5 to 99	Not applicable	Historical Cost	Not Applicable
Community assets	~	99 to 999	Not applicable	Historical Cost	Not Applicable

## Revaluation programme

The Council's programme for the revaluation of property, plant, and equipment, ensures all such assets required to be measured at fair value are re-valued at least every five years. The measurement basis used for determining the gross carrying amount, the valuers and the significant assumptions applied in estimating the fair values are disclosed separately in Significant Accounting Policies, Note 32 Section 7 to these accounts on pages 91 to 93 under "Property, plant and equipment". Traditionally each year the land and buildings of a different class were revalued within this rolling programme approach. This can lead to significant movements in value between valuations of some classes of large assets only subject to revaluation every five years.

A new valuation methodology has therefore been introduced in 2023-24 whereby the Council is transitioning to undertake the revaluation of a percentage of each class of asset each year, rather than undertaking a different asset category each year.

In 2023-24, revaluation information obtained from those assets revalued during the year has been considered as evidence to determine if a material change has occurred that should be applied across all assets within the category. If it is considered that a material change has occurred, then the movement has been applied to



similar assets within the same category to ensure that the carrying amount of assets held in the balance sheet is not materially misstated. A materiality threshold of 2% for each asset category has been set for 2023-24.

Where a material change had been determined then all assets not valued during the year within the given category have been adjusted to reflect the current value. This reduces the likelihood of uneven valuation movements arising in a given year.

Gross Book Values are analysed by year of valuation below:

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Schools PPP Assets £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>Total £'000</b>
Carried at historic cost	-	4,551	-	8,865	-	13,416
Valued at current value as at:						
31 March 2024	-	206,348	163,086	-	950	370,384
31 March 2023	-	155,103	-	-	267	155,370
31 March 2022	303,224	17,845	-	-	189	321,258
31 March 2021	-	8,101	-	-	64	8,165
31 March 2020	-	172	-	-	-	172
<b>Total cost or valuation</b>	<b>303,224</b>	<b>392,120</b>	<b>163,086</b>	<b>8,865</b>	<b>1,470</b>	<b>868,765</b>

### Commitments under capital contracts

The Council approved capital investment programmes for General Services and Housing for 2023-2024 for construction or enhancement of property, plant, and equipment, as outlined in the table below.

	<b>General Services £'000</b>	<b>Housing £'000</b>	<b>2024-25 Total £'000</b>	<b>2023-24 Total £'000</b>
<b>Expenditure</b>				
Capital investment	102,569	64,390	166,959	174,885
	<b>102,569</b>	<b>64,390</b>	<b>166,959</b>	<b>174,885</b>
<b>Sources of finance</b>				
Prudential borrowing	61,784	61,547	123,331	108,078
Capital grants, contributions, and other receipts	40,785	1,045	41,830	59,297
Capital funded from current revenue	-	1,798	1,798	7,510
	<b>102,569</b>	<b>64,390</b>	<b>166,959</b>	<b>174,885</b>

### Note 9: Heritage assets.

<b>Valuation</b>	<b>Fine Arts £'000</b>	<b>Other Heritage Assets £'000</b>	<b>Civic Regalia £'000</b>	<b>Total Heritage Assets £'000</b>
1 April 2022	2,205	3,777	193	6,175
<b>31 March 2023</b>	<b>2,205</b>	<b>3,777</b>	<b>193</b>	<b>6,175</b>
1 April 2023	2,205	3,777	193	6,175
Additions	1	17		18
Disposals	(39)		(1)	(40)
Revaluations during the year	-	8	-	8
<b>31 March 2024</b>	<b>2,167</b>	<b>3,802</b>	<b>192</b>	<b>6,161</b>

### Fine arts and other heritage assets

The Council's collection of fine arts is reported on the Balance Sheet at insurance valuation, which is based on market values. Additionally, individual collections are reviewed periodically to ensure the adequacy of the valuation. Details of the most recent valuations conducted on the above assets are as follows:

Lyon and Turnbull 22 December 2021

Christie's December 5 January 2022

### Civic regalia and other civil effects

The civic regalia and other civic effects are reported in the Balance Sheet at a replacement cost insurance valuation by external valuers. Details of most recent valuations conducted on the above are as follows:

Lyon and Turnbull 22 December 2021

## Note 10: Intangible assets.

The Council accounts for its software and licences financed through the capital investment programme as intangible assets and are shown at cost. The asset is amortised over the economic life of the software and licenses, assessed as either three or five years on a straight-line basis.

There have been no changes to the estimated useful life of any intangible assets during the year; there have been no revaluations, disposals of intangible assets and no charges for impairment have been made.

The movement on intangible asset balances during the year is as follows:

	31 March 2024 £'000	31 March 2023 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	15,400	13,265
Accumulated amortisation	(7,909)	(4,335)
<b>Net carrying amount at start of year</b>	<b>7,491</b>	<b>8,930</b>
Purchases	3,614	1,456
Reclassifications*	6,623	679
Amortisation for the period	(2,162)	(3,574)
<b>Net carrying amount at end of the year</b>	<b>15,566</b>	<b>7,491</b>
Comprising:		
Gross carrying amounts	25,638	15,400
Accumulated amortisation	(10,072)	(7,909)
	<b>15,566</b>	<b>7,491</b>

\*Net reclassifications from Property, plant & equipment to Intangible assets.

## Note 11: Financial instruments.

### Categories of financial instrument

The following categories of financial instrument are carried in the balance sheet:

#### Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2024	2023	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	249	252	-	-	5,066	30,377	42,604	45,965
Fair value through other comprehensive income - other	819	781	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,068</b>	<b>1,033</b>	<b>-</b>	<b>-</b>	<b>5,066</b>	<b>30,377</b>	<b>42,604</b>	<b>45,965</b>
Non-financial assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,068</b>	<b>1,033</b>	<b>-</b>	<b>-</b>	<b>5,066</b>	<b>30,377</b>	<b>42,604</b>	<b>45,965</b>

#### Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2024	2023	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost Note 1*	(308,635)	(274,797)	-	-	(85,125)	(84,348)	(88,104)	(73,519)
<b>Total financial liabilities</b>	<b>(308,635)</b>	<b>(274,797)</b>	<b>-</b>	<b>-</b>	<b>(85,125)</b>	<b>(84,348)</b>	<b>(88,104)</b>	<b>(73,519)</b>
Finance lease liabilities	(2,319)	(2,470)	-	-	(150)	(145)	-	-
PPP	(81,734)	(85,560)	-	-	(3,827)	(3,783)	-	-
<b>Total Non-financial liabilities</b>	<b>(84,053)</b>	<b>(88,030)</b>	<b>-</b>	<b>-</b>	<b>(3,977)</b>	<b>(3,928)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(392,688)</b>	<b>(362,827)</b>	<b>-</b>	<b>-</b>	<b>(89,102)</b>	<b>(88,276)</b>	<b>(88,104)</b>	<b>(73,519)</b>

\*Note 1

- Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest.
- Accrued interest is not required for instruments measured at Effective Interest Rate (EIR), as this adjustment covers a full year's interest.
- Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

### Income, expense, gains and losses.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2023-2024		2022-2023	
	(Surplus)/deficit on the provision of services £'000	Other comprehensive income and expenditure £'000	(Surplus)/deficit on the provision of services £'000	Other comprehensive income and expenditure £'000
<b>Net (gains)/losses on:</b>				
Financial assets measured at amortised cost	(1,955)	-	(1,305)	-
Financial assets measured at fair value through other comprehensive income	-	(38)	-	(63)
Financial liabilities measured at amortised cost	22,481	-	17,875	-
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	-	-	(543)	-
<b>Total net losses/(gains)</b>	<b>20,526</b>	<b>(38)</b>	<b>16,027</b>	<b>(63)</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(1,955)	-	(1,305)	-
Financial assets measured at fair value through other comprehensive income	-	(38)	-	(63)
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	-	-	(543)	-
	<b>(1,955)</b>	<b>(38)</b>	<b>(1,848)</b>	<b>(63)</b>
<b>Interest expense</b>	<b>22,481</b>	<b>-</b>	<b>17,875</b>	<b>-</b>

### Fair values of assets and liabilities

Except for the financial assets carried at fair value, all other financial assets and liabilities represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instrument using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (Table 1).
- As an alternative, applying premature redemption rates have also been applied to highlight the impact of the alternative fair value valuation (Table 2).
- For non PWLB loans payable prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide their fair value.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

## Fair value of financial assets and financial liabilities

As of 31 March 2024, the fair values of financial assets and financial liabilities are calculated as follows:

	<b>31 March 2024</b>		<b>31 March 2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial Liabilities</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
PWLB	241,475	214,176	212,953	173,577
LOBO (Option)	28,551	26,327	33,543	33,336
Market Debt	49,783	48,794	36,207	35,095
Short Term Borrowing	73,138	73,138	75,619	75,619
<b>Sub Total Borrowing</b>	<b>392,948</b>	<b>362,435</b>	<b>358,322</b>	<b>317,627</b>
PPP Liability	85,561	90,911	89,343	98,303
Short Term Finance Lease Liability	150	150	145	145
Long Term Finance Lease Liability	2,319	2,319	2,470	2,470
Short Term Creditors	88,104	88,104	73,519	73,519
	<b>176,134</b>	<b>181,484</b>	<b>165,477</b>	<b>174,437</b>
EIR Accounting Entry	<b>812</b>	<b>812</b>	<b>823</b>	<b>823</b>
<b>Total Liabilities</b>	<b>569,894</b>	<b>544,731</b>	<b>524,622</b>	<b>492,887</b>

The fair values calculated using premature redemption rates are calculated as follows:

	<b>31 March 2024</b>		<b>31 March 2023</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial Liabilities</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
PWLB	241,476	214,169	212,953	201,375
LOBO (Option)	28,551	32,280	33,543	39,357
Market Debt	49,783	50,076	36,207	36,728
Short Term Borrowing	73,138	73,138	75,619	75,619
<b>Sub Total Borrowing</b>	<b>392,948</b>	<b>369,663</b>	<b>358,322</b>	<b>353,079</b>
PPP Liability	85,561	97,938	89,343	106,301
Short Term Finance Lease Liability	150	150	145	145
Long Term Finance Lease Liability	2,319	2,319	2,470	2,470
Short Term Creditors	88,104	88,104	73,519	73,519
	<b>176,134</b>	<b>181,484</b>	<b>165,477</b>	<b>182,435</b>
EIR Accounting Entry	<b>812</b>	<b>812</b>	<b>823</b>	<b>823</b>
<b>Total Liabilities</b>	<b>569,894</b>	<b>544,731</b>	<b>524,622</b>	<b>536,337</b>

The fair value of the liabilities is less than the carrying amount because the Council's portfolio of loans includes several fixed rate loans with varying interest rates compared to similar loans in the market at the Balance Sheet date.

The fair value of PWLB loans of £214.176m (using new loan rate) measures the economic effect of the terms agreed with PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with PWLB, against what would be paid if the loans were at prevailing market rates.

The fair values of financial assets are calculated as follows:

Table 3	31 March 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Long term investments	1,067	1,040	1,033	1,015
Investments	5,066	5,066	30,377	30,377
Current asset debtors	42,604	42,604	45,965	45,965
	<b>48,737</b>	<b>48,710</b>	<b>77,375</b>	<b>77,357</b>

The fair value of the assets is less than the carrying amount because the Council's portfolio of loans includes several fixed rate investments with varying interest rates compared to similar investments in the market at the Balance Sheet date.

## Note 12: Inventories

As at 31 March,	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	326	341	344	341	50	45	720	727
Purchases	1,802	1,649	1,601	1,414	1,941	1,604	5,344	4,667
Recognised as an expense in year	(1,865)	(1,677)	(1,593)	(1,417)	(1,932)	(1,599)	(5,390)	(4,693)
Written off balances	-	9	-	-	(1)	-	(1)	9
Reversals of write-offs in previous years	-	4	-	6	-	-	-	10
<b>Balance outstanding at year end</b>	<b>263</b>	<b>326</b>	<b>352</b>	<b>344</b>	<b>58</b>	<b>50</b>	<b>673</b>	<b>720</b>

## Note 13: Debtors

	2023-2024	2022-2023
	£'000	£'000
Trade receivables	26,595	28,976
Prepayments	4,360	5,015
Council Tax*	5,357	4,524
Non-Domestic Rates*	2,289	2,533
Other receivable amounts	4,003	4,917
<b>Total</b>	<b>42,604</b>	<b>45,965</b>

\* Amounts for local taxation (Council Tax and Non-Domestic Rates) are past due but not impaired.

## Note 14: Cash and cash equivalents.

The balance of cash and cash equivalents is made up of the following components. Except for Imprest accounts held at council establishments, the balances in all the categories listed below are used together to manage the Council's overall cash balances on a day-to-day basis.

	2023-2024	2022-2023
	£'000	£'000
Cash held by the authority	48	49
Bank current accounts	(4,321)	(2,578)
Short term/Callable deposits held with UK banks	21,384	13,155
<b>Total cash and cash equivalents</b>	<b>17,111</b>	<b>10,626</b>

## Note 15: Assets held for sale.

	2023-2024	2022-2023
	£'000	£'000
Balance outstanding at start of year	641	-
Assets reclassified as Held for Sale	(450)	641
<b>Balance outstanding at year end</b>	<b>191</b>	<b>641</b>

## Note 16: Creditors

	2023-2024	2022-2023
	£'000	£'000
Trade Creditors	70,253	55,728
Other payable amounts	17,851	17,791
<b>Total</b>	<b>88,104</b>	<b>73,519</b>

## Note 17: Provisions

	Enterprise Grants	Community Grants	Short-term Provisions	Employee Provisions	Insurance Provisions	Other Provisions	Long-term Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 April 2023</b>	<b>627</b>	<b>378</b>	<b>1,005</b>	<b>283</b>	<b>63</b>	<b>500</b>	<b>846</b>	<b>1,851</b>
Additional/(reduced) provisions made in 2023/24	230	330	560	0	28	0	28	588
Amounts used in 2023/24	0	(58)	(58)	0	(8)	(2)	(10)	(68)
<b>Balance as at 31 March 2024</b>	<b>857</b>	<b>650</b>	<b>1,507</b>	<b>283</b>	<b>83</b>	<b>498</b>	<b>864</b>	<b>2,371</b>

The Council has made a provision in respect of several potential claims outstanding on 31 March 2024, including for employee-related claims, the Council's share of the former Strathclyde Regional Council's insurance claims and other potential insurance claims against the Council.

The information usually required by International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed in respect of these provisions on the grounds that it can be expected to prejudice seriously the outcome of the proceedings. Provisions are also held in relation to outstanding commitments for enterprise grants and grants to voluntary organisation. Payments in relation to provisions are expected over the next 12 - 24 months.



## Note 18: Other short-term liabilities.

	31 March 2024	31 March 2023
	£'000	£'000
Public Private Partnership (PPP)	3,827	3,782
Amounts owed to Common Good	1,075	751
Amounts owed to Trusts and others	883	902
Finance Lease	150	145
	<b>5,935</b>	<b>5,580</b>

## Note 19: Unusable reserves.

### Summary of year-end balances

The total for Unusable Reserves in the Balance Sheet is made up of the following reserves:

	2023-2024	2022-2023
	£'000	£'000
Revaluation reserve	217,109	150,372
Capital adjustment account	271,390	263,129
Financial Instrument adjustment account	(9,731)	(10,149)
Financial instruments measured at fair value reserve	779	741
Pension reserve	(25,037)	(3,206)
Employee statutory mitigation account	(6,468)	(7,185)
	<b>448,042</b>	<b>393,702</b>

### Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the Council arising from the increases in the value of its property, plant, and equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account:

	2023-2024	2022-2023
	£'000	£'000
<b>Balance on 1 April</b>	<b>150,372</b>	<b>141,976</b>
Upward revaluation of assets	76,329	16,447
Downward valuation of assets and impairment losses not charged to the deficit on the provision of services	(6,212)	(4,948)
Surplus on revaluation of non-current assets not posted to the deficit on the provision of services	<b>70,117</b>	<b>11,499</b>
Difference between fair value depreciation and historical cost depreciation	(2,104)	(1,945)
Accumulated gains on assets sold or scrapped	(1,276)	(1,158)
Amount written off to the Capital Adjustment Account	<b>(3,380)</b>	<b>(3,103)</b>
<b>Balance on 31 March</b>	<b>217,109</b>	<b>150,372</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements of accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the

Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 6 on page 50 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance on 1 April</b>	<b>263,129</b>	<b>268,219</b>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>		
Charges for depreciation and impairment of non-current assets	(34,011)	(32,011)
Amortisation of intangible assets	(2,162)	(3,574)
Amounts of non-current assets written off on disposal or sale as part of the (loss) on disposal to the CIES	(4,974)	(3,625)
Adjusting amounts written out of the revaluation reserve	3,380	3,103
Net written out amount of the cost of non-current assets consumed in the year	(37,767)	(36,107)
<i>Capital financing applied in the year:</i>		
Capital grants and contributions credited to the CIES that have been applied to capital financing	26,081	25,246
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	896	2,060
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	9,785	(12,727)
Capital expenditure charged against the general fund and HRA balances	9,266	16,438
<b>Balance on 31 March</b>	<b>271,390</b>	<b>263,129</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(10,149)</b>	<b>(10,567)</b>
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	407	408
Fair value effective interest rate adjustment in line with statutory requirements	11	10
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	<b>418</b>	<b>418</b>
<b>Balance at 31 March</b>	<b>(9,731)</b>	<b>(10,149)</b>

### Financial Assets Measured at Fair Value

The Financial Assets Measured at Fair Value Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- disposed of and the gains are realised.

	2023-2024 £'000	2022-2023 £'000
<b>Balance at 1 April</b>	<b>741</b>	<b>678</b>
(Downward)/upward revaluation of investments	38	63
<b>Balance at 31 March</b>	<b>779</b>	<b>741</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. For the current financial year, the overall pension asset of £305.635 million has been adjusted for the asset ceiling calculation required by IAS19/IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements, and their interaction, resulting in a revised pension liability of £25.037m shown in the table below.

	2023-2024 £'000	2022-2023 £'000 (restated)
<b>Balance at 1 April</b>	<b>(3,206)</b>	<b>(17,001)</b>
Re-measurement of the net defined benefit asset	282,411	309,250
Asset ceiling adjustment	(304,900)	(268,237)
Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(22,652)	(48,922)
Employer's pension contributions and direct payments	23,310	21,704
<b>Balance at 31 March</b>	<b>(25,037)</b>	<b>(3,206)</b>

### Employee Statutory Mitigation Account

The Employee Statutory Mitigation Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g., annual leave entitlement carried forward on 31 March.

	2023-2024 £'000	2022-2023 £'000
<b>Balance at 1 April</b>	<b>(7,185)</b>	<b>(5,411)</b>
Settlement or cancellation of accrual made at the end of the preceding year	7,185	5,411
Amounts accrued at the end of the current year	(6,468)	(7,185)
<b>Balance at 31 March</b>	<b>(6,468)</b>	<b>(7,185)</b>

### Note 20: Agency services.

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2023-2024 the Council collected £22.569m (£21.634m 2022-2023) and paid over £22.132m (£21.234m 2022-2023) and received £0.437m (£0.400m 2022-2023) for providing this service.

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2023-2024 the Council billed £46.973m (£41.272m 2022-2023) on their behalf and received £47.708m (£30.913m 2022-2023) in income from the Non-Domestic Rates Pool.

## Note 21: External audit cost.

The Council has incurred costs of £0.345m in 2023-2024 in respect of fees payable regarding external audit services carried out under the Code of Practice (£0.327m 2022-2023).

## Note 22: Grant income.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023-2024:

	31 March 2024	31 March 2023
	£'000	£'000
<b>Credited to taxation and non-specific grant income</b>		
General revenue grant	204,441	209,723
Received capital income	30,353	31,028
Non-domestic rates income	47,708	30,913
Council tax income	66,829	64,110
<b>Total</b>	<b>349,331</b>	<b>335,774</b>

	31 March 2024	31 March 2023
	£'000	£'000
<b>Credited to services</b>		
Covid-19	187	322
Department of Work and Pensions	22,738	23,749
Education	23,137	21,357
Education Maintenance Allowance	291	293
Electric Vehicles	-	29
Health Authorities	140	136
Leader	1,162	308
Modern Apprentices	128	117
Other Grants and Contributions	4,115	1,854
Police	30	30
Social Work	29,266	31,356
Townscape Heritage Initiative	-	46
<b>Total</b>	<b>81,194</b>	<b>79,597</b>

## Note 23: Related parties.

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Scottish Government** – has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g., council tax bills, housing benefits). Details of grants received from the Scottish Government are included in Note 22 above.

**Members of the Council** - Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2023-2024 are shown in the Remuneration Report. During 2023-2024 works and services to the value of £4.360m were commissioned from A to B taxis, Ayr Gaiety, Ayr Ark, the Energy Agency, and Regency. Craig McKay, Councillor has declared an interest as a member of the board of Energy Agency. Martin Kilbride, Councillor has declared an interest as an employee for Regency. Philip Saxton, Councillor has declared an interest as owner of one private car known as ATOB taxis (A to B taxis) which is used for the sole purpose of school contracts, Brian Connolly, Councillor has declared an interest as Director of Ayr Gaiety and Hugh Hunter, Councillor has declared an interest as chair

of Management Committee and Chair of Board of Trustees of Ayr Ark. Contracts were entered into in full compliance with the Council's standing orders. There were no material balances outstanding as of 31 March 2024.

During 2023-2024, a Community Wealth Building grant of £12,500 was paid to Ayr Gaiety, wherein one Member of the Council had an interest (Nil in 2022-2023). Details of the transactions during 2023-2024 are available by emailing [CFTenquires@south-ayrshire.gov.uk](mailto:CFTenquires@south-ayrshire.gov.uk).

**Officers of the Council** - During 2023-2024 Mike Newall – Chief Executive declared an interest in Freeport Scotland Ltd as director. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. Mike Newall was appointed by The Council as director of the company and the Council has a 37% share in the company. The Council did not receive any lease income during 2023-2024 and there was no management fee received during 2023-2024.

In addition, Mike Newall was appointed by Council and B Shareholders (Public Sector Shareholders) as Public Sector Director on Hub Southwest Scotland Ltd which is a Company established by the Scottish Government as a development partner to deliver Public Sector Infrastructure. The Council did not receive any payment in respect of this appointment. During 2023-2024 works and services to the value of £39.562m was commissioned from the HUB Southwest Scotland Ltd (2022-2023 £71.652m). No material balances were outstanding on this contract as of 31 March 2024.

Total remuneration paid to senior officers is shown in the Remuneration Report Section 4 at page 36. No remuneration was paid to the Council as a result of these appointments.

**South Ayrshire Integration Joint Board** – The South Ayrshire Integration Joint Board was established on 1 April 2015 as a partnership between South Ayrshire Council and NHS Ayrshire and Arran Health Board and is responsible for planning and overseeing the delivery of a full range of community health and social work/social care services, including those for older people, adults, children and families, people in the Criminal Justice System and allied health professions. In the year 2023-2024 the following South Ayrshire Council financial transactions were made with South Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2023-2024 £'000	2022-2023 £'000
Contribution made to South Ayrshire Integration Joint Board	102,753	106,306
Commissioning income received from South Ayrshire Integration Joint Board	117,327	115,970

Other public bodies – the Council has substantial interests in other public bodies, details of which are disclosed in the Group Balance Sheet. In addition, the Council received grants and income from NHS Ayrshire & Arran of £23.889m during 2023-2024 (£16.601m in 2022-2023).

**Assisted organisations** – the Council provided funding to organisations including Grants to Voluntary Organisations, Rural Communities Fund, and funding for Business Advice, which are all made up of small donations to small organisations, none of which exceeded 50% of those organisations' total funding. No material balances were outstanding on these contracts as of 31 March 2024.

**Ayr Renaissance LLP** - established by the Council as a separate arm's length Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by the Council. The contribution from the Council to the LLP's running costs for the year ended 31 March 2024 was £0.005m (2022-2023: £0.002m). No material balances were outstanding as of 31 March 2024 or 31 March 2023. The LLP is expected to be wound up during 2024-2025.

**Administration of Trust Funds** - The Council have responsibility for the administration and decision making of various trusts where the Councillors have sole control.

The Councillors and Officers of the Council also exert significant influence in the administration and decision making of several trusts where the Councillors do not have sole control. For further details please see Section 13 Trust Funds.

## Note 24: Capital expenditure and capital financing.

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR during the year is analysed in the second part of the table.

	31 March 2024 £'000	31 March 2023 £'000
<b>Opening capital financing requirement</b>	<b>484,611</b>	<b>399,007</b>
<b>Capital investment</b>		
Property, plant, and equipment	92,864	116,031
Intangible assets	3,614	1,455
	<u>96,478</u>	<u>117,486</u>
<b>Sources of finance</b>		
Capital Receipts	(649)	(123)
Government grant and other contributions	(26,191)	(28,046)
Capital funded from current revenue	(10,052)	(16,439)
Repayment of PPP/finance lease	(3,927)	(3,827)
Loans fund principal repayments	(7,935)	(7,238)
Application of PPP retrospective flexibility	-	21,720
Application of PPP in year flexibility	2,077	2,071
	<u>534,412</u>	<u>484,611</u>
<b>Closing capital financing requirement</b>	<b>534,412</b>	<b>484,611</b>
<b>Explanation of movements during the year</b>		
Increase in the underlying need to borrow	53,728	89,431
(Decrease) in finance lease obligations	(145)	(142)
(Decrease) in PPP finance lease creditor	(3,782)	(3,685)
	<u>49,801</u>	<u>85,604</u>
<b>Increase in capital financing requirement</b>	<b>49,801</b>	<b>85,604</b>

## Note 25: Leases

### Authority as lessee - Finance leases

The Council has entered into a number of contracts for miscellaneous equipment under finance leases.

The assets acquired under these leases are carried as property, plant, and equipment in the Balance Sheet at the following net book values:

	31 March 2024 £'000	31 March 2023 £'000
Property, plant, and equipment	<u>2,398</u>	<u>2,558</u>

The Council is committed to making minimum payments under these lease arrangements, comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2024	31 March 2023
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	150	145
Non-Current	2,319	2,469
Finance costs payable in future years	620	674
<b>Minimum lease payments</b>	<b>3,089</b>	<b>3,288</b>

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£'000	£'000	£'000	£'000
No later than one year	199	200	150	145
Later than one year and not later than five years	798	798	650	630
Later than five years	2,092	2,290	1,669	1,839
	<b>3,089</b>	<b>3,288</b>	<b>2,469</b>	<b>2,614</b>

#### Authority as lessee - Operating leases

The Council has acquired vehicles, plant, and equipment by entering into operating leases. The minimum lease payments due under non-cancellable leases in future years are:

	31 March 2024	31 March 2023
	£'000	£'000
No later than one year	1,265	1,283
Later than one year and not later than five years	1,516	1,384
	<b>2,781</b>	<b>2,667</b>

The expenditure charged to the service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases are:

	31 March 2024	31 March 2023
	£'000	£'000
Minimum lease payments	1,705	1,856
	<b>1,705</b>	<b>1,856</b>

#### Authority as lessor - Finance leases

The Council has not entered into any finance lease arrangements.

#### Authority as lessor - Operating leases

The Council has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The minimum lease payments receivable under non-cancellable leases in future years are shown in the table below. (These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews).

	31 March 2024	31 March 2023
	£'000	£'000
No later than one year	877	786
Later than one year and not later than five years	1,164	1,273
Later than five years	10,681	10,669
	<b>12,722</b>	<b>12,728</b>

## Note 26: Public private partnerships and similar contracts.

The Council previously entered into a Public Private Partnership (PPP) agreement with Education for Ayrshire (e4a) for the construction and operation of two new secondary and three new primary schools, together with an annex to an existing secondary school. The first unitary charge payment relating to part-year costs for two primary schools and the annex to the secondary school, was made during 2007-2008. The final unitary charge payment will be made in 2039-2040, at which time the schools will transfer to Council ownership with a guarantee of no major maintenance requirements for a five-year period. All the schools were completed during 2009-2010.

Scotland's Schools for the Future Programme was established in 2009 to manage the replacement or upgrading of a programme of schools in collaboration between all 32 local authorities in Scotland and the Scottish Government. During 2017-2018 and then in 2019-2020 the Council took occupation of the New Ayr Academy and New Queen Margaret Academy respectively, both of which were constructed via a Design, Build, Finance and Maintain contract, commonly referred to as DBFM through the Schools for the Future Programme. This form of contract is similar to the existing PPP contract except responsibility for most janitation and cleaning etc. remains with the Council. The first unitary charge payment for Ayr Academy relating to the part-year costs for the secondary school, was made during 2017-2018. The final unitary charge payment will be made in 2042-2043. The first unitary charge payment for Queen Margaret Academy relating to the part-year costs for the secondary school, was made during 2019-2020. The final unitary charge payment will be made in 2044-2045. Once the final unitary charges are made for both schools, the schools will transfer to Council ownership.

### Property, plant, and equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 8 Property, plant, and equipment.

### Remaining payments under the agreements

The Council makes an agreed payment each year, which is increased each year by inflation and can be reduced if the provider fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the original PPP contract, the new Ayr Academy and new Queen Margaret academy contract on 31 March 2024 (assuming an average inflation rate of 2.50% and excluding any estimation of availability and performance deductions) are as follows:

	Payment of services	Reimbursement of capital expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within one year	7,502	3,827	8,001	19,330
Payable within two to five years	34,245	15,472	30,688	80,405
Payable within six to ten years	51,258	21,235	35,425	107,918
Payable within eleven to fifteen years	52,846	28,841	35,249	116,936
Payable within sixteen to twenty years	12,188	15,082	5,553	32,823
Payable within twenty-one to twenty-five years	440	1,103	196	1,739
<b>Total</b>	<b>158,479</b>	<b>85,560</b>	<b>115,112</b>	<b>359,151</b>

### Liabilities from PPP arrangements

Although the payments to the provider are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide, and the capital expenditure incurred plus the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the provider for the capital expenditure (the outstanding finance lease obligation) is as follows:



	2023-2024	2022-2023
	£'000	£'000
Balance outstanding at start of year	89,342	93,027
(Reductions) during the year	(3,782)	(3,685)
<b>Balance outstanding at year end</b>	<b>85,560</b>	<b>89,342</b>

### Application of PPP Service Concession Arrangement Flexibilities

In accordance with Accounting Policy 12 on page 93 and in line with Finance Circular 10/2022, the Council applied the permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-2023 on a retrospective annuity basis with a useful life of 40 years. The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset.

The current repayment charges were compared against an annuity repayment profile based on the estimated useful asset lives for the each of the three SCA arrangements. The most appropriate asset life was considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e., schools. The calculation of the repayment charges of each SCA or Public Private Partnership (PPP) scheme using the asset life annuity basis was compared to the current charges which were to be made over the contract period. By applying the flexibility, a one-off combined pre-2022-2023 retrospective saving of £21.720m was achieved followed by further savings after reprofiling of payments, as detailed in the table below.

PPP debt repayment	Current repayment	Revised repayment	(Reduction/ Cost)
	£'000	£'000	£'000
Pre 2022-23	34,342	12,622	(21,720)
Paid in 2022-23	3,685	1,614	(2,071)
Paid in 2023-24	3,782	1,705	(2,077)
Payable within two to five years	15,605	7,836	(7,769)
Payable within six to ten years	19,984	12,548	(7,436)
Payable within eleven to fifteen years	26,804	16,504	(10,300)
Payable within sixteen to twenty years	20,225	21,710	1,485
Payable within twenty-one to twenty-five years	2,942	28,559	25,617
Payable within twenty-six to forty years	-	24,271	24,271
<b>Total</b>	<b>127,369</b>	<b>127,369</b>	<b>-</b>

In addition to the one-off retrospective element and in year 2022-2023 saving, a further in-year saving occurred in scheduled debt repayments in 2023-2024, of £2.077m (£2022-2023 £2.071m). This will be followed by a reduction in the annual charges for further 16 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Over the full asset life of the SCAs the total repayment for the debt liability remains the same.

## Note 27: Termination benefits.

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2023-2024, incurring liabilities of £0.464m (£0.770m 2022-2023). The total is payable to 11 (2022-2023: 10) employees from directorates detailed in the analysis provided. Termination benefits exclude ill health retirals'. Further detail can be found within the Exit packages note contained in the Remuneration report on page 41.

Number	Directorate
6	Education
1	Housing Operations and Development
4	Strategic Change and Communities
<hr/> 11 <hr/>	

## Note 28: Defined benefit pension schemes.

### Participation in pension schemes

The post-employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS) and is administered by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the appointed actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole fund. There is a statutory requirement for the Strathclyde Pension Fund to publish a separate annual report, which can be accessed on their website:

[2023 Annual Report - Strathclyde Pension Fund \(spfo.org.uk\)](https://spfo.org.uk)

### Benefits

It is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pension's liability with investment assets. The pension accrual rate guarantees a pension based on 1/49th of pensionable salary and years of pensionable services. (Prior to 2015, the accrual rate guaranteed a pension and a lump sum based on final pensionable salary and years of pensionable service). There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The scheme's normal retirement age is linked to the state pension age. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

### Governance

The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of elected members of Glasgow City Council. Employing authorities (including South Ayrshire Council) are represented at the Strathclyde Pension Fund Representative Forum.

Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.

Under the Regulations, employers fall into three categories: scheme employers (also known as schedule bodies) such as South Ayrshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

## Principal risks

The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

## Discretionary post-employment benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

## Transactions relating to post-employment benefits.

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the Council's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the Council in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

The following transactions have been made in the accounting statements in 2023-2024 and the prior year 2022-2023.

	2023-2024 £'000	2022-2023 £'000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
<i>Service cost comprising:</i>		
Current service cost	23,296	47,437
Past service cost (including curtailments)	418	672
<i>Financing and investment income and expenditure:</i>		
Net interest expense/ (income)	(1,062)	813
<b>Total post-employment benefit charged to the deficit on the provision of services</b>	<b>22,652</b>	<b>48,922</b>
<b>Other post-employment benefits charged to the CIES:</b>		
<b><i>Re-measurement of the net defined benefit liability comprising:</i></b>		
Return on the plan assets	(50,916)	50,544
Actuarial (gains) arising on changes in demographic assumptions	(13,344)	(7,735)
Actuarial (gains) and losses arising on changes in financial assumptions	(27,267)	(404,387)
Other	(190,884)	52,328
<b>Total post-employment benefit charged to the CIES</b>	<b>(259,759)</b>	<b>(260,328)</b>
<b>Movement in Reserves Statement (MiRS)</b>		
Reversal of net charge made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(658)	(27,218)
<b>Actual amount charged against the General Fund balance for pensions in the year: Employers' contribution payable to the scheme</b>	<b>23,310</b>	<b>21,704</b>

## Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2023-2024 £'000	2022-2023 £'000
Present value of the defined benefit obligation: funded	(761,062)	(704,098)
Present value of the defined benefit obligation: unfunded	(25,037)	(25,772)
Fair value of pension fund assets	1,091,734	994,901
<b>Surplus</b>	<b>305,635</b>	<b>265,031</b>
<b>Asset Ceiling Adjustment</b>	<b>(330,672)</b>	<b>(268,237)</b>
<b>Net liability arising from defined benefit obligations</b>	<b>(25,037)</b>	<b>(3,206)</b>

A reconciliation of the Council's share of the present value of Strathclyde Pension Fund's defined benefit obligation is as follows:

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening balance on 1 April</b>	<b>729,870</b>	<b>1,033,336</b>
Current service cost	23,296	47,437
Past service cost	418	672
Interest cost	34,620	28,276
Contributions by scheme participants	6,494	5,974
<i>Re-measurement gains and (losses):</i>		
Actuarial (gains) arising on changes in demographic assumptions	(13,344)	(7,735)
Actuarial (gains) and losses arising from changes in financial assumptions	(27,267)	(404,387)
Other losses/ (gains)	64,312	52,328
Benefits paid	(30,327)	(24,174)
Unfunded benefits paid	(1,973)	(1,857)
<b>Closing balance at 31 March</b>	<b>786,099</b>	<b>729,870</b>

A reconciliation of the movement in the Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of the scheme assets</b>	<b>994,901</b>	<b>1,016,335</b>
Interest income	47,199	27,463
<i>Re-measurement gains and (losses):</i>		
Return on the plan assets	50,916	(50,544)
Contributions from employers	21,337	19,847
Contributions from employees in the scheme	6,494	5,974
Other losses/(gains)	1,214	-
Benefits paid	(30,327)	(24,174)
<b>Closing fair value of the scheme assets</b>	<b>1,091,734</b>	<b>994,901</b>

### Analysis of pension fund assets

The asset values below are at bid value as required under IAS19 Employee Benefits.

#### At 31 March 2024

<b>Asset category</b>	<b>Quoted Prices in Active Markets £'000</b>	<b>Quoted Prices not in Active Markets £'000</b>	<b>2023-2024 Total £'000</b>
<b>Cash and cash equivalents</b>			
<b>Equity instruments:</b>			
Consumer	50,421	14	50,435
Manufacturing	62,900	17	62,917
Energy and Utilities	9,902	-	9,902
Financial Institutions	31,183	155	31,338
Health and Care	29,088	53	29,141
Information Technology	37,002	-	37,002
<b>Sub-total equity</b>	<b>220,496</b>	<b>239</b>	<b>220,735</b>
<b>Debt securities</b> (corporate bonds incl. non-investment grade)	-	-	-
<b>Private equity</b>	-	<b>260,642</b>	<b>260,642</b>
<b>Real estate (UK property)</b>	-	<b>82,843</b>	<b>82,843</b>
<b>Investment funds and unit trusts:</b>			
Equities	4,483	372,007	376,490
Bonds	-	127,351	127,351
Commodities	-	435	435
<b>Sub-total investment funds and unit trusts</b>	<b>4,483</b>	<b>499,793</b>	<b>504,276</b>
<b>Cash and cash equivalents (all)</b>	<b>1,701</b>	<b>18,537</b>	<b>20,238</b>
<b>Totals</b>	<b>226,680</b>	<b>862,054</b>	<b>1,088,734</b>

#### At 31 March 2023

<b>Asset category</b>	<b>Quoted Prices in Active Markets £'000</b>	<b>Quoted Prices not in Active Markets £'000</b>	<b>2022-2023 Total £'000</b>
<b>Cash and cash equivalents</b>			
<b>Equity instruments:</b>			
Consumer	44,510	123	44,633
Manufacturing	54,045	1,431	55,476
Energy and Utilities	4,980	-	4,980
Financial Institutions	21,105	75	21,180
Health and Care	35,331	58	35,389
Information Technology	34,308	96	34,404
<b>Sub-total equity</b>	<b>194,279</b>	<b>1,783</b>	<b>196,062</b>
<b>Debt securities</b> (corporate bonds incl. non-investment grade)	-	-	-
<b>Private equity</b>	-	<b>244,535</b>	<b>244,535</b>
<b>Real estate (UK property)</b>	-	<b>82,029</b>	<b>82,029</b>
<b>Investment funds and unit trusts:</b>			
Equities	4,286	325,417	329,703
Bonds	-	114,738	114,738
Commodities	-	388	388
Infrastructure	-	6,389	6,389
Other	-	2,209	2,209
<b>Sub-total investment funds and unit trusts</b>	<b>4,286</b>	<b>449,141</b>	<b>453,427</b>
<b>Cash and cash equivalents (all)</b>	<b>13,760</b>	<b>5,088</b>	<b>18,848</b>
<b>Totals</b>	<b>212,325</b>	<b>782,576</b>	<b>994,901</b>

#### **Basis for estimating assets and liabilities.**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Fund's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest valuation of the Fund on 31 March 2024. The significant assumptions used by the actuary have been:

<b>Mortality assumptions:</b>	<b>2023-2024</b>	<b>2022-2023</b>
Longevity at 65 for current pensioners		
Male	20.1	19.3
Female	23.0	22.2
Longevity at 65 for future pensioners		
Male	20.9	20.5
Female	24.8	24.2
<b>Financial assumptions:</b>		
Rate of inflation/pension increase rate	2.80%	2.95%
Rate of increase in salaries	3.50%	3.65%
Rate for discounting scheme liabilities	4.80%	4.75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change, that the assumptions analysed will change, while all the other assumptions remain constant.

<b>Change in assumption on 31 March 2024</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £000</b>
0.1% decrease in real discount rate	2%	13,304
0.1% increase in the salary increase rate	0%	1,923
0.1% increase in the pension increase rate	1%	11,595
<b>Asset and liability matching strategy</b>		

The Strathclyde Pension Fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt-edged investments with maturities that match the benefits payments, as they fall due. A large proportion of the assets relate to investment funds and unit trusts 46% (2022-2023 46%), equities 21% (2022-2023 20%) and private equity 24% (2022-2023 25%). The scheme also invests in properties 8% (2022-2023 7%) and in cash 2% (2022-2023 2%). The ALM strategy is monitored annually or more frequently if necessary.

### **Impact on the Council's cash flow**

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employer's contributions have been set at 19.3% for 2023-2024 based on the last triennial valuation completed on 31 March 2020.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2024 is £7.143m. The weighted average duration of the defined benefit obligation for Fund members is 19 years (This is different from the mortality assumptions quoted in the table above in "*Basis for estimating assets and liabilities*").

## **Note 29: Pensions schemes accounted for as defined contribution schemes.**

The Council participates in the Scottish 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 an unfunded statutory public service pension scheme, with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as of 31 March 2016. This valuation informed an increase in the employer contribution rate 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employee's contributions. Please refer to point iv below which advise current contribution rates would stay in force until 1 April 2024.
- The Council has no liability for other employers' obligations to the multi-employer scheme.
- As the scheme is unfunded, there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.
- i) The scheme is an unfunded multi-employer defined benefit scheme.
- ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Council is unable to identify its share of the underlying assets and liabilities of the scheme.
- iii) The employer contribution rate for the period from 1 April 2022 is 23.0% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.
- iv) While a valuation was carried out as of 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations

could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

- v) Contributions collected in the year to 31 March 2024 will be published in October 2024.

The Council paid £13.8m (£12.9m 2022-2023) for employer's contributions. As a proportion of the total contributions into the scheme during the year ended 31 March 2024 (£706.5m), the Council's own contributions paid equate to approximately 1.83%.

### **Note 30: Contingent assets and liabilities.**

On 31 March 2024 the Council had no material contingent assets. Having received notice of several potential insurance and other claims, the Council recognises a potential liability which may require to be met where claims are successful. Accordingly, it has agreed to meet any liability in excess of provisions made in the financial statements from uncommitted reserves. These include:

- A share of potential liabilities arising from claims lodged against the former Strathclyde Regional Council (SRC) on a geographical basis. These potential liabilities include shared liability in connection with Municipal Mutual Insurance (MMI) Limited, one of SRC's insurers. Following the Supreme Court ruling in 2012 on Employers' Liability Insurance "Trigger" Litigation, the Council have an existing provision to meet clawback of estimated payments made by MMI Limited for known claims and recognise a contingent liability for claims that may be incurred but are yet to be reported.
- The Limitation (Childhood Abuse) (Scotland) Act 2017 removed the three-year time bar on survivors of abuse bringing forward claims for compensation. This applies to all claims from 1964 onwards and a potential cost to the Council exists in respect of claims which may arise under this legislation.
- A share of any future costs arising from the demolition of the building adjacent to Ayr Railway Station. The building is not owned by the Council.
- A share of potential liabilities arising from claims lodged in respect of the Council's burial grounds, following the identification of water ingress.

These and other potential claims remain subject to a high degree of uncertainty and at this time it is not clear that either an obligation exists or that its value can be reliably established.

### **Note 31: Nature and extent of risks arising from financial instruments.**

The Council's activities expose it to a variety of financial risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

#### **Overall procedures for managing risk.**

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.



The procedures for risk management are set out through a legal framework based on the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and the investment guidance (regulations – Scotland) issued through the Act.

These procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice.
- By adopting a Treasury Policy Statement and treasury management clauses within its financial regulations and standing orders; and
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
  - (i) The Council's overall borrowing
  - (ii) The maximum and minimum exposures to fixed and variable interest rates
  - (iii) The management of interest rate exposure
  - (iv) The maximum annual exposures to investments maturing beyond a year.
  - (v) By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance (regulations – Scotland).

The above are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instruments exposure.

Actual treasury performance is required to be reported quarterly.

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 1 March 2023 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2023-24 was set at £641m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £590m. This is the expected level of debt and other long-term liabilities during the year.
- The management of fixed and variable interest rate exposure.
- The maximum and minimum exposures to the maturity structure of debt are shown at Page 10– Treasury Management Limits on Activity.

Risk management is carried out by a central treasury team, under policies approved by South Ayrshire Council in the annual treasury management strategy. South Ayrshire Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of cash.

### **Credit Risk**

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

The risks associated with banks and financial institutions are minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Standard & Poor's, Fitch, and Moody's Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits for investment in respect of each financial institution.

The Council uses the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach, with credit ratings from three credit rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties, but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies.
- credit default swap spreads to give early warning of likely changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Treasury and Investment Strategy for 2023-24 was approved by Council on 1 March 2023 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its cash investments in banks and building societies of £26.384m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence on 31 March 2024 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Expected Credit Loss calculation under IFRS 9 does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil.

The Council's gross debtor (excluding council tax and non-domestic rate income) was £45.637m (2022-23 £48.822m) against which a provision of £10.679m (2022-23 £9.915m) was made for bad and doubtful debts. Based on historical experience, the Council has therefore fully provided for its estimated maximum exposure to default and non-collectability.

The Council does not generally allow credit for customers, such that £21.767m of the £45.637m gross debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>£'000</b>	<b>£'000</b>
Less than three months	2,092	514
Three to six months	1,120	369
Six months to one year	2,691	2,358
More than one year	15,864	7,465
<b>Total</b>	<b>21,767</b>	<b>10,706</b>

### **Liquidity Risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the Public Works Loan Board (PWLB) and money markets for access to longer term funding. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing on money market deposit are repayable in less than one year.

### **Refinancing and Maturity Risk**

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

The approved treasury indicator limits for maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

The Council's main source of borrowing is HM Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that no more than 25% of long-term loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of prudent planning of new loans taken out and where it is economic to do so, making early repayments.

The indicator for maturing debt (within one year) is 4% below the indicator, due to the strategy in 2023-2024 of borrowing in the short-term markets and longer term PWLB borrowing.

The maturity of Lender Option/Borrower Option (LOBO) loans are disclosed in the under-noted table at original redemption date.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period.

	<b>Maturity limit %</b>	<b>Maturing debt Maturing in period %</b>	<b>Actual 2023-2024 £'000</b>	<b>Actual 2022-2023 £'000</b>
Less than one year	25	21	82,986	83,725
Between one and two years	25	8	31,419	11,570
Between two and five years	50	3	12,160	19,909
Between five and ten years	75	9	36,587	20,507
More than ten years	90	59	224,507	219,673
<b>Principal element of borrowing</b>		<b>100</b>	<b>387,659</b>	<b>355,384</b>

## **Market Risk**

### ***Interest rate risk***

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances).
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings

and investments will be posted to the surplus or deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Council has several strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set which provides maximum limits for fixed and variable rate interest rate exposure. The central treasury team will monitor interest rates within the year to adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rate borrowing would be postponed. According to this assessment strategy, on 31 March 2024, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

<b>Notional impact on the surplus or deficit on the provision of services:</b>	<b>Actual 2023-2024 £000</b>	<b>Actual 2022-2023 £000</b>
Increase in interest payable on variable rate borrowings	911	945
Increase in interest receivable on variable rate investments	(268)	(248)
	<b>643</b>	<b>697</b>
<b>Other presentational changes</b>	<b>Actual 2023-2024 £000</b>	<b>Actual 2022-2023 £000</b>
Decrease in "fair value" of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	24,515	26,295

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 11 – Fair Value of Assets and Liabilities carried at Amortised Cost.

### **Price Risk**

The Council does not generally invest in equity shares but does have a shareholding to the value of £0.819m in Freeport (Scotland) Ltd, which allows the Council voting rights within the company. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The shares have been classified as 'Fair Value through Other Comprehensive Income', meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

### **Foreign Exchange Risk**

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

# Section 7: Policies, Judgements and Assumptions

## Note 32: Significant accounting policies.

### 1. General principles

The Annual Accounts summarise the Council's transactions for the 2023-2024 financial year and its financial position at the year end of 31 March 2024. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires such accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2023-24* and are supported by *International Financial Reporting Standards (IFRS)*.

*The Code* is issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts are prepared on a 'going concern' basis.

### 2. Accruals of expenditure and income

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

- All known specific and material sums payable to the Council have been brought into account. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract, in line with *IFRS 15 Revenues from Contracts with Customers*.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the service is received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract. Interest receivable and dividend income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. Charges to revenue for non-current assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to Loans Fund principal charges. Depreciation, impairment losses and amortisations are therefore replaced by Loans Fund principal charges in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **4. Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **5. Employee benefits**

### **Benefits payable during employment.**

Short term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned during the year are included in the Annual Accounts irrespective of when payment was made. The Council has made provision for the costs of any potential employee related claims. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year.

### **Termination benefits**

Termination benefits are amounts payable because of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. These termination benefits are charged on an accruals basis as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to a termination; when it has a detailed formal plan for the termination, and it is without realistic possibility of withdrawal.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **Post-employment benefits**

As part of the terms and conditions of employment of its employees, South Ayrshire Council offers retirement benefits. The Council participates in two separate pension schemes, one exclusive to teachers and the other open to all its other employees:

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency.
- The Local Government Pension Scheme, administered by Strathclyde Pension Fund.

Both schemes provide "defined benefits" to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a "defined contributions" scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to teachers' pensions in the year.

### ***The Local Government pension scheme***

The Local Government Pension Scheme (LGPS) is accounted for as a “defined benefit” scheme:

- The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the “projected credit unit method” i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate used by the appointed actuaries to place a value on the liability.
- The assets of the Strathclyde Pension Fund attributable to South Ayrshire Council are included in the Balance Sheet at their fair value at current bid prices for quoted securities, estimated fair value for unquoted securities and market price for property.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - *Current service cost*: The increase in liabilities because of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - *Past service cost*: The increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.
  - *Net interest on the net defined benefit liability (asset), i.e., net interest expenses for the Council*: The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, considering any changes in the net defined liability (asset) during the period because of contribution and benefit payments.
- Re-measurements comprising:
  - *The return on plan assets*: Excluding amounts included in the net interest on the net defined benefit liability (asset), charged to the Pension Reserve as other comprehensive income and expenditure.
  - *Actuarial gains and losses*: Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions, charged to the Pensions Reserve as other comprehensive income and expenditure.
  - *Contributions paid to the Strathclyde Pension Fund*: Cash paid as employer’s contributions to the pension fund in settlements of liabilities; not accounted for as an expense.

In relation to retirement benefits, Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### ***Discretionary benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Strathclyde Pension Fund.

## 6. Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost.
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e., where the cash flows do not take the form of a basic debt instrument.

### Financial assets measured at amortised cost.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principle received (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made (loans to organisations at less than market rates), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of the soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financial and Investment Income and Expenditure line in CIES.

### Financial assets measured at fair value through profit or loss.

Financial assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The outputs of the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the assets.



Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in Provisions, Contingent Liabilities and Contingent Assets.

### **Expected credit loss model.**

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant fair value through other comprehensive income) either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

## **7. Financial liabilities**

### **Borrowing**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **8. Government grants and contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient, as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## **9. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### ***The Council as Lessee***

#### **Finance leases**

Property, plant, and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease fair value measured at the lease's inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment, applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement)

Property, plant, and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **Operating leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property over the term of the lease. Charges are made on a straight-line basis over the life of the lease.

### ***The Council as Lessor***

#### **Operating leases**

The Council as landlord has granted commercial leases of premises and sites to various tenants on a variety of lease terms. The arrangements are accounted for as operating leases. Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. The rental income receivable is included in the Comprehensive Income and Expenditure Statement.

## 10. Prior period adjustments, changes in accounting policies and estimation and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment. There was one prior period adjustments relating to the financial year 2023-2024 as shown in Note 3 page 50.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 11. Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, plant, and equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, plant and equipment is capitalised on an accrual's basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Plant, furniture, and computer equipment costing less than £6,000 are not treated as property, plant and equipment and are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement. This de minimis does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

In respect of Component accounting, the assessment of which components are recognised and depreciated separately is based upon the costs of each component. Significance will be determined by comparing the components cost against the overall cost of an asset. The threshold for a significant component shall be 25% of the overall cost of the asset but only where the overall value of the asset is in excess of £1.000m.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets, and assets under construction: depreciated historical cost.
- dwellings: current value determined using the basis of existing use value for social housing (EUV-SH).
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets: current value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. In addition, to ensure that the carrying amount of assets held in the balance sheet at the year-end does not differ materially from the current value at that date, revaluation evidence from properties valued during the year together with appropriate industry indices is considered to determine if a material change in valuation has occurred during the year. Where a material change has been determined then all assets not valued during the year within the given category are adjusted using the assessed current value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Property valuations are carried out by The Royal Institution of Chartered Surveyors (RICS) professional staff within the Council's Directorate of Resources, Governance and Organisation or their appointed agent.

## **Impairment**

Where indications exist that an asset may be impaired and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Disposals and non-current assets held for sale.**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e., netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

#### **Disposal and Derecognition of Infrastructure Assets**

When a component of an infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of the disposal).

The written-off amounts of disposals are not a charge against the council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where any part of infrastructure assets is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

#### **Depreciation**

Depreciation is provided for on all Property, plant, and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., land and community assets), investment assets and assets that are not yet available for use (i.e., assets under construction).

Depreciation is charged on a straight-line basis over the useful life of the assets. Depreciation is not charged in the year of acquisition but is charged in the year of disposal. The periods of depreciation and categories of assets are detailed within Note 8 of the Annual Accounts.

Where a material item of Property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council approved policy for material assets with a value in excess of £1.000m. Significant components are deemed to be those whose cost is 25% or more of the total cost of the asset.

## **12. Public Private Partnerships**

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI operator. As the Council is deemed to control the services that are provided under its schools PFI scheme and as ownership of the schools will pass to the Council at the end of the contracts for no additional charge, the accounting regulations (*IFRIC12 Service Concession Arrangements*) require that the Council recognises the three primary schools, two secondary schools and an annex to an existing secondary school opened between 2007-2008 and 2009-2010, the new Ayr Academy opened in 2017-2018 and the new Queen Margaret Academy opened in 2019-2020, as part of Property, plant and equipment on its Balance Sheet.

The original recognition of the schools PFI assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The schools PFI assets are re-valued and depreciated in the same way as other non-current assets owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the service received during the year – debited to the relevant service in the Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income & Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income & Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP contractor; and
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

### **Service Concession Arrangement flexibility application**

The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement (SCA) flexibility that related to the Council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the General Fund and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished. The Statutory Regulation in relation to this matter, Local Government Finance Circular 10/2022 (FC 10/2022), was published in September 2022.

FC 10/2022 replaces the 2010 version that covered this area and permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022.

The Council applied the permitted change in the calculation of the statutory charge in 2022-23 and the adopted approach has been applied across all three such arrangements held by the Council in line with the key accounting principle of consistency.

The annual unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period.

### **Annuity method for revised repayment of debt liability**

The recalculation of the debt liability charges applies the annuity method to calculate the revised repayments. This method best represents the consumption of the assets over their useful lives.

This methodology is applied within the Councils current Loans Fund repayment policy. The use of an annuity method for the writing down of the PPP debt liability therefore ensures a consistent approach for the writing down of all debt which is financing capital expenditure, in that.

- The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.
- The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, considering the real value of the amounts when they fall due.
- The annuity method is a "prudent basis for providing for assets that provided a steady flow of benefits over their useful life."

### **Useful Economic Life**

The most appropriate asset life for the calculation is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e., schools. The Council's Loans Fund methodology use a Useful Economic Life (UEL) of 40 years when calculating the repayment of debt liability for borrowing to support capital expenditure for similar types of assets. The proposed application a UEL of 40 years for the three SCAs arrangements is therefore considered consistent with current council methodology.

## Capital Financing Requirement

The reprofiling of the debt liability repayments over the life of the asset rather than the life of the contract increased the Capital Financing Requirement (CFR) as of 1 April 2022. The increase in the CFR will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period.

## Accounting Treatment

The statutory adjustment was made as of 1 April in the year the revised repayments were applied. This option was exercised in 2022-23 and was applied retrospectively. Being a cumulative statutory adjustment there was no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2022 resulted in a retrospective debit to the Capital Adjustment account in 2022-23 with a corresponding credit in the Movement in Reserves Statement within the General Fund. Further in year annual reductions are being applied along similar lines as the retrospective adjustment until the end of the contract period for each of the three SCAs. Thereafter the revised charges will result in higher cost being charged to the General fund that the current repayment profile until the end of the UEL.

## 13. Provisions, contingent assets, and liabilities

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision held in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### Contingent assets and liabilities

A contingent asset or liability arises where an event has taken place that gives the Council a possible obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities or assets also arise in circumstances where a provision would otherwise be made but, either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts where they are deemed material.

## 14. Reserves

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Reserves are classified under accounting regulations into two broad categories – **usable** which are available to support services and **unusable** which are unrealised and have a deferred impact on taxation.

## **Usable reserves**

The Council has several statutory reserve funds within this category. The Repairs and Renewal Fund provides funds to facilitate asset improvements and efficiencies in future years. The Capital Fund is used to meet the costs of capital investment in assets and for the repayment of the principal element of borrowings. The Council also holds two further reserves within this category, the Capital Grants Unapplied Account which hold capital grants which have been received but have not yet been utilised to fund capital expenditure and the Capital Receipts Reserve which holds capital receipts which have not yet been used to fund capital expenditure.

## **Unusable reserves**

Certain reserves are kept managing the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Council.

The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former of these represents the store of gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The two reserves arising from accounting for financial instruments are the Available for Sale Financial Instrument Reserve and the Financial Instruments Adjustment Account. The former contains the gains made by the Council arising from increases in the value of its investments and the latter is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council.

The Pensions Reserve arises from IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council's share of the Pension Fund liability chargeable to the Comprehensive Income and Expenditure Statement.

The Employee Statutory Adjustment Account absorbs the difference that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g., annual leave entitlement carried forward on 31 March each year.

## **15. Revenue expenditure funded from capital under statute.**

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **16. VAT**

In general, income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

## **17. Fair value measurement**

The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:



- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

### **Note 33: Accounting standards issued not adopted.**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023-2024 Code by the Council on 1 April 2024:

- **Amendments to IAS 1:** Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IAS 8:** Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IAS 12:** Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IFRS 3:** Updating a Reference to the Conceptual Framework. Applicable for periods beginning on or after 1 January 2023.

The Council does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by the Local Government Accounting Code from 1 April 2024, with local authorities having the option to adopt early. It is the Council's intention to implement IFRS 16 on 1 April 2024. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

The bringing of leased assets onto the Balance Sheet will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Due to the need to reassess lease calculations, together with uncertainty around expected future leasing activity, a quantification of the expected impact of applying the standard in 2024-25 is currently impracticable.

## Note 34: Critical judgements in applying accounting policies.

In applying the Significant Accounting Policies set out in Section 7 Note 32 to these accounts on pages 85 to 96, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

**Future funding levels:** There remains a degree of uncertainty about future levels of funding for local government in Scotland. However, the Council has determined that this uncertainty is not yet sufficient to indicate that its assets might be impaired as a result of any future requirement to close facilities and reduce levels of service provision, based on the judgement that its ability to deliver efficiency savings will continue to provide sufficient resources to finance future liabilities. Accordingly, the Annual Accounts have been prepared on a 'going concern' basis.

**Provisions and contingent liabilities:** The Council has considered its exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where appropriate, legal opinion has been sought. Judgements include assessments of the extent to which (or if at all) obligations exist and of local and/or national factors that might influence the amount of any such obligation. Where it has not been possible to measure the obligation or it is not probable in the Council's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 30.

**Public Private Partnership:** The Council has determined that it controls the services provided under the Public Private Partnership (PPP) School contracts and the residual value of the schools at the end of the agreements. The accounting policies relating to PPP and similar contracts have been applied to these arrangements and the assets under the contracts are recognised as PPE on the Council's Balance Sheet.

**Asset valuations:** Assets held at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. In addition, revaluation evidence from properties valued during the year together with appropriate industry indices is considered to determine if a material change in valuation has occurred during the year. The Council considers that at any point during that cycle, the carrying value does not differ materially from that which would be determined using current value.

**Agency income and expenditure:** The Council considers the degree of control it has over how funding received is utilised. Where the Council has no discretion over the application of funding, it deems that it is acting as an agent and consequently, neither such funding nor its associated expenditure is recognised in the Comprehensive Income and Expenditure Statement, with any amounts owed to/by the Council recorded in the Balance Sheet (refer to Note 20).

## Note 35: Assumptions made about the future and other major sources of estimation uncertainty.

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet on 31 March 2024, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

### Pension liability

*Uncertainties:* estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.

*Effect if the results differ from assumption:* The effects on the net pension's asset of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate would result in a reduction of £13.304m in the pension asset.

### **Property, Plant and Equipment**

*Uncertainties:* Valuation - The Council's assets are valued over a five-year rolling programme, with valuation assumptions ascertained by professional valuers who have considered the potential uncertainty regarding asset valuations arising from the current economic climate. Useful lives - assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any decision to increase or reduce expenditure in this area could affect the useful lives of assets.

*Effect if the results differ from assumption:* Valuation – during 2023-2024 assets that were revalued now hold a value of £370.384m on the Balance Sheet. The impact of a 1% change in these valuations would change the value of those assets by £3.704m. Useful lives - if the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £2.734m if useful lives were reduced by one year.

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

*Uncertainties:* The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contract are included within Property, plant, and equipment on the Council's Balance Sheet. In terms of financial modelling, RPI and RPIX indices are used.

*Effect if results differ from assumptions:* Any increase in these indices above that which are set in the funding model will require the Council to identify and allocate additional funding to the scheme. For instance, a 0.5% increase in the index rate used in the model would result in an increase of £12.921m in unitary charge payments over the remaining term of the arrangements.

### **Collection levels of arrears**

*Uncertainties:* On 31 March 2024, the Council had a balance of trade receivables, excluding Council Tax and Non-domestic rates, of £26.596m. A review of significant balances suggested that an allowance for potential impairment losses of £10.679m was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.

*Effect if results differ from assumptions:* If collection rates were to deteriorate, a 10% increase in the amount of potential impairment losses would require an additional amount of £1.068m to be set aside as an allowance.

## Section 8: Housing Revenue Account

The Housing Revenue Account (HRA) reflects the statutory requirement to account separately for local authority housing provision, as specified in the Housing (Scotland) Act 1987. Any surplus or deficit on the HRA is ring-fenced for carry forward as part of the HRA accumulated financial position.

### I) HRA Income and Expenditure Statement for the year ended 31 March 2024

The HRA Income and Expenditure Statement summarises expenditure on repairs, maintenance, and management of the Council's housing stock and how this was funded by rental income and other charges for services during the year.

2022-23 £'000	Expenditure	2023-24 £'000	2023-24 £'000
14,070	Repairs and maintenance	14,367	
7,414	Supervision and management	7,284	
12,284	Depreciation and impairment of property, plant, and equipment	11,659	
1,199	Other expenditure	972	
281	Increase in bad debt provision	276	
<b>35,248</b>	<b>Total expenditure</b>		<b>34,558</b>
	<b>Income</b>		
(32,635)	Dwelling rents	(33,336)	
(374)	Non-dwelling rents	(349)	
(685)	Other income	(671)	
<b>(33,694)</b>	<b>Total income</b>		<b>(34,356)</b>
<b>1,554</b>	<b>Net expenditure from HRA service</b>		<b>202</b>
138	HRA share of Corporate and Democratic Core		142
<b>1,692</b>	<b>Net expenditure for HRA services (as recorded in the Council's Comprehensive Income and Expenditure Statement)</b>		<b>344</b>
	<b>Other Operating Expenditure</b>		
3	(Gain) or loss on sale of HRA non-current assets		81
2,360	Interest payable and similar charges		3,178
(214)	Interest and investment income		(386)
25	Net interest on the net defined benefit liability		(32)
(10,031)	Non-specific grant income		(9,965)
<b>(6,165)</b>	<b>Deficit/(surplus) for the year on HRA services</b>		<b>(6,780)</b>

## II) Movement on the HRA Statement for the year ended 31 March 2024

The Movement on the HRA Statement shows the movement in the year on the HRA usable reserves. The surplus or (deficit) on the provision of HRA services shows how the HRA Income and Expenditure Statement reconciles to the movement on the HRA Reserve.

2022-2023 £'000		2023-2024 £'000
(9,531)	<b>Balance on the HRA at the end of the previous year</b>	(3,279)
(6,165)	Deficit/(surplus) for the year on the HRA Income and Expenditure Statement	(6,780)
12,417	Adjustments between accounting basis and funding basis under statute*	7,539
<b>6,252</b>	<b>Net decrease/(increase) in HRA balance</b>	<b>759</b>
<b>(3,279)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(2,520)</b>

\*Represents net movement of all adjustments

### Note 1: Provisions

A provision of £1.124m (2022-2023: £1.133m) is included in the Balance Sheet for doubtful debts in respect of mainstream housing rents. During 2023-2024, a total of £0.285m (2022-2023: £0.133m) was written off in respect of housing rent arrears.

### Note 2: Accommodation

On 31 March 2024, the Council held various types of accommodation and had the following number and types of houses:

Type of accommodation	2023-2024	2022-2023
One and two apartment	2,379	2,369
Three apartment	3,572	3,525
Four apartment	2,003	1,990
Five or more apartment	172	171
	<b>8,126</b>	<b>8,055</b>

Area of accommodation	2023-2024	2022-2023
Ayr	4,800	4,736
Troon	961	962
Prestwick	734	733
Maybole	700	699
Girvan	931	925
	<b>8,126</b>	<b>8,055</b>

### Note 3: Rent arrears & void property lost rent.

On 31 March 2024, rent arrears amounted to £1.754m (2022-2023: £1.748m), being 5.30% (2022-2023: 5.17%) of gross rent collectable. The rental income lost due to void properties amounted to £0.669m in 2023-24 (2022-2023: £0.662m).

**Note 4: HRA surplus/(deficit)**

Per the movement on the HRA statement for the year ended 31 March 2024, the deficit for the year of £0.759m, when combined with the accumulated surplus brought forward from 2022-2023 of £3.279m, resulted in a final 2023-24 accumulated surplus of £2.520m on 31 March 2024. £0.213m is required to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.307m to be held as contingency for future unexpected or emergency situations (a minimum working balance of £2.000m is recommended to be held for this purpose).

## Section 9: Collection of Council Tax

The Council Tax Income Account (Scotland) shows the gross income raised from council tax levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

### Council Tax Income Account

2022-2023 £'000		2023-2024 £'000
83,654	Gross council tax levied and contributions in lieu	88,357
	Deduct:	
(8,612)	Council tax benefits/reduction (net of government grants)	(9,097)
(9,670)	Other discounts and reductions	(10,286)
(1,971)	Write-off of uncollectable debts and allowances for impairment	(2,084)
<b>63,401</b>	<b>In year council tax income</b>	<b>66,890</b>
709	Adjustment to prior years' council tax	(61)
<b>64,110</b>	<b>Transfer to General Fund</b>	<b>66,829</b>

#### Note 1: Council tax income.

Council tax is based on the value of a domestic property, together with a personal element which considers the number of the property's occupants and their circumstances.

Each property is placed in one of eight valuation bands (A to H) in accordance with their valuation as of 1 April 1991. 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 is only one resident aged 18 or over living in a property, or in some other circumstances where residents can be disregarded. Individuals in care, students and people who are severely mentally impaired are some examples where council tax would not be applicable. Reductions in council tax payable are also granted for disabled people in certain circumstances.

Valuation band	2023-24 Charge per band £
A	968.77
B	1,130.24
C	1,291.70
D	1,453.16
E	1,909.29
F	2,361.39
G	2,845.77
H	3,560.24

The valuation bands used in calculating the council tax payable for each valuation band are set out in the adjacent table.

Councils can vary the rate of council tax discount for unoccupied homes within their area in accordance with the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. From 1 April 2019 owners will pay 200% Council Tax for an empty property that is unoccupied for more than 12 months or up to 2 years if actively marketed for sale or rent. Councils can also vary the rate of council tax discount for second homes in accordance with The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2016. From 1 April 2018 owners of second home will pay 100% Council Tax for their second property. An element of the additional income collected from the reduction of discounts for empty properties requires to be transferred for the provision of new-build, affordable social housing in areas determined by the Council.

Additional income of £1.854m (2022-2023: £1.182m) is included within the general fund reserves and earmarked for use in relation to the affordable home's strategy.

## Note 2: Calculation of the Council tax charge base 2023-2024

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
Total number of properties	7,262	12,849	9,096	8,869	9,756	5,343	3,422	305	<b>56,902</b>
Less exemptions/deductions	642	482	304	209	203	92	46	6	<b>1,984</b>
Less adjustment for single discount	919	1,436	964	754	708	296	159	6	<b>5,242</b>
Less adjustment for double discount	108	167	136	122	108	49	28	5	<b>723</b>
Reduction in tax base due to Council Tax Reduction	2,300	2,727	1,398	611	357	109	32	1	<b>7,535</b>
<b>Effective number of properties</b>	<b>3,293</b>	<b>8,037</b>	<b>6,294</b>	<b>7,173</b>	<b>8,380</b>	<b>4,797</b>	<b>3,157</b>	<b>287</b>	<b>41,418</b>
<b>Band D equivalent factor (D)</b>	<b>240</b>	<b>280</b>	<b>320</b>	<b>360</b>	<b>473</b>	<b>585</b>	<b>705</b>	<b>882</b>	
Band D equivalent number of properties	2,195	6,250	5,595	7,174	11,011	7,795	6,181	702	<b>46,903</b>
Class 17 & 24 dwellings				5					<b>5</b>
<b>Total</b>	<b>2,195</b>	<b>6,250</b>	<b>5,595</b>	<b>7,179</b>	<b>11,011</b>	<b>7,795</b>	<b>6,181</b>	<b>702</b>	<b>46,908</b>
Less provision for non-collection 3.00 per cent (adjusted for impact of Council Tax Reduction)									1,407
<b>Council tax base 2023-2024</b>									<b>45,501</b>



## Section 10: Non-Domestic Rate Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2022-2023		2023-2024
£'000		£'000
59,552	Gross rates levied and contributions in lieu	62,785
	<i>Deduct:</i>	
(14,513)	Reliefs and other deductions	(13,465)
(901)	Write-off of uncollectable debts and allowance for impairment	(956)
<b>44,138</b>	<b>Net non-domestic rate income</b>	<b>48,364</b>
(2,867)	Adjustment to previous years' national non-domestic rates	(1,391)
<b>41,271</b>	<b>Total non-domestic rate income</b>	<b>46,973</b>
<b>National non-domestic rate pool:</b>		
30,913	Non-domestic rate income retained by the authority	47,708
(41,271)	Contribution (to)from national non-domestic rate pool	(46,973)
<b>(10,358)</b>		<b>735</b>

**Note 1: Non-Domestic rate income/contribution from national non-domestic rate pool.**

With effect from 1993-1994, 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) by the Scottish Government.

**Note 2: Rateable subjects and values 2023-2024**

Commercial subjects	Number	Rateable Value
		£000
Shops	1,516	31,749
Public houses	112	3,115
Offices (Including banks)	830	10,876
Hotels, boarding houses, etc.	69	5,405
Industrial and freight transport subjects	1,009	24,594
Leisure, entertainment, caravans, and holiday sites	711	9,651
Garages and petrol stations	94	1,517
Cultural	25	700
Sporting subjects	562	1,119
Education and training	68	11,340
Public service subjects	105	4,511
Communications (non-formula)	17	1,662
Quarries, mines etc.	8	563
Petrochemical	3	69
Religious	89	1,120
Health medical	25	3,698
Other	207	1,412
Care facilities	52	3,322
Advertising	29	79
Undertaking	27	3,387
<b>Total all subjects</b>	<b>5,558</b>	<b>119,889</b>

*Rate levied 2023-2024:* Rateable value greater than £100,001 – 52.40p, between £51,001 and £100,000 – 51.10p less than or equal to £51,000 – 49.80p.

# Section 11: Group Accounts

## Introduction

*The Code of Practice* requires local authorities to consider their interest in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g., statutory bodies such as Valuation Joint Boards. Local authorities are required to prepare a full set of Group Accounts in addition to their own Council's Accounts where they have a material interest in such entities.

## Combining entities

The Council has an interest in two subsidiaries, three associates and one joint venture entity. Further information on each entity is detailed in the notes to the Group Accounts below on pages 107 to 108. The subsidiary, associate and joint venture entities share a common accounting period ending 31 March 2024.

The subsidiaries are The Common Good Fund and Ayr Renaissance LLP. The Council effectively controls 100% of the Common Good Fund, which is overseen by Elected Members through the appropriate Council Panel. Ayr Renaissance LLP is in the process of being wound up, which is expected to be concluded during 2024-2025. Until this process is completed Ayr Renaissance LLP is still being treated as a subsidiary for the purposes of the Group Accounts.

The associate entities incorporated are:

- Strathclyde Partnership for Transport.
- Strathclyde Concessionary Travel Scheme Joint Board; and
- Ayrshire Valuation Joint Board.

The joint venture is:

- South Ayrshire Integration Joint Board.

The associate and joint venture entities are independent Joint Boards whose function is to provide services on behalf of its constituent councils. The representative members of each Board are elected Councillors appointed by constituent authorities. The Council has one Member representing its interests on each of the Transport Authority and Concessionary Travel Scheme Joint Boards, five Members on the Ayrshire Valuation Joint Board and four voting Members on the South Ayrshire Integration Joint Board.

Other entities in which the Council has an interest are not included in the Group Accounts on the basis that they are not considered to be material. These include an associate, Freeport (Scotland) Limited as well as various Trust Funds and Bequests as referred to in Section 14.

## Nature of combination

The Council inherited its 100% interest in the Common Good Fund from Kyle & Carrick District Council following the re-organisation of local government in 1996. Ayr Renaissance LLP was established by South Ayrshire Council as a separate arm's length, Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. The subsidiaries have been consolidated into the Group Accounts on an acquisition basis. Shares of the associate companies have also been accounted for on an acquisition basis using the equity method – the Council's share of the net assets or liabilities of each entity is incorporated and adjusted each year by the Council's share of the entities' results (recognised in the Group Reserve), and its share of other gains & losses. The Council has not paid any consideration for its interests and thus there is no goodwill involved in the acquisitions. The joint venture has been consolidated in the Group Accounts on a gross equity basis.

## Financial impact of consolidation

The inclusion of the Council's share of assets and liabilities for subsidiary, associate and joint venture entities in the Group Balance Sheet resulted in an increase in reserves and net assets to £539.800m compared with £490.169m for the Council (2022-23: Group £531.284m compared with Council £481.272m). The Core Financial Statements of the Group have been incorporated as additional columns in the main financial statements of South Ayrshire Council contained on pages 42 to 46.

## Notes to the Group Accounts

The notes required for the Annual Accounts of South Ayrshire Council as the holding entity are disclosed separately within the financial statements on pages 47 to 83. The following notes provide additional information in relation to other combining entries.

### Note 1: Accounting policies.

The Group financial statements are prepared in accordance with the policies set out in the Significant Accounting Policies, Note 32 Section 7 to these accounts on pages 84 to 96.

### Note 2: Balances held between the Council and its associates.

In accordance with UK accounting standards, no adjustments have been made in the Group Accounts for transactions conducted and balances held between the Council and its associates.

### Note 3: Details of combining entities.

In addition to the information contained in the Group Accounts element of South Ayrshire's Core Financial Statements on pages 42 to 46, the accounting regulations require specific disclosures about the combining entities and the nature of their business.

**The Common Good Fund** was inherited by South Ayrshire Council from Kyle & Carrick District Council following the 1996 local government re-organisation. The Fund comprises five distinct sub-funds: Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves.

**Strathclyde Partnership for Transport** is the statutory body responsible for formulating the public transport policy on behalf of the twelve local authorities in the West of Scotland. The majority of its funding comes directly from the Scottish Government to fund the Rail Franchise payment and to ensure the delivery of rail services within the Board's area as specified in the rail franchise agreement. In 2023-2024, South Ayrshire Council contributed £1.821m or 5.01% (2022-2023: £1.783m) of the Board's estimated running costs. Its share of the year-end net asset of £25.044m (2022-2023: £23.720m) is included in the Group Balance Sheet. Copies of Strathclyde Partnership for Transport accounts may be obtained from the Treasurer of Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

**Strathclyde Concessionary Travel Scheme Joint Board** comprises the twelve local authorities in the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by the twelve local authorities and by a grant from the Scottish Executive. The Strathclyde Passenger Transport Executive administers the scheme on behalf of the Board. In 2023-2024, South Ayrshire Council contributed £0.269m or 6.51% (2022-2023: £0.263m) of the Board's estimated running costs. Its share of the year-end net asset of £0.331m (2022-2023: £0.327m) is included in the Group Balance Sheet. Copies of Strathclyde Concessionary Travel Scheme's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, 131 St Vincent Street, Glasgow G2 5JF.

**Ayrshire Valuation Joint Board** was established in 1996 at local government re-organisation by Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three Councils of East, North and South Ayrshire. The Board's running costs are met by the three-member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2023-2024, South Ayrshire Council contributed £0.859m or 33.33% (2022-23: £0.859m) of the Board's estimated running costs. Its share of the year-end net asset of £0.340m (2022-2023: £0.585m) is included in the Group Balance Sheet. Copies of Ayrshire Valuation Joint Board's accounts may be obtained from the Treasurer to Ayrshire Valuation Joint Board, County Buildings, Wellington Square, Ayr KA7 1DR.

**Ayr Renaissance LLP** was established by South Ayrshire Council as a separate arm's length, Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by South Ayrshire Council.

**South Ayrshire Integration Joint Board** was established following the submission of three Integration Schemes from Ayrshire. The Cabinet Secretary for Health, Wellbeing and Sport signed the Parliamentary Order in March 2015 which enabled the establishment of new Health and Social Care Partnerships. The new integrated partnerships combine the resources and expertise from local Councils, the NHS, and a number of other stakeholders to deliver key health and social care services where they are needed most. The South Ayrshire Integration Joint Board was formally established on 1 April 2015. South Ayrshire Council controlled 50% of the Boards resources in 2023-2024 on a Joint Venture equity basis.

The following table details the main elements of South Ayrshire Council's share of assets, liabilities and revenues of its Subsidiary and Associates entities.

**Share of Subsidiary and Associate - Assets and Liabilities 2023-2024**

	<b>Common Good Funds</b>	<b>Strathclyde Passenger for Transport</b>	<b>Strathclyde Concessionary Travel Scheme</b>	<b>Ayrshire Valuation Joint Board</b>	<b>Ayr Renaissance LLP</b>	<b>South Ayrshire IJB</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share of assets	14,652	26,608	377	415	692	8,734
Share of liabilities	(56)	(1,564)	(46)	(75)	(107)	-
Share of revenues	(1,197)	(5,546)	(269)	(878)	-	(142,670)
Share of (surplus)/deficit	(337)	(1,794)	(6)	52	-	(1,181)

**Share of Subsidiary and Associate - Assets and Liabilities 2022-2023**

	<b>Common Good Funds</b>	<b>Strathclyde Passenger for Transport</b>	<b>Strathclyde Concessionary Travel Scheme</b>	<b>Ayrshire Valuation Joint Board</b>	<b>Ayr Renaissance LLP</b>	<b>South Ayrshire IJB</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share of assets	14,967	25,014	349	644	692	9,915
Share of liabilities	(87)	(1,294)	(22)	(59)	(107)	-
Share of revenues	(741)	(3,820)	(263)	(866)	(2)	(134,096)
Share of (surplus)/deficit	139	(389)	(28)	175	-	(2,982)

**Note 4: Contingent liabilities.**

On 31 March 2024 the Council had no share of contingent liabilities in any of its associate entities.

## Section 12: Common Good Fund Accounts

The Common Good Fund was inherited by the Council from Kyle and Carrick District Council in 1996 following local government re-organisation. The Fund comprises five distinct sub-funds: Ayr, Troon, Prestwick, Maybole and Girvan. The Council controls 100% of the Fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from income or reserves.

### I) Common Good Income and Expenditure Account for the year ended 31 March 2024

2022-2023 £'000		Ayr £'000	Prestwick £'000	Troon £'000	Maybole £'000	Girvan £'000	2023-2024 £'000
	<b>Expenditure</b>						
797	Property costs	685	29	-	-	54	768
-	Donations and contributions	-	-	-	-	-	-
83	Other expenditure	90	1	-	-	-	91
<b>880</b>		<b>775</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>859</b>
	<b>Income</b>						
716	Rents and other income	1,073	28	-	-	54	1,155
25	Interest on investments	27	12	2	-	-	41
<b>741</b>		<b>1,100</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>1,196</b>
<b>(139)</b>	<b>(Deficit)/surplus for year</b>	<b>325</b>	<b>10</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>337</b>
355	Surplus brought forward	56	253	35	2	9	355
<b>216</b>	<b>Accumulated surplus</b>	<b>381</b>	<b>263</b>	<b>37</b>	<b>2</b>	<b>9</b>	<b>692</b>

### II) Common Good Balance Sheet as of 31 March 2024

31 March 2023 £'000		31 March 2024 £'000
14,135	Property, plant, and equipment	13,575
<b>14,135</b>	<b>Non-current assets</b>	<b>13,575</b>
2	Inventory	2
830	Loans fund investment	1,075
<b>832</b>	<b>Current assets</b>	<b>1,077</b>
(37)	Creditors	(5)
(20)	Provisions	(20)
(30)	Deferred income	(30)
<b>(87)</b>	<b>Current liabilities</b>	<b>(55)</b>
<b>14,880</b>	<b>Net assets</b>	<b>14,597</b>
14,880	Useable and Unusable Reserve	14,597
<b>14,880</b>	<b>Net reserves</b>	<b>14,597</b>

## Note 1: Valuation of Property, Plant and Equipment

Property valuations were carried out by RICS professional staff within the Council or by qualified third party agencies contracted by the Council and are at valuation dates between 2019-20 and 2023-2024, dependent on the category of asset. Further detail on the property valuation methodology is as described in Accounting Policy 11 contained in Section 7: Policies, Judgements and Assumptions, Note 32.

## Note 2: Movement in Property, Plant and Equipment

<b>2023-2024 Movements</b>	<b>Ayr</b>	<b>Prestwick</b>	<b>Troon</b>	<b>Girvan</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Value as of 1 April 2023</b>	<b>13,258</b>	<b>703</b>	<b>162</b>	<b>11</b>	<b>14,134</b>
Revaluations, impairments, and transfers	(1,690)	1,115	(117)	133	(559)
<b>Value as of 31 March 2024</b>	<b>11,568</b>	<b>1,818</b>	<b>45</b>	<b>144</b>	<b>13,575</b>

No depreciation is charged on Common Good assets as they comprise land, investment buildings and community assets.

## Section 13: Trust Fund Accounts

The Council administers Trust Funds and Bequests from local benefactors from which payments are made for specific purposes. The number of Trusts at 31 March 2024 was 56, of which 52 are under the control of South Ayrshire Councillors and senior officers (ex-officio) and four are partly controlled by external Trustees. During the year, the David Elder Edward Fund was determined as being controlled solely by South Ayrshire Councillors and senior officers, where previously it was considered to be partly controlled by external Trustees. Consequently, the 2022-2023 comparator information has been restated accordingly. The following tables summarise those Trusts which are controlled solely by South Ayrshire Councillors and senior officers:

2022-2023 (Restated)		Registered charitable trusts	Other trusts	2023-2024
£'000	Revenue accounts	£'000	£'000	£'000
653	Opening balance	380	239	619
34	Income for year	23	12	35
(68)	Expenditure during year	(52)	(9)	(61)
<b>619</b>	<b>Closing balance</b>	<b>351</b>	<b>242</b>	<b>593</b>
<b>Balance Sheet as of 31 March</b>				
<b>Assets</b>				
582	Investments	481	101	582
658	Current assets	355	277	632
<b>1,240</b>	<b>Total assets</b>	<b>836</b>	<b>378</b>	<b>1,214</b>
<b>Reserves</b>				
619	Revenue	351	242	593
377	Available for sale financial instrument reserve	313	64	377
244	Capital reserve	172	72	244
<b>1,240</b>	<b>Total reserves</b>	<b>836</b>	<b>378</b>	<b>1,214</b>

The table below provides information on the original purpose of various Trust Funds or Bequests and the value of investments held at 31 March 2024, split between those Trusts with charitable status and those without:

### Charitable Trusts

Name	Original Purpose	Loans Fund	External	Total
		Investment	Investment	
		£'000	£'000	£'000
South Ayrshire Charitable Trust (SC045677)	The prevention and relief of poverty and relief of those in need by reason of age, ill health, disability, financial hardship, or other disadvantages.	19	15	34
South Ayrshire Council Charitable Trusts (SC025088)	Various educational purposes; prizes/bursaries; social purposes; war memorial maintenance.	40	-	40
David Elder Edward Fund (SC016728)	The provision of a new art gallery and the acquisition of art related to the local area.	293	463	756
McKechnie Trust (SC012759)	Founding and operation of library and reading rooms in Dalrymple Street, Girvan (purpose superseded by establishment of local authority public library); McKechnie Institute building is now a museum and exhibition centre	3	3	6
<b>Total Charitable Trusts</b>		<b>355</b>	<b>481</b>	<b>836</b>

## Non-charitable Trusts

Name	Original Purpose	Loans Fund	External	Total
		Investment	Investment	
		£'000	£'000	£'000
John McMaster Bursary Fund	Bursaries for pupils of Girvan Academy to attend Glasgow or Edinburgh Universities for three to five years per conditions of scheme.	154	101	255
Sundry Mortifications	Maintenance of lairs in perpetuity.	50	-	50
Various	Non-charitable Trusts with closing balances of less than £25,000.	73	-	73
<b>Total Non-charitable Trusts</b>		<b>277</b>	<b>101</b>	<b>378</b>
<b>Total Trusts</b>		<b>632</b>	<b>582</b>	<b>1,214</b>

The table below provides a reconciliation of the movement on investments held by Trust Funds, analysed between those Trusts with charitable status and those without:

Capital and Revenue	31 March 2023 (Restated)		Income		Expenditure		31 March 2024		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Total
<b>Charitable Trusts</b>									
South Ayrshire Charitable Trust (SC045677)	14	30	1	1	-	(12)	15	19	34
South Ayrshire Council Charitable Trusts (SC025088)	4	35	-	1	-	-	4	36	40
David Elder Edward Fund (SC016728)	464	312	-	20	(1)	(39)	463	293	756
McKechnie Trust (SC012759)	3	3	-	-	-	-	3	3	6
<b>Total Charitable Trusts</b>	<b>485</b>	<b>380</b>	<b>1</b>	<b>22</b>	<b>(1)</b>	<b>(53)</b>	<b>485</b>	<b>351</b>	<b>836</b>
<b>Non-charitable Trusts</b>									
John McMaster Bursary Fund	101	154	-	8	-	(8)	101	154	255
Sundry Mortifications	20	28	-	2	-	-	20	30	50
Non-charitable trusts with closing balances of less than £25,000	15	56	-	2	-	-	15	58	73
<b>Total Non-charitable Trusts</b>	<b>136</b>	<b>238</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>(8)</b>	<b>136</b>	<b>242</b>	<b>378</b>
<b>Total Trusts</b>	<b>621</b>	<b>618</b>	<b>1</b>	<b>34</b>	<b>(1)</b>	<b>(61)</b>	<b>621</b>	<b>592</b>	<b>1,214</b>

## Other Trust Funds and Bequests

The Council also administers the funds of a further four Trust Funds or Bequests that are controlled in part by external trustees with a combined value at 31 March 2024 of £0.160m (2022-23 restated: £0.154m). These Trust Funds or Bequests are not reported above and are not covered by the Independent Auditor's Report at Section 14.



**Section 14: Independent auditor’s report to the members of South Ayrshire Council and the Accounts Commission**

*TO BE INSERTED UPON COMPLETION OF THE AUDIT PROCESS*

## Section 15: Glossary of Terms

Although the terminology used in the Annual Accounts is intended to be self-explanatory, it may be helpful to readers to provide additional definition and interpretation of the terms used.

### **Accounting period**

The period of time covered by the Annual Accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accruals**

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

### **Actuarial gains and losses (pensions)**

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or changes in the actuarial assumptions themselves.

### **Asset**

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock). A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.

### **Associates**

These are entities (other than a subsidiary or joint venture) in which the Council has a participating interest or over whose operating and financial policies the Council can exercise significant influence.

### **Audit of accounts**

An independent examination of the Council's financial affairs.

### **Balance sheet**

A statement of the recorded assets, liabilities, and other balances at the end of the accounting period.

### **Capital expenditure.**

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

### **Capital financing.**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including: borrowing, leasing, capital receipts, grants, and revenue funding.

### **Capital programme.**

The capital schemes the Council intends to carry out over a specified period.

### **Capital receipt.**

The proceeds from the disposal of land or other non-current assets.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Community assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are municipal parks.

### **Consistency**

The concept that the accounting treatment of like terms within an accounting period and from one period to the next are the same.

### **Contingent asset/liability**

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

**Creditor**

Amounts owed by the Council for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**Covid-19**

Declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020.

**Current service cost (pension)**

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

**Debtor**

Amount owed to the Council for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**Defined benefit pension scheme.**

Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**Depreciation**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**Discretionary benefits (pensions)**

Retirement awards which the employer has no legal, contractual, or constructive obligation to make. These are awarded under the Council's discretionary powers.

**Entity**

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

**Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

**Fair value**

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less, where applicable, any grants receivable towards the purchase of a useable asset.

**Finance lease**

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**Government grants**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**Heritage asset**

A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**IAS**

International Accounting Standards.

**IFRIC**

International Financial Reporting Interpretations Committee.

**IFRS**

International Financial Reporting Standards.

**Impairment**

A reduction in the value of a non-current asset to its below carrying amount on the Balance Sheet.

**Infrastructure assets**

Non-current assets belonging to the Council that cannot be transferred or sold on which expenditure is only recoverable through the continued use of the asset created.

**Intangible assets**

An intangible (non-physical asset) item may be defined as an asset when access to the future economic benefits it represents is controlled by the Council. This Council's intangible assets comprise solely of computer software licences.

**Interest cost (pensions)**

For a defined benefit scheme, the expected increase during the period of the scheme liabilities as benefits are one period closer to settlement.

**Inventories**

Items of raw materials and stores the Council has procured and holds in expectation of future use. Examples are consumables stores, raw materials and products and services in intermediate stages of completion.

**Liability**

A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g., creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period.

**Net book value**

The amount at which non-current assets are included in the Balance Sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

**National nondomestic rates pool**

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

**Non distributed costs**

These are overheads from which no user now benefits and as such are not apportioned to services.

**Operating lease**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property over the term of the lease. Charges are made on a straight-line basis over the life of the lease.

**Past service cost (pensions)**

For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods because of the introduction of, or improvement to retirement benefits.

**Pension scheme liabilities**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Post-employment benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment e.g., pensions in retirement.

**Prior year adjustment**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Provisions**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and over to councils at interest rates only marginally higher than those at which the Government can borrow.

**Rateable value**

The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

**Related parties**

Bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. For the Council's purposes, related parties are deemed to include Elected Members, the Chief Executive, the Executive Directors and their close family and household members.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

**Reserves**

The accumulation of surpluses, deficits, and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

**Residual value**

The net realisable value of an asset at the end of its useful life.

**Revenue expenditure**

The day-to-day expenses of providing services.

**Significant interest**

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

**Temporary borrowing**

Money borrowed for a period of less than one year.

**The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom.

**Trust funds**

Funds administered by the Council for such purposes as prizes, charities, and specific projects.

**Useful economic life**

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

South Ayrshire Council  
County Buildings  
Wellington Square  
Ayr  
KA7 1DR

**T: 0300 123 0900**

**[south-ayrshire.gov.uk](https://www.south-ayrshire.gov.uk)**

© South Ayrshire Council 2024

*south*  
**AYRSHIRE**  
COUNCIL  
Comhairle Siorrachd Àir a Deas  
**Making a Difference Every Day**

**South Ayrshire Council  
Charitable Trust Funds**

**2023/24 Trustees' Annual Report  
and Financial Statements**

**(Unaudited)**



# South Ayrshire Council Charitable Trust Funds (Unaudited)

<b>Contents</b>	<b>Page</b>
Trustees' Annual Report	1
Statement of Receipts and Payments	5
Statement of Balances	6
Notes to the Financial Statements	7
Independent Auditor's Report	12



# South Ayrshire Council Charitable Trust Funds (Unaudited)

## Trustees' Annual Report

The Trustees present their Annual Report and Financial Statements in respect of the following charitable trusts, registered with the Office of the Scottish Charity Regulator (OSCR) and administered on behalf of the Trustees by South Ayrshire Council:

SC012759 McKechnie Library Trust (McKechnie)

SC016728 David Elder Edward Fund (DEEF)

SC025088 South Ayrshire Council Charitable Trusts (SAC CT)

SC045677 South Ayrshire Charitable Trust (SACT)

### Principal address

South Ayrshire Council  
County Buildings  
Wellington Square  
Ayr  
KA7 1DR

### Auditor

Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
United Kingdom  
G2 1BT

### Trustees

#### ***McKechnie Library Trust:***

Alec Clark

Peter Henderson (resigned 30 June 2023)

Alan Lamont (appointed 22 September 2023)

Gavin Scott

Per the McKechnie Library Trust's founding deed, the Trustees are the "Chief Magistrate of Girvan along with the Factor of Bargany Estate". The Trustees are now deemed to be the elected councillors of Girvan and South Carrick ex-officio.

The appointment of Alan Lamont as a Trustee on 22 September 2023 was a consequence of a local government by-election in Girvan and South Carrick ward following the resignation of Peter Henderson.

#### ***David Elder Edward Fund:***

Jane Bradley

Provost Iain Campbell

Councillor Alec Clark

The Trustees are the Provost, one Elected Member and one Chief Officer of South Ayrshire Council. Previously, due to the appointment of a Chief Officer of South Ayrshire Council, the Trust was considered not to be controlled solely by South Ayrshire Councillors. However, during the financial year this position was reassessed and the Trust's financial position is now reported within these accounts. Consequently, the 2022/23 comparator information is restated accordingly.

# South Ayrshire Council Charitable Trust Funds (Unaudited)

## Trustees' Annual Report (continued)

### Trustees (continued)

#### ***South Ayrshire Council Charitable Trusts; South Ayrshire Charitable Trust:***

Kenneth Bell	Hugh Hunter
Laura Brennan-Whitefield	Martin Kilbride
Iain Campbell	Mary Kilpatrick
Ian Cavana	Alan Lamont (appointed 22 September 2023)
Alec Clark	Lee Lyons
Ian Cochrane	Craig Mackay
Brian Connolly	Brian McGinley
Chris Cullen	Bob Pollock
Ian Davis	Cameron Ramsay
Julie Dettbarn	Philip Saxton
Mark Dixon	Gavin Scott
Martin Dowey	Bob Shields
Stephen Ferry	Duncan Townson
William Grant	George Weir
Peter Henderson (resigned 30 June 2023)	

The Trustees are Elected Members of South Ayrshire Council ex-officio. Training is provided to Elected Members on the role and responsibilities of Trustees, both in general and specifically related to the objectives of the Trusts. Training is refreshed following local government elections.

### **Founding documents and purpose**

#### ***McKechnie Library Trust:***

The founding document is a Disposition and Settlement by Thomas McKechnie dated 7 May 1886. The purpose was the founding and operation of a library and reading rooms in Dalrymple Street, Girvan. This purpose was superseded by the establishment of a local authority public library and the McKechnie Institute building owned by the Trust is now a museum and exhibition centre.

#### ***David Elder Edward Fund:***

The Trust was set up from the Will of David Elder Edward. The purpose of the Trust is to provide a new art gallery, the acquisition of art, art gallery equipment and the storage thereafter, which works of art shall relate to local area and for such other charitable purposes as they in their sole discretion shall decide.

#### ***South Ayrshire Council Charitable Trusts:***

The Trust was set up from Trust document. The purposes of the Trust are to fund maintenance of the War Memorial at Turnberry golf course and prizes/ bursaries for specific schools in South Ayrshire.

#### ***South Ayrshire Charitable Trust:***

The Trust was established by the approval of the South Ayrshire Charitable Trust Deed by South Ayrshire Council on 18 December 2014. The purposes of the Trust are:

- a) the prevention and relief of poverty; and
- b) the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage in South Ayrshire.

# South Ayrshire Council Charitable Trust Funds (Unaudited)

## Trustees' Annual Report (continued)

### Founding documents and purpose (continued)

#### **South Ayrshire Charitable Trust (continued):**

Within this Trust, funds are restricted by geographical area (refer below). A further restrictive purpose (for relieving ill-health) was previously in place over certain funds within the Troon area; however, these funds have now been fully disbursed.

### Summary of main achievements of the Trusts during the financial year

#### **McKechnie Library Trust:**

The McKechnie Institute building is leased to South Ayrshire Council indefinitely, subject to tacit relocation, for the sum of £10 per annum which is not normally requested.

The Trust made no disbursements during the financial year. Funds are held for maintenance of the McKechnie Institute which is leased to South Ayrshire Council on a tenant repairing lease. Accordingly, opportunities for disbursement of the Trust's funds do not frequently present themselves. However, further consideration will be given as to how these funds can best be utilised in the future for the purpose of the Trust.

#### **David Elder Edward Fund:**

During the financial year, the Trust incurred expenditure associated with projects intended to enhance the visitor experience at Rozelle House, including upgraded lighting, audio-visual equipment and new display cases.

#### **South Ayrshire Council Charitable Trusts:**

The Trust made no disbursements during the financial year. However, steps are being actively taken in conjunction with relevant schools in order to ensure that these funds will be utilised in future years for the purposes of the Trust.

#### **South Ayrshire Charitable Trust:**

Decisions for the disbursement of funds are delegated to committees of Trustees comprising councillors for the areas of Ayr; Prestwick and Monkton; Troon; Coylton; Maybole; Girvan; and Barr. All funds for Troon, Coylton, Maybole and Barr are now exhausted and funds remaining for Girvan are held as external investments that South Ayrshire Council officers are working to realise. The remaining committees convene at least annually and through an application process approved the following disbursements in 2023/24:

	Number	Amount £
Ayr	7	6,266

All disbursements were made to various community groups including youth and vulnerable people groups and neighbourhood action groups for a range of projects determined by the committees to be in keeping with the purposes of the Trusts.

## **South Ayrshire Council Charitable Trust Funds (Unaudited)**

### **Trustees' Annual Report (continued)**

#### **Reserves policy**

The Trusts have the authority to spend all funds as approved by the Trustees, as restricted by the appropriate geographical area or school. The Trustees' intent is to reduce the Trusts' reserves through the awarding of grants, prizes and bursaries which meet the Trusts' objectives.

At the end of the financial year, unrestricted reserves and reserves with restrictions totalled £354,994 (2022/23 restated: £384,021). A combined deficit of £29,026 was recorded for the financial year (2022/23 restated: deficit of £34,430), primarily due to the decisions taken by the Trustees to expend the Trusts' reserves on their stated objectives and to a lesser extent, the costs of administering the Trusts being greater than income from investments.

The Trusts' reserves are held within South Ayrshire Council's Loans Fund, external investments and cash.

#### **Other information**

The Chief Financial Officer of South Ayrshire Council is the designated officer with responsibility for the proper administration of the Trusts' financial affairs and is also responsible for keeping proper accounting records that are up to date and which ensure that financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

The administration of predecessor trusts in the Girvan area to South Ayrshire Charitable Trust transferred to South Ayrshire Council during 2012/13. Difficulties – including the impact in previous years of Covid-19 restrictions – continue to be encountered in transferring these predecessor trusts' assets, as investments continue to be held in the names of former Trustees on behalf of those trust. The process of transferring these shareholdings to the current Trustees remains ongoing and is expected to conclude during 2024/25.

At 31 March 2024, £1,622 of income was received but remained uncashed and not accounted for in the Statement of Receipts and Payments on page 5. When the transfer of shareholdings is complete, all uncashed income will be appropriately accounted for in the Statement of Receipts and Payments in that financial year.

The investment in 3½% War Stock was redeemed but not received as the stock is still held in the names of former trustees. Accordingly, this is shown in the Statement of Balances on page 6 as the stock held remains an asset of South Ayrshire Charitable Trust.

*To be signed on behalf of the Trustees (audited financial statements only)*

## South Ayrshire Council Charitable Trust Funds (Unaudited)

### Statement of Receipts and Payments for the year ended 31 March 2024

	<i>Note</i>	SC012759 (McKechnie): Unrestricted £	SC016728 (DEEF): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2023/24 £
<b>Receipts:</b>						
Investment income	6, 9	124	20,080	1,361	929	22,494
<b>Total receipts</b>		<b>124</b>	<b>20,080</b>	<b>1,361</b>	<b>929</b>	<b>22,494</b>
<b>Payments:</b>						
Charitable activities	7	-	(31,787)	-	(6,266)	(38,053)
Governance costs	10	(174)	(7,335)	(383)	(5,575)	(13,467)
<b>Total payments</b>		<b>(174)</b>	<b>(39,122)</b>	<b>(383)</b>	<b>(11,841)</b>	<b>(51,520)</b>
<b>Surplus/ (deficit)</b>		<b>(50)</b>	<b>(19,042)</b>	<b>978</b>	<b>(10,912)</b>	<b>(29,026)</b>
<b>Comparative information (restated)</b>						
	<i>Note</i>	SC012759 (McKechnie): Unrestricted £	SC016728 (DEEF): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2022/23 £
<b>Receipts:</b>						
Investment income	6, 9	84	21,891	912	1,507	24,394
<b>Total receipts</b>		<b>84</b>	<b>21,891</b>	<b>912</b>	<b>1,507</b>	<b>24,394</b>
<b>Payments:</b>						
Charitable activities	7	-	-	-	(45,450)	(45,450)
Governance costs	10	(133)	(7,082)	(368)	(5,791)	(13,374)
<b>Total payments</b>		<b>(133)</b>	<b>(7,082)</b>	<b>(368)</b>	<b>(51,241)</b>	<b>(58,824)</b>
<b>Surplus/ (deficit)</b>		<b>(49)</b>	<b>14,809</b>	<b>(544)</b>	<b>(49,734)</b>	<b>(34,430)</b>

## South Ayrshire Council Charitable Trust Funds (Unaudited)

### Statement of Balances as at 31 March 2024

	Note	SC012759 McKechnie £	SC016728 DEEF £	SC025088 SAC CT £	SC045677 SACT £	Total 2023/24 £
<b>Investments</b>	9	2,586	463,822	-	14,700	481,108
<b>Bank and cash:</b>						
Unrestricted funds		3,528	292,937	-	-	296,465
Restricted funds	2	-	-	35,849	18,912	54,761
Permanent endowment funds	3	-	-	3,768	-	3,768
<b>Total current assets</b>		<b>3,528</b>	<b>292,937</b>	<b>39,617</b>	<b>18,912</b>	<b>354,994</b>
<b>Total assets</b>		<b>6,114</b>	<b>756,759</b>	<b>39,617</b>	<b>33,612</b>	<b>836,102</b>

Comparative information (restated)	Note	SC012759 McKechnie £	SC016728 DEEF £	SC025088 SAC CT £	SC045677 SACT £	Total 2022/23 £
<b>Investments</b>	9	2,586	463,822	-	14,700	481,108
<b>Bank and cash:</b>						
Unrestricted funds		3,579	311,979	-	-	315,558
Restricted funds	2	-	-	34,871	29,824	64,695
Permanent endowment funds	3	-	-	3,768	-	3,768
<b>Total current assets</b>		<b>3,579</b>	<b>311,979</b>	<b>38,639</b>	<b>29,824</b>	<b>384,021</b>
<b>Total assets</b>		<b>6,165</b>	<b>775,801</b>	<b>38,639</b>	<b>44,524</b>	<b>865,129</b>

Martin Dowey  
Trustee

26 June 2024

Alec Clark  
Trustee

26 June 2024

Tim Baulk BA Acc CPFA  
Chief Financial Officer  
South Ayrshire Council

26 June 2024

# South Ayrshire Council Charitable Trust Funds (Unaudited)

## Notes to the Financial Statements

### 1 Basis of financial statements

These financial statements have been prepared on a receipts and payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006 (as amended). The financial statements are prepared on a going concern basis as the Trustees consider that the Charitable Trusts are financially sustainable for the foreseeable future.

### 2 Restricted funds

The Trusts' restricted funds are analysed as follows:

	2024 £	2023 £
<b>SC025088 SAC CT</b>	<b>35,849</b>	<b>34,871</b>
<b>SC045677 SACT:</b>		
Ayr	16,560	27,086
Prestwick	374	414
Girvan	1,978	2,324
<b>Total SC045677 SACT</b>	<b>18,912</b>	<b>29,824</b>
<b>Total restricted funds</b>	<b>54,761</b>	<b>64,695</b>

### 3 Permanent endowment funds

Permanent endowment funds are held with South Ayrshire Council for the benefit of the Trusts as a capital fund. In keeping with the Trusts' reserves policy, redeemed investments continue to be effectively held as a permanent endowment. Income earned from these funds is available for the charitable purposes and is added to unrestricted funds.

### 4 Taxation

The Trusts are not liable to either income or capital gains tax on their charitable activities. Irrecoverable VAT is included as part of the expense to which it relates.

### 5 Trustees' remuneration and expenses

No remuneration or expenses were paid to the Trustees or any connected persons during either the current or prior financial year.

## South Ayrshire Council Charitable Trust Funds (Unaudited)

### Notes to the Financial Statements (continued)

#### 6 Related party transactions

The McKechnie Institute is leased to South Ayrshire Council on a full tenant repairing lease. The rental charge of £10 per annum is not currently requested from the lessee.

The Trusts received interest income of £12,274 from South Ayrshire Council during the financial year (2022/23 restated: £9,435) as analysed below. All financial transactions are made through South Ayrshire Council's bank accounts.

	2024	2023 (restated)
	£	£
<b>SC012759 McKechnie</b>	<b>124</b>	<b>84</b>
<b>SC016728 DEEF</b>	<b>9,860</b>	<b>7,112</b>
<b>SC025088 SAC CT:</b>		
Interest on revenue balances	1,206	800
Interest on capital balances	155	112
<b>Total SC025088 SAC CT</b>	<b>1,361</b>	<b>912</b>
<b>SC045677 SACT:</b>		
Ayr	834	1,253
Prestwick and Monkton	14	10
Coylton	-	7
Girvan	81	57
<b>Total SC045677 SACT</b>	<b>929</b>	<b>1,327</b>
<b>Total income from related party transactions</b>	<b>12,274</b>	<b>9,435</b>
<b>7 Charitable activities</b>		
<b>SC016728 DEEF:</b>		
Rozelle House: enhancement of visitor experience	<b>31,787</b>	-
<b>SC045677 SACT:</b>		
Ayr	6,266	45,000
Coylton	-	450
<b>Total SC045677 SACT</b>	<b>6,266</b>	<b>45,450</b>
<b>Total charitable activities</b>	<b>38,053</b>	<b>45,450</b>



## South Ayrshire Council Charitable Trust Funds (Unaudited)

### Notes to the Financial Statements (continued)

#### 8 Bank and cash balances

During the financial year the Trusts' bank and cash balances were held and administered by South Ayrshire Council on behalf of the Trustees.

#### 9 External investments

	2024	2023 (restated)
	£	£
<b>SC012579 McKechnie:</b>		
£2,586.46 nom value 3½% War Stock (redeemed but not received)	<b>2,586</b>	<b>2,586</b>
<b>SC016728 DEEF:</b>		
Alliance Trust Ord GBP0.25	82,790	82,790
AstraZeneca Ord USD0.25	134,784	134,784
Aviva	6,625	6,625
BAE Systems	15,722	15,722
Carnival	1,622	1,622
City of London Investment	14,490	14,490
Lloyds Banking Group	3,548	3,548
Marks & Spencer Ord GBP0.25	2,540	2,540
Mercantile Investment	12,030	12,030
Murray International Trust	34,788	34,788
National Grid Ord GBP0.11395	13,564	13,564
Persimmon Ord GBP0.10	7,536	7,536
Rolls Royce Group	650	650
Rolls Royce Group	1,714	1,714
Royal Dutch Shell EUR0.07	39,775	39,775
Securities Trust of Scotland	14,980	14,980
Standard Life UK Smaller Companies	34,781	34,781
Tate & Lyle Ord GBP0.25	10,184	10,184
Tesco	5,035	5,035
Vodafone Group Ord USD0.11428571	2,922	2,922
Cash account	23,742	23,742
<b>Total DEEF investments</b>	<b>463,822</b>	<b>463,822</b>

## South Ayrshire Council Charitable Trust Funds (Unaudited)

### Notes to the Financial Statements (continued)

#### SC045677 SACT:

2088 BMO UK High Income Trust plc (Comp 3A Ordinary and 1B Ordinary)	6,744	6,744
£1,100 nominal value 3% London County Consolidated Stock	616	616
£7,340 nominal value 3½% War Stock (redeemed but not received)	7,340	7,340
<b>Total SACT investments</b>	<b>14,700</b>	<b>14,700</b>
<b>Total investments</b>	<b>481,108</b>	<b>481,108</b>

Investments in respect of both McKechnie and SACT relate to the Girvan area and are valued at market value.

	2024	2023 (restated)
	£	£
<b>Interest received on external investments:</b>		
<b>SC016728 DEEF</b>	<b>10,220</b>	<b>14,779</b>
<b>SC045677 SACT</b>	<b>-</b>	<b>180</b>
<b>Total interest received on external investments</b>	<b>10,220</b>	<b>14,959</b>

#### 10 Governance costs

	2024	2023 (restated)
	£	£
<b>SC012759 McKechnie:</b>		
Preparation of financial statements	99	78
Audit fee	75	55
<b>Total SC012759 McKechnie</b>	<b>174</b>	<b>133</b>
<b>SC016728 DEEF:</b>		
Legal and administrative costs	2,282	2,032
Preparation of financial statements	4,553	5,050
Audit fee	500	-
<b>Total SC016728 DEEF</b>	<b>7,335</b>	<b>7,082</b>

## South Ayrshire Council Charitable Trust Funds (Unaudited)

### SC025088 SAC CT:

Preparation of financial statements	308	313
Audit fee	75	55
<b>Total SC025088 SAC CT</b>	<b>383</b>	<b>368</b>

### SC045677 SACT:

Legal and administrative costs	1,750	1,500
Preparation of financial statements	3,325	3,301
Audit fee	500	990
<b>Total SC045677 SACT</b>	<b>5,575</b>	<b>5,791</b>
<b>Total governance costs</b>	<b>13,467</b>	<b>13,374</b>

Governance costs are allocated based on a combination of staff time spent on legal, administrative and financial tasks and the volume of transactions for each Trust.

## 11 McKechnie Institute

The McKechnie Institute is heritage asset and it is the opinion of the Trustees that it is neither practicable to obtain a valuation at a cost commensurate with the benefits to the users of the financial statements, nor possible to obtain a reliable cost or valuation. Accordingly, the asset is not presently recognised on the Trust's Balance Sheet.

**South Ayrshire Council Charitable Trust Funds (Unaudited)**

**Independent Auditor's Report to the Trustees of South Ayrshire Council  
Charitable Trust Funds and the Accounts Commission**

*TO BE INSERTED UPON COMPLETION OF THE AUDIT PROCESS*

**South Ayrshire Council  
Equality Impact Assessment  
Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

## 1. Policy details

Policy Title	Annual Accounts 2023/24
Lead Officer (Name/Position/Email)	Tim Baulk, Chief Financial Officer– tim.baulk@south-ayrshire.gov.uk

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low

<b>General Duty and other Equality Themes</b> <b>Consider the 'Three Key Needs' of the Equality Duty</b>	<b>Level of Negative and/or Positive Impact</b>  <b>(High, Medium or Low)</b>
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<input checked="" type="checkbox"/> <b>YES</b>  <input type="checkbox"/> <b>NO</b>
<b>Rationale for decision:</b>  <b>This report asks Members to consider the unaudited Annual Accounts for 2023/24. Their decision on this has no specific equality implications</b>	
<b>Signed :</b> Tim Baulk  <b>Date:</b> 17 June 2024	<b>Chief Financial Officer</b>

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 26 June 2024**

---

**Subject: Internal Audit Annual Report 2023/24**

---

**1. Purpose**

- 1.1 The purpose of this report is to present to the Audit and Governance Panel the annual report on the internal audit activity during 2023/24, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2024.

**2. Recommendation**

- 2.1 It is recommended that the Panel notes the contents of the report.**

**3. Background**

- 3.1 South Ayrshire Council's internal audit service is delivered within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973.
- 3.2 PSIAS requires the Chief Internal Auditor to prepare an annual report on the activities of Internal Audit and which includes a view on the adequacy of the Council's governance, risk management and internal control frameworks.

**4. Proposals**

- 4.1 The Panel is asked to note the contents of annual report for financial year 2023/24, together with the statement on internal controls included at [Appendix 1](#).
- 4.2 The revised Internal Audit Plan for 2023/24 (approved by Panel on 22 February 2024) has been substantially completed, one assignment has not yet started (HSCP - Premises) and testing is currently being concluded on two assignments (Main Accounting, Fusion Controls and HR and Payroll Fusion Controls). The objective of these audit assignments is to obtain assurance that there are adequate system controls in place following the implementation of Oracle Fusion. Further assignments in these areas are included in the 2024/25 Internal Audit Plan to test the system controls are operating effectively. On reflection, in order to ensure we provide a complete assessment of these areas, we believe it would add more value to report the two assignments together. External Audit has confirmed this is a reasonable approach. Final audit reports have been issued for 17 assignments with



the remaining five draft reports at clearance stage. Their individual internal control assessments can therefore be included in the overall annual audit opinion.

## **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

8.1 Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation. A recommendation to consider whether the Directorate risk register requires to be updated to reflect issues raised within the report is also included in each audit report. In addition, quarterly meetings have been set up between Risk and Safety and Internal Audit to ensure new emerging risks are included in Council Risk Registers and the Annual Internal Audit Plan where required.

### ***8.2 Risk Implications of Adopting the Recommendations***

8.2.1 There are no risks associated with adopting the recommendations.

### ***8.3 Risk Implications of Rejecting the Recommendations***

8.3.1 Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and meet our obligation to provide an annual internal audit opinion.

## **9. Equalities**

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 Internal Audit supports the delivery of Council priorities. Therefor the matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this paper.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided

### **Background Papers**

[Revised Internal Audit Plan 2023-24](#)

[Public Sector Internal Audit Standards \(April 2017\)](#)

### **Person to Contact**

**Cecilia McGhee, Chief Internal Auditor**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612432**  
**E-mail [Cecilia.McGhee2@south-ayrshire.gov.uk](mailto:Cecilia.McGhee2@south-ayrshire.gov.uk)**

**Date: 17 June 2024**

## Internal Audit Annual Report 2023/24

### 1. Introduction

- 1.2 The purpose of this report is to provide an overview of the Internal Audit activity for 2023/24 and to provide an independent opinion on the adequacy and effectiveness of South Ayrshire Council's governance, risk management and internal control systems for the year ended 31 March 2024.

### 2. Background

- 2.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 2.2 The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that "the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement". In South Ayrshire Council, the "chief audit executive" is the Chief Internal Auditor.
- 2.3 The PSIAS states that the annual report prepared by the chief audit executive must incorporate:
- the annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (*paragraph 10.1*);
  - a summary of the information that supports that opinion (*paragraphs 5.4-5.9 and 6.5*);
  - a disclosure of any impairments to scope and / or independence (*paragraph 11.1*);
  - a statement of conformance with the PSIAS (*paragraph 3.1*); and
  - the results of the quality assurance and improvement programme (relating to any EQAs and PSIAS self-assessments) and progress against any improvement plans (*paragraph 3.3*).
- 2.4 This Internal Audit Annual Report has been prepared on the basis of the requirements outlined above.

### 3. Compliance with PSIAS

- 3.1 During 2023/24 the Internal Audit Section operated in compliance with PSIAS.
- 3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations.
- 3.3 The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services and includes both periodic internal self-assessments and five-yearly External Quality Assessments (EQA). Since the PSIAS came into effect in April 2013,

annual self-assessments have been performed by the Chief Internal Auditor. The latest EQA has been completed and was reported to the Council's Audit and Governance Panel on 29 May 2024. The results of the EQA were broadly in line with the 2023/24 self assessment. The overall conclusion was that Internal Audit fully conforms with 10 areas and generally conforms with 4 areas. There were no areas assessed as partially or not conforming. An action plan containing seven improvement actions in relation low priority areas was prepared and is currently being progressed by Internal Audit. The progress of the implementation of the EQA action plan will be included in the quarterly Internal Audit Progress Reports to the Audit and Governance Panel.

#### 4. Position and Resourcing of Internal Audit

- 4.1. Internal Audit is an independent review activity free from undue influence or other pressures affecting its independence and to that end Internal Audit and Corporate Fraud is situated within the Chief Executives department and has a direct reporting line to the Chief Executive and to the Council's Audit and Governance Panel in its role as the Council's audit committee.
- 4.2. Internal Audit operates within the Internal Audit Charter, most recently approved by the Audit and Governance Panel on 20 March 2024.
- 4.3. There are four professionally qualified posts (3.6 FTE) in Internal Audit. Corporate Fraud includes a further two posts (2 FTE), with the Senior Investigations Officer holding the Accredited Counter Fraud Specialist qualification.

#### 5. Internal Audit Activity 2023/24

- 5.1. Internal Audit activity during the year was undertaken in accordance with the revised internal audit plan. Progress reports have been provided to the Audit and Governance Panel quarterly throughout the year. Assignments included within the revised plan, approved by the Audit and Governance Panel in February 2024, have been substantially completed. Sufficient work has been carried out to enable an annual audit opinion on the adequacy of internal controls to be produced.
- 5.2. The 2023/24 internal audit plan estimated 610 direct audit days. The actual number of days achieved was 629 days. An analysis of audit days by type of audit as at 31 March 2024 is summarised in the following table:

Type of Audit	Planned Days (Revised) 2023/24	Actual Days 2023/24	Variance in days
Key corporate systems	63	17	-46
ICT auditing	15	23	+8
Governance and Best Value	95	57	-38
Directorates and other systems	100	123	+23
Other entities	50	75	+25
Regularity	72	35	-37
Follow Up Reviews	22	40	+18
Other	193	259	+66
<b>TOTAL</b>	<b>610</b>	<b>629</b>	<b>+19</b>

- 5.3. The overall variance of 19 additional days is as a result the Chief Internal Auditor being involved in more operational audits than had been originally planned. This was due to the need to provide training and support throughout the audit process to new members of staff. The variance recorded under “other” mainly relates to additional time being required to complete previous years audit work.
- 5.4. A total of 17 internal audit assignment (including two contingency assignments) have been concluded for South Ayrshire Council for 2023/24 and final reports issued. There are an additional 5 audit assignments from the revised plan which have been completed and the reports drafted, however they are not yet cleared and finalised with the service. (see summary at [Annex A](#)). As the fieldwork is completed, their conclusions can still be included in the overall opinion for 2023/24.
- 5.5. A diverse range of areas throughout the have been reviewed during the year including; Procurement reviews, Participatory Budgeting, Records Management, Social Media Accounts, Waste Management Procedure, Anti-Fraud arrangement within Housing Lets, the Ayrshire Growth Deal, Cash Collection at Leisure Facilities, the Attainment Scotland Fund, Grants Funds and Climate Change. In addition, five follow up assignments were completed and, internal control self-assessment toolkits were completed by Social Work locations and schools.
- 5.6. Of the total 17 South Ayrshire Council internal audit reports have been issued for 2023/24, eight audit opinions resulted in substantial assurance, six in reasonable assurance and three in limited. A further five audit reports are in draft with their fieldwork completed, one has a draft assessment of substantial assurance and four of reasonable assurance. Copies of final Internal Audit reports are shared with all Members via SharePoint.
- 5.7. A total of 74 improvement actions were raised within the final internal audit reports issued for 2023/24. Management agreed to implement all actions raised. Of these 74 actions, 21 were implemented by their due date of 31 March 2024, a further eight were completed ahead of their due date and the remaining 45 were not due as at 31 March 2024. An additional 18 actions from audit report issued prior to 1 April 2023 were outstanding at 31 March 2024, five of these actions were overdue. Management responses in relation to the actions raised in the draft Internal Audit reports are currently being agreed.
- 5.8. In addition to the deliverable assignments for South Ayrshire Council, a further five assignments were delivered for other entities, two assignments were completed for the South Ayrshire Integration Joint Board (SA IJB) and for two were completed for the Ayrshire Valuation Joint Board (AVJB) and one assignment was delivered for the Ayrshire Rural and Island Ambition Fund (ARIA).
- 5.9. Overall, the audit findings suggested that while some weaknesses were identified and certain elements of control were only partially in place, when taken with other findings they did not significantly impair the overall systems of internal control in the areas reviewed.

## **6. Performance Indicators**

- 6.1. Internal Audit reports against four key performance indicators:
  - Productivity/utilisation (see 6.2)
  - Percentage of reviews completed in audit plan (see 6.4)
  - Number of ad-hoc requests and investigations (see 6.5)

### *Productivity/Utilisation*

- 6.2. Internal Audit measures productivity on a regular basis throughout the year. This is classed as 'direct' audit time. The productivity level is shown in the following table:

	<b>Target 2023/24</b>	<b>2023/24</b>	<b>2022/23</b>	<b>2021/22</b>
Direct	83%	82%	83%	76%
Indirect*	11%	12%	10.1%	18%
Management	6%	6%	6.9%	6%

*\*e.g. administration, training and meetings*

- 6.3. Indirect time is slightly higher than the target for 2023/24 as a higher proportion of time was allocated to training and developing new members of staff.

### *Percentage of South Ayrshire Reviews Completed in Audit Plan*

- 6.4. The revised internal audit plan for 2023/24, approved by the Panel on 22 February 2024, included 23 deliverable assignments for South Ayrshire Council. Certain items in the plan do not have individual outputs (such as management and audit development time and National Fraud Initiative) and are therefore excluded from this indicator. A summary of the plan completion is included in the table below:

<b>Status</b>	<b>Number</b>	<b>Percentage</b>
Complete/Draft report issued	20	87%
Work in progress	2	9%
Not started	1	4%
	<b>23</b>	<b>100%</b>

### *Number of ad-hoc requests and investigations*

- 6.5. A total of 47 days was used from the 2023/24 Internal Audit Plan to complete investigations, contingency assignments and advice and guidance. Ten separate pieces of work were completed in the year to 31 March 2024.

- Two contingency assignments were completed by Internal Audit in 2023/24. One assignment involved a review of the grant award process within Thriving Communities and one involved procurement of training within Health and Social Care (HSC). Internal Audit reports were issued, and action plans agreed for both reviews. (14 days)
- Advice and guidance is provided throughout the year on an ad-hoc basis as required. Advice provided in the year to 31 March 2024 included advice on; safe checks, anti-fraud checks within the grant process in Thriving Communities, the treatment/recording of Museum archives, advice on proposed changes to employability grant procedures and the process to award grants to businesses impacted by the transport restrictions as a result of the former Ayr Station Hotel fire, the proposed guidance note, application form and operational procedures for the Communities Empowerment Fund and on financial limits and process for requesting budget virement. (9 days)
- There were three referrals for investigations received in 2023/24. One investigation was taken forward and concluded by the Service, this investigation related to a fraudulent attempt to change bank details which was not actioned by the service. Procedures were updated by the Service to strengthen

existing controls. The remaining two investigations were taken forward by Internal Audit. One investigation was in relation to cash collection, and one was in relation to the award of grants. Neither referral was substantiated. (24 days)

#### *Time taken to deliver audit assignments*

- 6.6. The total time taken to deliver audit assignments is monitored on a continual basis by the Chief Internal Auditor. A single indicator does not exist for this measure, the performance information maintained for this indicator includes the measurement of time against budget as well as the elapsed time taken from the agreement of the Terms of Reference through to the issuing of the final report. This information is used to track completion of the audit plan and to assign work within the team.

### **7. Counter Fraud Work**

- 7.1. The Corporate Fraud team report to the Chief Internal Auditor and has responsibility for investigating any alleged fraud or irregularity which has been highlighted to them. They also undertake pro-active work in identifying circumstances of fraud perpetuated against the Council (either from outwith the Council or from within). Assistance will be provided by Internal Audit in cases where a lack of internal controls has contributed to a fraud taking place however there were no such cases in 2023/24.
- 7.2. One Anti Fraud review (Housing Lets procedures) was included in the 2023/24 Internal Audit Plan. The draft report is currently being agreed with the service and has concluded in reasonable assurance being provided. This assignment is included in the statistics reported at paragraphs 5.4, 5.6 and 6.4.
- 7.3. The Corporate Fraud team completed 1,072 investigations in 2023/24, 988 of which related to investigation of National Fraud Initiative single person discount matches. Total financial savings of approximately £152,000 were identified through Corporate Fraud Team work.
- 7.4. Separate Corporate Fraud Team activity reports are provided to the Audit and Governance Panel for scrutiny on a six-monthly basis.

### **8. Other Responsibilities**

- 8.1. The Chief Internal Auditor of the Council is also the Chief Internal Auditor for the South Ayrshire Integration Joint Board (IJB) and the Ayrshire Valuation Joint Board (AVJB). In the interests of information sharing, the results of the IJB and AVJB audit work is shared with Members of the Council.

### **9. Internal Audit and Corporate Fraud Development**

- 9.1. The training needs of the service continue to be reviewed on an ongoing basis, and where gaps are identified action is taken to address these. Networking opportunities are continually explored, with the Chief Internal Auditor attending the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and the Senior Auditor attending the Computer Audit Sub-Group of SLACIAG (CASG) and the Data Analytics user groups and the Senior Investigation Officer attending the Scottish Local Authorities Investigators Group (SLAIG). These meetings are a valuable source of training and sharing of information with counterparts across Scotland.
- 9.2. Pan-Ayrshire meetings are held with the other Chief Auditors for North and East Ayrshire Council.

9.3. Other opportunities for training and development are explored as and when they arise.

## **10. Audit Opinion**

10.1. The Internal Audit Opinion is that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2024.

10.2. There is a formal requirement for the Chief Internal Auditor to prepare an annual assurance statement on the adequacy of internal control systems within the Council.

10.3. The internal audit annual statement on the adequacy of internal controls for 2023/24 is included in [Annex B](#).

## **11. Conclusion**

11.1. The 2023/24 internal audit plan was satisfactorily completed to deliver an annual opinion. There are no limitations of scope to the issued audit opinion.



## Internal Audit Reports Issued/Drafted 2023/24 For South Ayrshire Council

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2024-03	Procurement (Fusion Controls)#	Reasonable	0	3	4	7
2024-05	Ayrshire Growth Deal (Follow Up of 2022/23 Actions/testing of process changes)	100% Sufficiently Implemented	N/A			
2024-06	Procurement – Framework Agreements	Limited	2	3	0	5
2024-07	Participatory Budgets#	Reasonable	0	2	0	2
2024-08	Records Management#	Reasonable	0	2	1	3
2024-09	Social Media Accounts	Reasonable	5	8	2	15
2024-10	Waste Management Review	Reasonable	3	4	2	9
2024-11	Anti-Fraud Review – Housing Let#	Reasonable	2	1	3	6
2024-12	Attainment Scotland Fund (Strategic Equity Fund Review)	Substantial	0	0	1	1
2024-15	Climate Change Duty Return	Substantial	0	0	0	0
2024-16	Cash Collection Arrangements – Leisure Facilities	Reasonable	4	3	3	10
2024-17	Continuous Auditing#	Substantial	0	0	0	0
2024-19	Network Support Grant	Grant Claim Agreed	0	0	0	0
2024-20	Internal Control Self Assessment Toolkit – Schools	Reasonable	0	2	7	9
2024-21	Internal Control Self Assessment Toolkit – Social Work Locations	Reasonable	0	1	5	6
2024-22	Follow Up of actions from 2021/22 Audit Assignment - Museum Stores	100% Sufficiently Implemented	N/A			
2024-25	Follow up of Actions from 2022/23 Audit Assignment - Void repairs	100% Sufficiently Implemented	N/A			

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2024-26	Follow up of Actions from 2022/23 Audit Assignment - Fostering and Adoption	100% Sufficiently Implemented	N/A			
2024-27	Follow up of Actions from 2022/23 Audit Assignment - NDR Relief Review	100% Sufficiently Implemented	N/A			
2024-30	Follow up of Actions from 2022/23 Audit Assignment - Golf Club House Income Controls	77% Sufficiently Implemented	0	0	5	5
2024-36-02	Thriving Communities - grants	Limited	4	3	2	9
2024-36-01	Procurement of Training Service (HSC)	Limited	2	3	0	5

*#Assignments are complete and draft reports issued, the number of actions and risk rating may be subject to change following clearance with Services, but the assurance level is unlikely to reduce.*

## **Internal Audit Annual Statement on the Adequacy of Internal Controls**

### **To the Members and Chief Executive of South Ayrshire Council**

As Chief Internal Auditor for South Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2024.

### **Respective responsibilities of management and internal auditors in relation to governance, risk management and control**

It is the responsibility of the Council's senior management to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are properly applied in a manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Chief Internal Auditor to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

### **Sound internal controls**

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control is designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations.

### **The work of internal audit**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit section operates in accordance with United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into force with effect from 1 April 2013 (and updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and considers the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks

and priorities of the organisation. The plan, and any material changes to the plan during the year, are approved by the Audit and Governance Panel.

All internal audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Matters arising from internal audit work are reported to all Members, the Chief Executive, the Chief Financial Officer (as Section 95 Officer), the Chief Governance Officer (as Monitoring Officer) and external audit.

### **Summary of Internal Audit Activity 2023/24**

A total of 17 South Ayrshire Council internal audit reports have been issued for 2023/24. Eight audit opinions resulted in substantial assurance, six in reasonable assurance and three in limited. A further five audit reports are in draft with their fieldwork completed, one has an assessment of substantial assurance and four of reasonable assurance.

Many expected key controls were in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. A total of 74 improvement actions were raised in the areas covered by the 2023/24 internal audit plan. All action points raised in the final reports issued were accepted by management, 18 actions were implemented by their due date of 31 March 2024 and a further eight were implemented ahead of their due date. The remaining 45 were not due as at 31 March 2024. Implementation of all actions will result in continued improvement of the Council's governance, risk management and control environment. Steps have already been taken to address the issues raised within the draft reports which concluded in limited assurance.

### **Basis of Opinion**

The evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit for the year to 31 March 2024;
- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- assessment of the general control environment within individual departments as completed by each Head of Service and Director;
- reports issued by the Council's external auditors and other review and inspection agencies;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and
- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.

### **Opinion/**

## **Opinion**

On the above basis it is my opinion that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2024.

**Cecilia McGhee**  
**Chief Internal Auditor**  
**South Ayrshire Council**  
**31 May 2024**

**South Ayrshire Council**

**Report by Director of Communities and Transformation  
to Audit and Governance Panel  
of 26 June 2024**

---

**Subject: Corporate Lets**

---

**1. Purpose**

1.1 The purpose of this report is to provide an annual update in relation to requests for discretion to be applied to let charges from 1 April 2023 to 31 March 2024.

**2. Recommendation**

**2.1 It is recommended that the Panel reviews the information in this report.**

**3. Background**

3.1 At Council in December 2019, it was agreed that officers could apply discretion to let charges, and a register of all discretionary lets would be held and reported on annually.

3.2 During the previous reporting period of 1 April 2022 to 31 March 2023, the number of applications for discretion to let charges was twenty-seven. Twenty-two applications were approved and five were declined.

3.3 During the current reporting period of 1 April 2023 to 31 March 2024, the number of applications for discretion to let charges increased to thirty-three. Twenty-five applications were approved and eight were declined. The register of discretionary applications is set out in [Appendix 1](#).

**4. Proposals**

4.1 It is proposed to continue to review requests for discretion on an annual basis.

**5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

**6. Financial Implications**

6.1 Applying the discretion has resulted in a net reduction of income to the Council, however the income targets for the Ayr Town Hall and Troon Concert and Walker Halls were met during the reporting period 2023/24.

6.2 When considering discretion applications, a range of factors are taken into consideration such as existing staffing levels within the building and any additional costs the let would incur, to ensure that there would be no additional expenditure for the Council. For many of the applicants the full let fee would have been cost prohibitive, therefore the activity would not have taken place, and we would have lost any associated income, albeit at a reduced discretionary rate.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 There is a risk that rejecting the recommendations will mean that the Council misses the opportunity to scrutinise discretion applied to lets from external organisations.

## **9. Equalities**

9.1 This report provides an update on progress of a Panel report which was assessed for potential equality impacts, and the relevant documentation is attached within the report to South Ayrshire Council of 18 December 2019 – [Corporate Lets](#).

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - An SEA has not been carried out.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Priority 2 of the Council Plan: Live, Work, Learn (Outcome 2: Work and economy – Everyone benefits from a local economy that provides opportunities for people and helps our businesses flourish) and Priority 3 of the Council Plan: Civic and Community Pride (Outcome 1: Pride in South Ayrshire – Everyone (residents, visitors and tourists) can enjoy attractive destinations and people are proud to live in our towns and villages and celebrate our culture and heritage).

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Alec Clark, Portfolio Holder for Tourism, Culture and Rural Affairs, and Councillor Brian Connolly, Portfolio Holder for Sport and Leisure, and the contents of this report reflect any feedback provided.

**Background Papers**    **Report to Audit and Governance Panel of 28 June 2023 – [Corporate Lets](#)**

**Person to Contact**    **Laura Kerr, Service Lead – Destination South Ayrshire  
Carnegie Library, 12 Main Street, Ayr, KA8 8EB  
Phone 01292 616421  
E-mail [laura.kerr4@south-ayrshire.gov.uk](mailto:laura.kerr4@south-ayrshire.gov.uk)**

**Date:** 17 June 2024



**Approved Discretion Applications**

<b>NAME OF ORGANISATION/GROUP</b>	<b>REASON FOR LET</b>	<b>VENUE REQUESTED</b>	<b>FREQUENCY OF LET</b>	<b>LEVEL OF DISCRETION REQUESTED</b>	<b>REASON FOR DECISION</b>	<b>AMOUNT OF DISCRETION APPLIED</b>
Ayr Community Gospel Choir	Choral Concert for Charity	Ayr Town Hall	One off	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Fundraising</li> <li>• Free entry</li> </ul>	£430.00
Ayr Community Gospel Choir	Choral Concert for Charity	Ayr Town Hall	One off	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Fundraising</li> <li>• Free entry</li> </ul>	£430.00
Ayrshire Area Support Team, North Ayrshire Council working in partnership with Children's Hearings Scotland and South and East Ayrshire Council.	South Ayrshire Children's Panel training evenings	Ayr Town Hall	Regular let (Weekly/monthly)	100%	<ul style="list-style-type: none"> <li>• Partnership meetings</li> </ul> <p>(Move to community venue for future meetings)</p>	£120.00 per let
RNIB Scotland	Charity information sharing day	Ayr Town Hall	One off let/Annual let	£75	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free event</li> </ul>	£75.00
Charity – OiR – Town Hall Talks – fortnightly, Ayr Town Hall	OiR Talks	Ayr Town Hall	Regular let (Weekly/monthly)	50% off - £30 per let	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free event</li> </ul>	£30 per let
Ayr Concert Series	Ayr Concert Series of professional orchestral concerts.	Ayr Town Hall	4 lets	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free tickets for targeted local schools</li> </ul>	£246 per let

NAME OF ORGANISATION/GROUP	REASON FOR LET	VENUE REQUESTED	FREQUENCY OF LET	LEVEL OF DISCRETION REQUESTED	REASON FOR DECISION	AMOUNT OF DISCRETION APPLIED
School Mock Court Case Project SCIO	Mock Court Trial for Junior Pupils	Ayr Town Hall	One off	100%	<ul style="list-style-type: none"> <li>Charity / Not for Profit Org</li> <li>Free entry</li> <li>Education for young people</li> </ul>	£36.00
Ayrshire Music Festival	To hold the Ayrshire Music Festival	Ayr Town Hall	5 Day Event	Anything above £4,000	<ul style="list-style-type: none"> <li>Charity / Not for Profit Org</li> <li>Low entry free</li> <li>Education for young people</li> </ul>	£2,193.00
Ayr Development Trust	Trust Meeting	Ayr Town Hall	One off let	100%	<ul style="list-style-type: none"> <li>Charity / Not for Profit Org</li> <li>One off meeting</li> </ul> <p>(Move to community venue for future meetings)</p>	£40.00
Ayrshire Fiddle Orchestra	Rehearsal and Concert	Ayr Town Hall	One off	£303	<ul style="list-style-type: none"> <li>Charity / Not for Profit Org</li> <li>Education for young people</li> <li></li> </ul>	£303.00
Monkton Community Council	Cosy Places VASA	Carvick Webster Hall - Monkton	Regular let (Weekly/monthly)	Did not specify amount	<ul style="list-style-type: none"> <li>Charity / Not for Profit Org</li> <li>Free entry</li> <li>Targeted group</li> </ul>	£77 per let
Forehill After School Club Ltd	Children's holiday club (out of school care service)	Forehill Primary School	One off	50%	<ul style="list-style-type: none"> <li>Childcare provision in local community</li> </ul>	£60 per let –
NHS Ayrshire & Arran Orthoptic department	NHS Pre-school Orthoptic visual screening	Marr College	3 lets	Did not specify amount	<ul style="list-style-type: none"> <li>Charity / Not for Profit Org</li> <li>Free healthcare in the local community</li> </ul>	£159.50

<b>NAME OF ORGANISATION/GROUP</b>	<b>REASON FOR LET</b>	<b>VENUE REQUESTED</b>	<b>FREQUENCY OF LET</b>	<b>LEVEL OF DISCRETION REQUESTED</b>	<b>REASON FOR DECISION</b>	<b>AMOUNT OF DISCRETION APPLIED</b>
Royal British Legion Maybole Branch	Remembrance Sunday	Maybole Town Hall	One off let	Did not specify amount	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free entry</li> </ul>	£100.00
Maybole Indoor Carpet Bowling Group	Carpet Bowling	Maybole Town Hall	Regular let (Weekly/monthly)	£12/hour	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Low cost entry</li> <li>• Targeted group</li> <li>• Venue specific</li> </ul>	£26 per let
Maybole Community Council	Celebrating the refurbishment of the Town Hall.	Maybole Town Hall	One off	Did not specify amount	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Fundraising</li> </ul>	£162.50
Dundonald Toddlers	Baby and toddler group	Montgomerie Hall, Dundonald	Regular let (Weekly/monthly)	Anything above £12 p/h	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Low entry fee</li> <li>• Targeted group</li> <li>• Rural area</li> </ul>	£10 per let
Ayrshire Federation of the Scottish Women's Institute	To hold a Federation Inter Institute quiz	Troon Concert & Walker Hall	One off	50%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Low entry fee</li> <li>• Targeted group</li> </ul>	£70.00
West of Scotland Brass Band Association (SBBA)	Brass Band Entertainment Festival/Contest	Troon Concert & Walker Hall	One off	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free for children to attend</li> </ul>	£660.75
Glasgow Taxi Outing Fund	Glasgow Taxi Outing Fund trip to Troon	Troon Concert & Walker Hall	One off	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free entry</li> <li>• Targeted Group</li> </ul>	£775.00
Police Service of Scotland	Police Control Room for Police led Annual Operation	Troon Concert & Walker Hall	One off	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Partnership initiative</li> </ul>	£400.00

<b>NAME OF ORGANISATION/GROUP</b>	<b>REASON FOR LET</b>	<b>VENUE REQUESTED</b>	<b>FREQUENCY OF LET</b>	<b>LEVEL OF DISCRETION REQUESTED</b>	<b>REASON FOR DECISION</b>	<b>AMOUNT OF DISCRETION APPLIED</b>
Hart of the Community	Sale of second hand goods	Troon Concert & Walker Hall	One off	Did not specify amount	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free entry</li> <li>• Fundraising</li> </ul>	£150.00
Ballroom Dancing @ Troon	Ongoing ballroom dancing	Troon Concert & Walker Hall	Regular let (Weekly/monthly)	Previous discretion	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Low entry fee</li> <li>• Targeted group</li> <li>• Venue specific</li> </ul>	£61.25 per let
RNLI Fundraising Branch Troon	RNLI Christmas Fayre	Troon Concert & Walker Hall	One off	100%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Free entry</li> <li>• Fundraising</li> </ul>	£367.50
Ayrshire Federation Scottish Women's Institute	To hold a Federation Inter Institute quiz	Troon Concert & Walker Hall	One off	50%	<ul style="list-style-type: none"> <li>• Charity / Not for Profit Org</li> <li>• Low cost entry</li> <li>• Fundraising</li> <li>• Targeted Group</li> </ul>	£70.00

## Declined Discretion Applications

NAME OF ORGANISATION/GROUP	REASON FOR LET	VENUE REQUESTED	FREQUENCY OF LET	LEVEL OF DISCRETION REQUESTED	REASON FOR DECISION
Ayr Development Trust	Trust Monthly Meeting	Ayr Town Hall	Regular let	100%	<ul style="list-style-type: none"> <li>Not a Town Hall event - signposted to community venues.</li> </ul>
Epilepsy Scotland	Epilepsy Get Together	Ayr Town Hall	Regular let	£288	<ul style="list-style-type: none"> <li>Not a Town Hall event - signposted to community venues.</li> </ul>
Bruce 750/NCCBC	Burns Supper	Maybole Town Hall	One off	£500	<ul style="list-style-type: none"> <li>Charging high entry fee</li> <li>Not fundraising</li> </ul>
North Carrick Community Benefit Company/Bruce 750	Quiz Night	Maybole Town Hall	One off	£100	<ul style="list-style-type: none"> <li>The kitchen and hall charges have been combined which reduces the hire fee for all lessees moving forward.</li> </ul>
AILN	Sharing awareness to community support and self employment opportunities	Maybole Town Hall	Regular let	Anything above £10 p/h	<ul style="list-style-type: none"> <li>Not a Town Hall event - signposted to community venues.</li> </ul>
Maybole Regeneration Project -SAC	Public consultation	Maybole Town Hall	One off	Not specified	<ul style="list-style-type: none"> <li>Not a Town Hall event - signposted to community venues.</li> </ul>
Pro2 Wrestling	Entertainment Show	Troon Concert & Walker Hall	One off	£200	<ul style="list-style-type: none"> <li>For profit company with large income from event.</li> </ul>
The Dance Depot	Dance Showcase	Troon Concert & Walker Hall	One off	Not specified	<ul style="list-style-type: none"> <li>For profit company with large income from event.</li> </ul>

**South Ayrshire Council**

**Report by Chief Financial Officer  
to Audit and Governance Panel  
of 26 June 2024**

---

**Subject: External Audit Reports – Progress to 31 May 2024**

---

**1. Purpose**

1.1 The purpose of this report is to provide Members with an update on the progress that the Council is making in relation to external audit improvement actions.

**2. Recommendation**

**2.1 It is recommended that the Panel scrutinises the progress against the Council’s external audit improvement actions as presented in this report.**

**3. Background**

3.1 The Final Report on the 2022/23 Audit was presented to the Audit and Governance Panel (AGP) of 27 September 2023 (Special). This report covers progress against the three recommended improvement actions from that report.

**4. Proposals**

4.1 Progress to 31 May 2024 is summarised below:

Status of External Audit Actions as at 31 May 2024	Completed since 31 December 2023	On Target	Not on Target	Total
Annual Report on 2022/23 Audit – Sept 23	2	-	1	3
<b>Overall</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>3</b>

4.2 During the reporting period, two actions from the 2022/23 External Audit report were closed. The one remaining action is nearing its conclusion but requires an extension to 31 August 2024 to allow full completion of the action. The latest update against these actions is provided in [Appendix 1](#).

**5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 None.

## **7. Human Resources Implications**

7.1 None.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## **9. Equalities**

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

**Background Papers**    **Report to Audit and Governance Panel of 9 November 2022 –**  
**[Best Value Action Plan 2021/22 - Update](#)**

**Person to Contact**    **Tim Baulk, Chief Financial Officer**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612620**  
**Email [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date: 17 June 2024**



## External Audit Reports – Actions now complete and still to be completed

Report Title	Action	Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Completed Date
EA2022/23 Final Report on the 2022/23 Audit	<p><b>Recommendation:</b> The council should undertake a thorough assessment of the fixed asset register to ensure its accuracy. Going forward, there should be clearer communication between Estates and Finance to ensure that necessary updates are reflected in the fixed asset register.</p> <p><b>Management Response:</b> A review of the asset register is already underway and new protocols and procedures will be introduced to ensure its accuracy. Regular meetings are being planned between the Estates and Finance teams to maintain a clear route for communication of required changes.</p>	30-Jun-2024	Tim Baulk; Tom Burns	03-Jun-2024 Significant progress has been made in recent months with a number of discussions taking place between Finance and Estates Colleagues. New protocols and procedures have been developed and agreed and have been introduced for the 2023-24 year end process	✓	100%		03-Jun-2024
EA2022/23 Final Report on the 2022/23 Audit	<p><b>Recommendation:</b> The council should consider a matrix approach to valuations whereby a percentage of each class of asset is revalued each year. The council should ensure that all assets are included in this future programme.</p> <p><b>Management Response:</b> Discussions have already taken place between Estates and Finance teams with the aim of moving the revaluation methodology to a matrix approach for 2023/24 and beyond. Further work on this will continue in advance of the 2023/24 year end.</p>	30-Jun-2024	Tim Baulk	03-Jun-2024 Following a number of discussions between Estates and Finance colleagues, new protocols and procedures agreed have been agreed and introduced in the 2023-24 year end process to transition the council to the new matrix approach for valuing council assets.	✓	100%		03-Jun-2024
EA2022/23 Final Report on the 2022/23 Audit	<p><b>Recommendation:</b> The council should ensure formal procedures are in place to validate staff on the payroll. Responsible officer:</p> <p><b>Management Response:</b> An annual rolling programme will be implemented and undertaken by the HR team. Oracle Fusion introduced an automated task for</p>	31-Mar-2024	Wendy Wesson	07-Jun-2024 Establishment and Vacancy report is complete. Managers have received guidance on access and instructions to complete the validation exercise. An MS Teams form must be completed to confirm the payroll validation has been completed. Some services are in the process of completing their returns. An extension is		90%		

Report Title	Action	Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Completed Date
	managers to confirm when an employee does not commence employment to ensure they are not set up on the payroll system. Officers will consider if staff validation can be automated via Oracle Fusion.			requested to 31 August 2024 to allow the process to reach its conclusion.				

**South Ayrshire Council**

**Report by Chief Financial Officer  
to Audit and Governance Panel  
of 26 June 2024**

---

**Subject: Treasury Management Annual Report 2023/24**

---

**1. Purpose**

- 1.1 The purpose of this report is to present, in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the annual report of treasury management activities for 2023/24 (as attached at [Appendix 1](#)) and seek Members' consideration of its contents.

**2. Recommendation**

**2.1 It is recommended that the Panel:**

- 2.1.1 considers the Annual Treasury Management Report 2023/24, as attached at [Appendix 1](#); and**
- 2.1.2 remits the Annual Treasury Management Report to Council on 10 October for approval.**

**3. Background**

- 3.1 The Council is required through regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury report reviewing treasury management activities and prudential and treasury indicators. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.3 The Chief Financial Officer also confirms that the Council has complied with the requirements under the Code, to give prior scrutiny of treasury management reporting to the Council's Audit and Governance Panel prior to submitting the report to Council.

3.4 Treasury management in this context is defined as:

***‘The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.***

#### 4. Proposals

4.1 The Treasury Management Annual Report for 2023/24 is submitted to the Panel, as Audit and Governance Panel, in accordance with the requirements of the CIPFA Code of Practice on Treasury Management, for consideration and thereafter remit to the Council meeting on 10 October for approval.

#### 4.2 **Executive Summary**

During 2023/24, the Council complied with its legislative and regulatory requirements. The key prudential indicators detailing the impact of capital expenditure activities during the year, with previous year comparators, are shown below.

<b><i>Actual Prudential and Treasury Indicators</i></b>	<b><i>2022/23 Actual £'000</i></b>	<b><i>2023/24 Actual £'000</i></b>
Capital Expenditure	<b>119,064</b>	<b>99,362</b>
Total Capital Financing Requirement (including other long-term liabilities)	484,608	534,483
PPP and Finance Lease	(91,951)	(88,023)
<b>Underlying Borrowing Requirement</b>	<b>392,657</b>	<b>446,460</b>
Gross External Debt	355,385	387,659
Under (Over) Borrowed	37,272	58,801
Cash/Investments	(43,155)	(26,384)
<b>Net External Debt</b>	<b>312,230</b>	<b>361,275</b>

4.3 The table above shows that the Council has an under-borrowed position on 31 March 2024 of £58,801m, c13.17%. This means the Council has used internal borrowing from cash/reserves to fund an element of its current capital expenditure requirements. It does not indicate that borrowing for the capital programme has not been undertaken; only that internal cash resource has been used as funding, opposed to external borrowing.

4.4 Although this is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates, the Council's under-borrowed position is 13.17% of its overall under-lying borrowing requirement and is therefore manageable within the current strategy. The strategy for 2024/25 is expected to maintain an under-borrowed position whilst closely monitoring longer term PWLB and market rates in considering new borrowing.

4.5 Other prudential and treasury indicators are included in [Appendix 1](#) to this report. The Chief Financial Officer also confirms that any borrowing was only undertaken for capital purpose and the statutory borrowing limit (the authorised limit) was not breached during 2023/24.

4.6 The financial year 2023/24 remained a challenging environment due to volatile interest rates with several rate increases in the first two quarters and then remained at a high level for the rest of the year.

## 5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## 6. Financial Implications

### 6.1 General Services

6.1.1 **Interest on Revenue Balances Held** – the Council originally budgeted to receive £0.965m in interest income (based on a return of 4.00%) to the General Fund in 2023/24. Interest rates for investment increased throughout 2023-24, with the strategy outperforming budget return resulting in an investment surplus.

Investment income to the General Fund out turned at £1.510m, a surplus of £0.546m. Interest was also received to the Council's Repairs and Renewals Fund and Capital Fund to the value of £0.056m.

6.1.2 **Capital Financing Costs** - the Council originally budgeted £15.583m for financing costs and expenses on debt for 2023/24. This budget consisted of £6.271m in loan principal, £9.128m in interest and £0.184m in expenses. During 2023/24, a pragmatic approach was taken when considering the borrowing requirements to fund capital expenditure. However, even with this the borrowing strategy during 2023/24 resulted in an overspend as under-noted:

	Budget £'000	Out-turn £'000	Variance £'000
Principal	6,271	6,261	10
Interest	9,128	11,179	(2,051)
Expenses	184	312	(128)
<b>Capital Financing costs</b>	<b>15,583</b>	<b>17,752</b>	<b>(2,169)</b>
<b>Investment income</b>	<b>(965)</b>	<b>(1,510)</b>	<b>545</b>
<b>Total Debt charges</b>	<b>14,618</b>	<b>16,242</b>	<b>(1,624)</b>

The borrowing strategy undertaken in 2023/24 resulted in an overall overspend to the General Services of £1.624m. This is due to the increase in interest rates throughout 2023/24 due to high inflation rates, cost of living crisis and war in Ukraine and the Middle East. This is discussed further in the Economic Commentary. The overall overspend was reduced due to the investment strategy overperforming.

6.2/

## 6.2 Housing Revenue Account (HRA)

6.2.1 **Interest on HRA Revenue Balances Held** – the HRA budgeted to receive investment income of £0.200m on its revenue balances in 2023/24 based on achieving an interest rate of 4.00%. Like the General Fund the investment strategy was able to out-perform both budget and benchmark resulting in a return of £0.386m in investment income a surplus of £0.186m.

6.2.2 **Capital Financing Costs** - the HRA budgeted £4,463m for financing costs on debt for 2023/24. This consisted of £1.674m in loan principal, £2.729m in interest and £0.066m in expenses.

	Budget £'000	Out-turn £'000	Variance £'000
<b>Principal</b>	1,674	1,674	0
<b>Interest</b>	2,729	3,177	(448)
<b>Expenses</b>	60	88	(28)
<b>Capital Financing costs</b>	<b>4,463</b>	<b>4,939</b>	<b>(476)</b>
<b>Investment income</b>	<b>(200)</b>	<b>(386)</b>	<b>186</b>
	<b>4,263</b>	<b>4,553</b>	<b>(290)</b>

The borrowing strategy undertaken in 2023/24 resulted in an overall overspend to the HRA of £0.290m.

6.3 In total, net debt financing costs were overspent by £2,646m, and when added to an over achievement in interest income of £0.732m resulted in an overall deficit of £1.914m which was reflected in the Council and HRA financial position at 2023/24.

## 7. Human Resources Implications

7.1 Not applicable.

## 8. Risk

### 8.1 **Risk Implications of Adopting the Recommendations**

8.1.1 There are no risks associated with adopting the recommendations.

### 8.2 **Risk Implications of Rejecting the Recommendations**

8.2.1 If the recommendations are rejected, then the Council will be non-compliant with the requirements contained in both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

## 9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

## 10. Sustainable Development Implications

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy, or strategy.

## 11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## 12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

## 13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**    **CIPFA Code of Practice for Treasury Management in Local Authorities**

**Report to South Ayrshire Council of 1 March 2023 - [Treasury Management and Investment Strategy 2023-24](#)**

**Report to Cabinet of 16 January 2024 – [Treasury Management and Investment Strategy Mid-year Report 2023-24](#)**

**Person to Contact**    **Tim Baulk, Chief Financial Officer**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612620**  
**Email [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date: 17 June 2024**

**South Ayrshire Council**  
**Treasury Management Annual Report 2022/23**

**Introduction**

In accordance with the requirements of the CIPFA Code of Practice on Treasury Management in the Public Services, this report covers the following:

- Section 1 - The Council's Capital Expenditure and Financing 2023/24.
- Section 2 – The Council's overall borrowing need.
- Section 3 – Treasury Position as of 31 March 2024.
- Section 4 – The Strategy for 2023/24.
- Section 5 – The Economy and Interest Rates
- Section 6 – Borrowing Rates 2023/24
- Section 7 – Borrowing Outturn 2023/24
- Section 8 – Investment Outturn 2023/24
- Section 9 – Other Issues

**Section 1 The Council's Capital Expenditure and Financing 2023/24**

1.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual expenditure, how this was financed and the resulting borrowing requirement.

**Table 1**

<i>Item</i>	<i>2022/23 Actual £'000</i>	<i>2023/24 Estimate per Strategy</i>	<i>2023/24 Actual</i>
General Fund capital expenditure	90,749	99,145	53,677
HRA capital expenditure	28,315	75,740	45,685
<b>Total</b>	<b>119,064</b>	<b>174,885</b>	<b>99,362</b>
Resourced by:			
Government Grant & Other	(22,818)	(27,917)	(23,910)
Other funding identified	(23,369)	(38,890)	(15,791)
<b>Borrowing:</b>	<b>72,877</b>	<b>108,078</b>	<b>59,661</b>



- 1.3 The reason for the movement between planned expenditure/funding and actual out-turns for 2023/24 can be found in the General Services and HRA 2023/24 capital monitoring reports presented to Leadership Panel throughout 2023/24. The largest examples (by value) of reprofiling of spend in to 2024/25 being:
- Troon Early Years – £1.75m
  - Girvan P.S. - £1.5m
  - Girvan PS and All-Weather Pitch - £1.75m
  - Green Waste/Household Recycling - £0.750m
  - Cemeteries/Crematoria - £0.775m
  - Girvan Regeneration - £0.750m
  - Hourstons Development - £2m
  - Citadel Refurbishment – £1.2m
  - Ayrshire Growth Deal - £23.6m
  - Various Ward Projects - £1.97m
  - Hangar Space - £2.7m
  - End User Computing - £1m
  - HRA Major component replacement programme - £8.5m
  - HRA Structural & Environmental - £3.4m
  - HRA New Builds – Various sites - £16.3m
  - HRA Window Replacement Programme - £0.75m

## Section 2 The Council's overall Borrowing Need

- 2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure (Table 1), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service manages the Council's cash position to ensure that sufficient cash is available to meet not only the capital plans but also to manage the daily cash flow requirements of funding its revenue commitments of payroll, suppliers, benefits etc.
- 2.3 This borrowing for capital expenditure may be sourced through external bodies such as the Government, through the Public Works Loan Board [PWLB] or the money markets) or utilising temporary cash resources within the Council (internal borrowing).
- 2.4 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation as a loan

repayment, to reduce the CFR. This is effectively a repayment of the borrowing need and differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge. The Council's 2023/24 prudent repayment policy, (as required by Scottish Government), was approved as part of the Treasury Management Strategy Report for 2023/24 on 4 March 2023.

2.5 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

On 15 December 2022, the Council agreed a report on PPP Service Concession Arrangement Flexibilities.

***Finance Circular 10/2022 (FC 10/2022) replaces the 2010 version that covered this area and permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022.***

The reprofiling of the debt liability repayments increased the Capital Financing Requirement (CFR) by £21.718m as at 1 April 2022. The Council made this adjustment in the financial year 2022/23. The increase in the CFR will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period. This has now been incorporated into the revised Prudential indicators as appropriate.

The undernoted table shows the Council's underlying borrowing requirement, inclusive of PPP and Finance lease arrangements, as of 31 March 2024.

**Table 2**

<b><i>Capital Financing Requirement</i></b>	<b>31 Mar 2023 £'000</b>	<b>31 Mar 2024 £'000</b>
<b><i>Opening Balance</i></b>	<b>399,006</b>	<b>484,608</b>
Add unfinanced capital expenditure	72,877	59,661
Add new OLTL obligations (PPP)	0	0
Retrospective PPP adjustment	21,718	0
Less loans fund repayment	(7,238)	(7,935)
Less PPP/ finance lease repayment	(1,755)	(1,851)
<b><i>Closing Balance</i></b>	<b>484,608</b>	<b>534,483</b>

The borrowing activity is constrained by prudential indicators for gross borrowing, CFR, and by the authorised limit. The increasing CFR position reflects the Council's capital programme expenditure in 2023/24 and the resulting borrowing requirements to fund this investment.

- 2.6 **Gross Borrowing and the CFR** - to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs 2023/24. The table below highlights the Council's gross borrowing position against the CFR.

**Table 3**

<i>Item</i>	<b>31 March 2023</b> <i>£'000</i>	<b>31 March 2024</b> <i>£'000</i>
Capital Financing Requirement (CFR)	484,608	534,483
Gross External Borrowing Position (including PPP and finance Lease)	447,336	475,682
<b>Net Under/ (Over) Borrowed Position</b>	<b>37,272</b>	<b>58,801</b>

The table above shows the CFR in an under-borrowed position on 31 March 2024 of £58,801m. This means the Council has used internal borrowing from cash/ reserves to fund an element of its current capital expenditure requirements.

This is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates. The current strategy for 2023/24 is expected to maintain this under-borrowed position whilst closely monitoring longer term PWLB and market rates and consideration of potentially re-financing some of the temporary loan debt with longer term.

## 2.7 **Borrowing Prudential Indicators**

- **The Authorised Limit – Table 4** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.
- **The Operational Boundary – Table 4** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

- **Actual Financing Costs as a Proportion of Net Revenue Stream – Table 5** - this indicator identifies the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream of the Council.

**Table 4**

<i>Item</i>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
<b>Authorised Borrowing Limit External Debt</b>	<b>635,929</b>	<b>600,336</b>
Borrowing	355,385	387,659
Other Long-Term Liabilities	91,951	88,023
<b>Total</b>	<b>447,336</b>	<b>475,682</b>
<b>Operational Boundary External Debt</b>	<b>511,125</b>	<b>547,683</b>
Borrowing	355,385	387,659
Other Long-Term Liabilities	91,951	88,023
<b>Total</b>	<b>447,336</b>	<b>475,682</b>

**Table 5**

<i>Ratio of Financing Costs to Net Revenue Stream</i>	<b>Actual 2022/23</b>	<b>Estimated 2023/24</b>
General Services	5.44%	6.48%
HRA	10.97%	12.99%
<b>Total</b>	<b>6.04%</b>	<b>7.26%</b>

### **Section 3 Treasury Position as of 31<sup>st</sup> March 2024**

3.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2023/24 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

**Table 6/**

**Table 6**

	<b>Borrowing position as at 31 March 2023</b>		<b>Borrowing position as at 31 March 2024</b>		<b>Change in year</b>
	<b>£'000</b>	<b>Average interest rate %</b>	<b>£'000</b>	<b>Average interest rate %</b>	<b>£'000</b>
<b>Long Term Borrowing</b>					
Public Works Loans Board	211,185	3.13	239,459	3.64	28,274
Market – Fixed	28,000	2.33	44,000	3.72	16,000
LOBO (Option Loans)	41,200	4.52	33,200	4.52	(8,000)
<b>Total Long-Term Borrowing</b>	<b>280,385</b>		<b>316,659</b>		<b>36,274</b>
Short Term Borrowing	75,000	2.36	71,000	4.92	(4,000)
<b>Total External Borrowing</b>	<b>355,385</b>	<b>3.09</b>	<b>387,659*</b>	<b>3.96</b>	<b>32,274</b>
CFR (underlying borrowing need)	392,657		446,460		53,616
Over (Under) Borrowing	<b>(37,272)</b>		<b>(58,801)</b>		<b>21,342</b>
Investments	<b>(43,155)</b>	<b>1.35</b>	<b>(26,384)</b>	<b>5.37</b>	

\* The carrying amount of loans on the Council's balance sheet as of 31 March 2024 is £388.472m. The difference between this figure and the external borrowing shown in Table 6 above is £0.813m of equivalent interest rate accounting adjustments required by the Code of Practice on local authority accounting.

3.2 **Table 7** below details the profile of the Council's loan maturity periods as of 31 March 2024.

**Table 7**

<b>Maturity analysis of Debt Outstanding at 31 March 2024</b>	<b>PWLB £'000</b>	<b>Market £'000</b>	<b>LOBO (Option) £'000</b>	<b>Temp Borrowing</b>	<b>Total £'000</b>
Maturing within 1 year	1,986	10,000	0	71,000	82,986
Maturing 1 to 2 years	2,419	29,000	0	0	31,419
Maturing 2 to 5 years	7,160	5,000	0	0	12,160
Maturing 5 to 10 years	33,587	0	3,000	0	36,587
Maturing 10 to 20 years	43,637	0	5,500	0	49,137
Maturing 20 to 30 years	44,004	0	10,000	0	54,004
Maturing 30 to 40 years	39,166	0	9,700	0	48,866
Maturing 40 to 50 years	67,500	0	0	0	67,500
Maturing > 50 years	0	0	5,000	0	5,000
<b>Total</b>	<b>239,459</b>	<b>44,000</b>	<b>33,200</b>	<b>71,000</b>	<b>387,659</b>

3.3 **Loans fund** - where a local authority has a Housing Revenue Account, the HRA should be reported separately from the General Fund. The reporting on the commitment to repay loans fund advances is for repayments only and does not include any interest costs. The Loans Fund balances are set out in Table 8 and Table 8(a) below:

**Table 8 – Loans Fund Advances to General Fund**

<b>Loans Fund</b>	<b>31 March 2023 (£'000)</b>	<b>31 March 2024 (£'000)</b>
Opening Balance	226,125	289,526
Add advances	69,290	31,501
Less repayments	(5,889)	(6,261)
<b>Closing Balance</b>	<b>289,526</b>	<b>314,766</b>

**Table 8(a) – Loans Fund Advances to HRA**

<b>Loans Fund</b>	<b>31 March 2023 (£'000)</b>	<b>31 March 2024 (£'000)</b>
Opening Balance	74,601	76,839
Add advances	3,587	28,160
Less repayments	(1,349)	(1,674)
<b>Closing Balance</b>	<b>76,839</b>	<b>103,325</b>

## **Section 4 Strategy for 2023/24**

4.1 Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.

Starting in April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated. Indeed, the market is pricing in a first cut in Bank Rate in the summer of 2024.

The upward yield curve that continued throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, while balancing this with the need to maintain cashflow for liquidity purposes.

With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some market rallies from time to time including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns close to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful

measure of depth, forcing short-term investment rates above 7% in the last week of March.

While the Council has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with a stressed market and economic conditions.

## Section 5 Economy and Interest Rates

### 5.1 UK. Economy

Against a backdrop of inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

United Kingdom (UK), Euro-Zone (EZ) and United States (US) 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
<b>Bank Rate</b>	5.25%	4%	5.25%-5.5%
<b>GDP</b>	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
<b>Inflation</b>	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
<b>Unemployment Rate</b>	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England made no changes in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no Monetary Policy Commission (MPC) members no longer voting to raise interest rates, it retained its relatively cautious guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated, and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative Gross Domestic Product (GDP) growth of -0.3% while y/y growth was also negative at -0.2%.

It is a recession with varied characteristics. Unemployment is currently sub 4%, against a backdrop of still over 900,000 of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the Consumer Price Index (CPI) measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England is awaiting upcoming inflation and employment releases before taking further decisions on interest rate decreases. It is noted that core CPI was still at 4.5% in February and, ideally, needs to fall further.

Consumer spending was reasonable despite the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the Financial Times Stock Exchange (FTSE) 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lower than the Standard & Poor's 500 (S&P 500), which has been at an all-time high for several weeks.

### **USA Economy.**

Despite the markets willing the Federal Open Market Committee (FOMC) to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Federal Reserve (Fed) will want to reduce the \$16 trillion balance sheet in the future. The \$ is the world's foremost reserve currency (China owns over \$1 trillion) but the US must deal with the budget deficit. The mix of inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is uncertain, hence why the consensus is for rate cuts this year and into 2025.

### **EZ Economy.**

Although the Euro-zone inflation rate has fallen to 2.4%, the European Central Bank (ECB) will still be mindful that it has further work to do to dampen inflation expectations. However, with growth moving slowly (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.



## Section 6 Borrowing Rates in 2023/24

### 6.1 PWLB Borrowing Rates -

#### HIGH/LOW/AVERAGE PWLB RATES FOR 2023/24

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.65%	4.13%	4.20%	4.58%	4.27%
<b>Date</b>	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
<b>High</b>	6.36%	5.93%	5.53%	5.96%	5.74%
<b>Date</b>	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
<b>Average</b>	5.54%	4.99%	4.97%	5.34%	5.08%
<b>Spread</b>	1.71%	1.80%	1.33%	1.38%	1.47%

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid, then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Link Group Interest Rate View	24.05.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
<b>BANK RATE</b>	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

Link Group Interest Rate View		08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10	
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20	
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50	
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70	
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10	
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90	

## 6.2 Borrowing strategy and control of interest rate risk

During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%.

By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the CPI measure of inflation stands at 3.4% but is expected to fall materially below 2% over the summer months and to stay there in 2025 and 2026. Nonetheless, there remains significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

## Section 7 Borrowing Outturn

7.1 During 2023/24 the Council funded part of the capital borrowing requirement in the short-term market, with temporary borrowing of £71.000m, in March 2024. However, additional long-term borrowing (PWLB) of £31.000m was also undertaken, taking advantage of lower interest rates and gaps in the borrowing maturity profile. The Council were in an under-borrowed position of £58,801m for 2023/24. The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.

7.2 During 2024/25 focus will be on monitoring longer term rates and looking to borrow longer term to meet the CFR when appropriate and at the same time consider some short-term borrowing where rates are suitable.

7.2 During 2023/24 the actual borrowing and repayments of external debt transacted are shown in Table 10 below. This shows temporary borrowing slightly decreased and

mid-term borrowing has increased. Longer-term borrowing has been undertaken when rates have allowed, a prudent position in the current interest rate environment. The Council's policy is to ensure that not more than 25% of long-term loans are due to mature within any financial year. The indicator for maturing debt of 22% (within one year) is 3% below the maturity limit indicator.

**Table 9**

Loan Type	Borrowed 2023/24 £'000	Repaid 2023/24 £'000	Net £'000
PWLB	31,000	(725)	30,275
Market Loans	19,000	(3,000)	16,000
Temporary borrowing	71,000	(76,000)	(5,000)
	<b>121,000</b>	<b>(79,725)</b>	<b>41,275</b>

7.3 **Debt Re-scheduling** – no external debt was re-scheduled during 2023/24 as the average differential of 1% between PWLB new borrowing rates and premature redemption rates made early repayment of loans expensive and unviable due to the premiums that would be payable.

## Section 8 Investment Out-turn, and Policy in 2023/24

8.1 The Council's investment policy is governed by Scottish Government investment regulations, which have been implemented in the annual investment strategy approved by the Council on 4 March 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

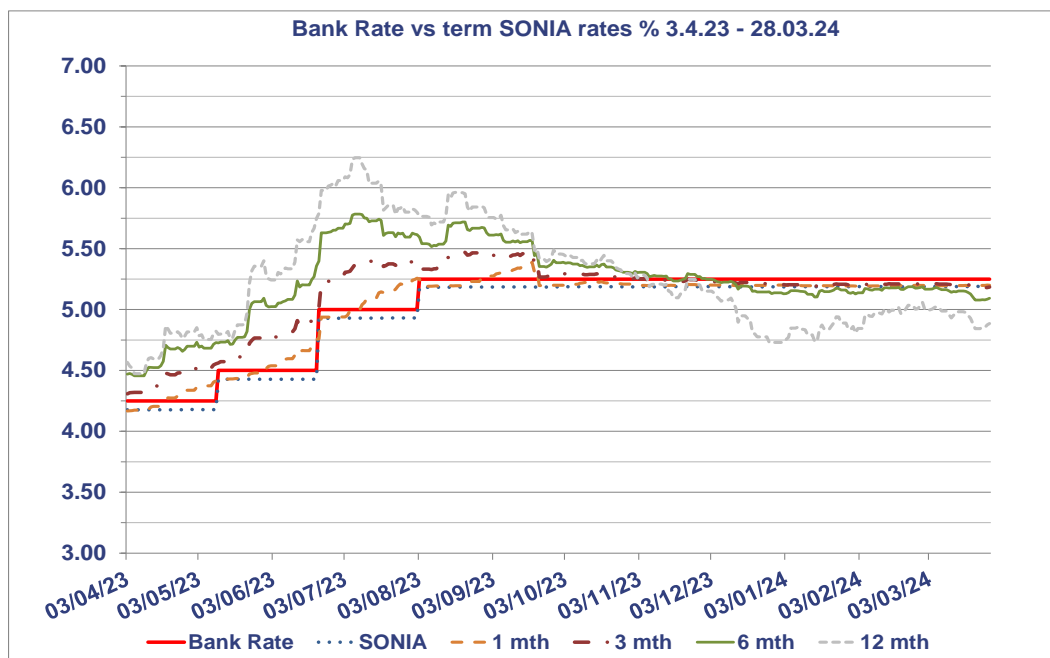
8.3 **Investment Out-turn** – the Council maintained an average balance of £51.506m of internally managed investment funds. The internally managed funds earned an average rate of return of 4.51%.

The comparable performance indicator is the 180d backward Sterling Overnight Index Average (SONIA) compounded rate which was 4.09%.

**Table 10**

	<b>Average Value of Investments Held</b>	<b>Rate of Return</b>	<b>Benchmark Return*</b>
Investments	£51,506m	4.51%	4.09%

\*The benchmark return used is the SONIA compounded rate of 4.09%.



8.4 **Investment Policy** – the Council’s investment policy is governed by Scottish Government investment regulations which have been implemented in the Annual Investment strategy approved by the Council on 4 March 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year met with the approved strategy, and the Council had no liquidity difficulties.

### 8.5 Current Council Investments held on 31 March 2024

Table 11

Class	Type	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal £000
Deposit	Fixed	08/01/24	06/01/25	Lancashire County Council	Maturity	5.75%	5,000
<b>Fixed Total</b>							<b>5,000</b>
Deposit	MMF	01/12/17	-	Federated Prime Rate Sterling Liquidity 3		5.29%	6,400
Deposit	MMF	30/06/20	-	Aberdeen Liquidity Fund - Sterling Fund Class L-1		5.27%	1,000
<b>MMF Total</b>							<b>7,400</b>
Deposit	VNAV	27/04/23	-	Federated Sterling Cash Plus Fund GBP 3 Acc		5.20%	29
<b>VNAV Total</b>							<b>29</b>
Deposit	Variable	10/05/2016	-	Bank of Scotland (Call A/c)	Variable	5.20%	13,955
<b>Call Total</b>							<b>13,955</b>
<b>Overall Total</b>							<b>26,384</b>

## **Section 9 Other Issues**

- 9.1 **Sources of borrowing** - Although PWLB remains a low-risk source of long-term borrowing, due to recent rate changes and the ongoing consultation with local authorities on the future of PWLB borrowing other borrowing institutions may be looked at to remove the reliance on PWLB for long-term borrowing needs.
- 9.2 **Changes in risk appetite** - The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. South Ayrshire Council has a low-risk appetite and as such would look at all aspects before making any changes to the current strategy and members would be made fully aware of any such changes.
- 9.3 **IFRS 16** - The implementation of IFRS 16 bringing currently off-balance sheet leased assets onto the balance sheet is being implemented during 2024/25. Work has begun in this area in 2023/24 and will be progressing throughout 2024/25.

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	<b>Treasury Management Annual Report 2023/24</b>
Lead Officer (Name/Position/Email)	Tim Baulk, Chief Financial Officer <a href="mailto:Tim.Baulk@south-ayrshire.gov.uk">Tim.Baulk@south-ayrshire.gov.uk</a>

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low Impact
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low Impact
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low Impact
Increase participation of particular communities or groups in public life	Low Impact
Improve the health and wellbeing of particular communities or groups	Low Impact
Promote the human rights of particular communities or groups	Low Impact
Tackle deprivation faced by particular communities or groups	Low Impact

**5. Summary Assessment**

<p><b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p>	<p>YES <input type="checkbox"/></p> <p>NO <input checked="" type="checkbox"/></p>
<p><b>Rationale for decision:</b> This report presents to the Panel the annual report of treasury management activities for 2023/24 Their decision on this has no specific equality implications.</p>	
<p><b>Signed:</b> Tim Baulk <span style="float: right;">Chief Financial Officer</span></p> <p><b>Date:</b> 21 May 2024</p>	

**South Ayrshire Council**

**Report by Chief Governance Officer  
to Audit and Governance Panel  
of 26 June 2024**

---

**Subject: Delivering Good Governance – 2023/24 Assessment**

---

**1. Purpose**

1.1 The purpose of this report is to invite Members to review the 2023/24 year-end assessment against the Council's Delivering Good Governance Framework.

**2. Recommendation**

2.1 **It is recommended that the Panel reviews and agrees the 2023/24 year-end assessment as set out in [Appendix 1](#) to this report.**

**3. Background**

3.1 Since the 2022/23 year-end assessment was reviewed and agreed by Audit and Governance Panel Members on 28 June 2023 work has progressed to address the associated improvement actions.

**4. Proposals**

4.1 This report provides updates on those improvement actions set within the context of the principles of the Framework in line with CIPFA recommendations – see [Appendix 2](#); provides a year end assessment on the effectiveness of the updated Framework – see [Appendix 1](#); and identifies a prioritised set of improvement actions to further strengthen the Council's governance arrangements – see [Appendix 3](#).

4.2 [Appendix 2](#) details progress against the improvement actions agreed for 2023/24. There were 8 Improvement Actions in all. It shows that:




- 4 are complete;
- 1 is progressing on target (timescale previously extended beyond the year-end);
- 3 haven't progressed as planned, these are:
  - Governance through reporting by Officers to ensure consultation data and findings are published. Officers are collating the annual log of consultations. (Implementation will take place during 2024)
  - Revision of the Council's Land and Property Asset Management Plan. This was delayed during 2023/24, it will be submitted to Cabinet in June 2024. (Implementation will take place during 2024)
  - Review of the Health and Social Care Partnership Adult Mental



Health Strategy. The Review of the Strategy was delayed due to staff resource constraints within Community Health and Care Services (Implementation will take place by the end of 2024).

4.3 Where slippage has occurred which is material to the effectiveness of the governance arrangements, then this has been factored into year-end assessment presented at [Appendix 1](#). Similarly, if any of the continuing or outstanding actions are regarded as being significant in the context of the framework, then these have been included within the Improvement Plan for 2024/25 in [Appendix 3](#).

4.4 [Appendix 1](#) reflects any developments to the Framework that occurred between April 2023 and the year-end sign off as at 31 March 2024. It also includes an assessment of the effectiveness for each of the 21 sub-principles by the lead officers identified for the aspects that they have responsibility for / knowledge of on the following three-point scale:

	Effective		Effective but scope for improvement		Requiring improvement
---	-----------	---	-------------------------------------	---	-----------------------

<b>Delivering Good Governance 2023-24 Year End Assessment - Summary</b>	
Behaving with integrity	
Demonstrating strong commitment to ethical values	
Respecting the rule of law	
Openness	
Engaging comprehensively with institutional stakeholders	
Engaging with individual citizens and service users effectively	
Defining outcomes	
Sustainable economic, social and environmental benefits	
Determining actions	
Planning actions	
Optimising achievement of intended outcomes	
Developing the Council's capacity	
Developing the capability of the Council's leadership	
Managing risk	
Managing performance	
Robust internal control	
Managing data	
Strong public financial management	
Implementing good practice in transparency	
Implementing good practices in reporting	
Assurance and effective accountability	

4.5 Based on this assessment the lead officers were then asked to identify any specific actions they felt would be desirable to improve the current arrangements and any actions they felt were essential to improve the current arrangements. The resultant actions were then reviewed and prioritised by the Corporate Leadership Team, to produce a rationalised and proportionate set of Improvement Actions for 2024/25, as set out in [Appendix 3](#).

4.6 A summary version of the framework is available on the [Council's website](#), with hyperlinks to allow Members, officers and the public to access all of the supporting detail of the Council's current governance arrangements.

## 5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## 6. Financial Implications

6.1 Not applicable.

## 7. Human Resources Implications

7.1 Not applicable.

## 8. Risk

### 8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

### 8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## 9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 4](#).

## 10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## 11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to delivery of the Council's cross cutting theme 'Reporting and Governance'.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.



**Background Papers**     **Report to Audit and Governance Panel of 28 June 2023 - [Delivering Good Governance - 2022/23 Assessment](#)**




**Person to Contact**     **Catriona Caves, Chief Governance Officer**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612556**  
**E-mail [catriona.caves@south-ayrshire.gov.uk](mailto:catriona.caves@south-ayrshire.gov.uk)**

**Date: 17 June 2024**

## Appendix 1: DGG 2023-2024 Year End Assessment

### Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Behaving with integrity</b>		2023-24 Year End Assessment: 
<p>1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p> <p>2. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (Nolan Principles).</p> <p>3. Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	<ul style="list-style-type: none"> <li>• Both our <a href="#">Councillor's Code of Conduct</a> and our <a href="#">Code of Conduct for Employees</a> identify that behaving with integrity is a key principle that must be followed. The principles within the Councillors' Code are explained as part of the induction training for all new councillors, the Employees Code is issued with all contracts of employment for adherence/acceptance</li> <li>• We maintain a register of interests for each councillor published on the Council's website accessible by <a href="#">Councillor</a> together with a register of the gifts and hospitality received by councillors.</li> <li>• Employees declare any private interests or memberships that might cause a conflict of interest to their line manager. Any gifts or hospitality offered to them (other than those of token value) are recorded in directorate registers.</li> <li>• In keeping with our <a href="#">Standing Orders Relating to Meetings</a>, Panel and Council Meetings are conducted with respect. Declarations of interest are <a href="#">made and minuted</a><a href="https://www.south-ayrshire.gov.uk/article/60810/South-Ayrshire-Council-7-December-2023">https://www.south-ayrshire.gov.uk/article/60810/South-Ayrshire-Council-7-December-2023</a> at the start of each of these meetings, to avoid any conflict of interest arising during the conduct of those meetings.</li> </ul>	<p>SL Democratic Governance</p> <p>Chief HR Officer</p>
<b>Demonstrating strong commitment to ethical values</b>		2023-24 Year End Assessment: 
<p>5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p> <p>7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>8. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Audit and Governance Panel</a> promotes and maintains high standards of conduct by all Councillors, including consideration of the management and operation of ethical standards as set out in the Councillor's Code of Conduct. It recommends to Council any additional protocols, training or support required by Councillors in relation to ethical standards or other matters.</li> <li>• We demonstrate through the pursuit of <a href="#">Equalities and Diversity</a> and in setting and delivering our Shared Equality Outcomes, as agreed by the Ayrshire Equality Partnership, <a href="#">mid-term progress report</a> that we are fully committed to the principles of fairness, equality and human rights. The <a href="#">Equality Outcomes and Mainstreaming Progress Report</a> sets out how equalities have been further mainstreamed through our organisation. We apply these principles in all we do as a community leader, service provider and employer.</li> </ul>	<p>SL Democratic Governance</p> <p>SL Performance, Policy and Community Planning</p> <p>SL Procurement</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
------	---	---	--



## Appendix 1: DGG 2023-2024 Year End Assessment




### Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

	<ul style="list-style-type: none"> <li>Our <a href="#">Procurement Strategy</a> identifies that where ethically traded goods and services are available, we will work with all relevant stakeholders and take a Best Value approach when applying fair and ethically trading principles in procurement activities.</li> </ul>	
<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Respecting the rule of law</b>	<b>2023-24 Year End Assessment:</b>	
<p>9. Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>10. Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>11. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>12. Dealing with breaches of legal and regulatory provisions effectively.</p> <p>13. Ensuring corruption and misuse of power are dealt with effectively.</p>	<ul style="list-style-type: none"> <li>All <a href="#">reports to Panel and Council</a> are required to confirm that the recommendations they contain are consistent with legal requirements and reflect appropriate advice from our Legal Services.</li> <li>The Chief Governance Officer, acting as Monitoring Officer, ensures the Council observes its <a href="#">Scheme of Delegation</a>, its <a href="#">Standing Orders</a> and operates legally. This includes reporting on the legality of matters, mal-administration, and the conduct of councillors and officers.</li> <li>Members on decision making panels such as the Regulatory Panel, Local Review Body (LRB) and Licensing Board receive training and briefings on the legal aspects of their decision making. A training briefing on Planning and Short Term Lets was provided to Members in June 2023. Induction training for the Regulatory Panels (Licensing and Planning) and the LRB was provided to a new Elected Member in October 2023.</li> <li>Our <a href="#">Anti-Fraud and Anti-Bribery Strategy</a> outlines the measures taken by the Council to protect itself against malpractice through either fraud or corrupt practice.</li> <li>Our <a href="#">Procedure for reporting concerns at work</a> outlines how employees can report what they believe to be serious wrongdoing in the Council or information regarding malpractice, such that matters can be expedited thoroughly, discreetly and in a confidential way.</li> </ul>	<p>SL Legal and Licensing</p> <p>SL Democratic Governance</p> <p>Chief HR Officer</p>


Key:		Effective		Effective but scope for improvement		Requiring improvement
------	--	-----------	--	-------------------------------------	--	-----------------------




**Appendix 1: DGG 2023-24 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Openness</b>		<b>2023-24 Year End Assessment:</b> 
<p>14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>15. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p> <p>16. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>17. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Communications Strategy</a> (2023-28) ensures that information about what we do, why we do it and how we do it is provided to our residents, customers, tenants, businesses, Councillors, staff, partners and other stakeholders in the most effective way. The strategy underlines the responsibility that each Elected Member, manager and officer has in delivering this.</li> <li>• All Panel and Council Meetings are open to the public with all papers discussed in open session, other than those containing confidential information. Remote and hybrid Panel and Council meetings are <a href="#">live webcast</a> and recordings are available for the public to view for 24 months on Council website.</li> <li>• <a href="#">Minutes are taken of all Panel and Council Meetings</a>, showing a clear record of how decisions were reached. These are published on the Council's website along with <a href="#">Press Releases</a> which cover all the major decisions that are taken by the Council.</li> <li>• Our Panel report template enables decisions to be communicated accurately and timeously by our Communications Team in line with Panel meeting dates.</li> <li>• Our <a href="#">Communications Strategy</a> reinforces the responsibility of Service Leads to take a strategic approach to communications, ensuring service owned campaigns and plans are in place and that information is shared timeously with the Communications Team</li> <li>• All Panel and Council reports set out the 'results of consultation' providing an outline of how their recommendations have been informed by consultation and engagement.</li> </ul>	<p>Lead officers</p> <p>SL Organisational Development and Customer Services</p> <p>SL Democratic Governance</p>
<b>Engaging comprehensively with institutional stakeholders (other organisations)</b>		<b>2023-24 Year End Assessment:</b> 
<p>18. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>19. Developing formal and informal partnerships to allow for resources to be used more9 efficiently and outcomes achieved more effectively.</p> <p>20. Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> <li>• The Council engages with its main 'institutional stakeholders' through the <a href="#">Community Planning Partnership</a>, which is underpinned by a Community Planning Board supported by a Strategic Delivery Partnership Chairs Executive, comprising the key partners responsible for facilitating effective community planning as defined in community empowerment legislation. Governance arrangements are in place to ensure the Community Planning Partnership is focused on its agreed priorities. The annual <a href="#">Local Outcomes Improvement Plan</a> (LOIP) progress report provides further information on joint progress against outcomes. During 2023/2024 work has taken place to develop a new LOIP for the period 2024-2029.</li> <li>• Our partnerships are underpinned by formal operating agreements, such as with NHS Ayrshire &amp; Arran for our <a href="#">Health and Social Care Partnership</a> (governed through the <a href="#">Integration Joint Board</a>); with East Ayrshire Council for the <a href="#">Ayrshire Roads Alliance</a> (governed by the <a href="#">Ayrshire Shared Services Committee</a>) and with South Carrick Community Leisure for the <a href="#">Quayzone in Girvan</a> (overseen by our <a href="#">Service and Performance Partnerships Panel</a>). A review of these formal operational agreements is taking place during 2024/25.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>Chief Governance Officer</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
-------------	---	-----------	---	-------------------------------------	--	-----------------------

**Appendix 1: DGG 2023-24 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**


<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Engaging with individual citizens and service users effectively</b>		2023-24 Year End Assessment: 
<p>21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>22. Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>23. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>24. Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>26. Taking account of the impact of decisions on future generations of tax payers and service users.</p>	<ul style="list-style-type: none"> <li>• The Council has a <a href="#">Community Engagement Strategy</a> that provides direction for services over how to conduct effective consultation.</li> <li>• <a href="#">Six Locality Planning Groups</a> are in place to help inform the thinking and approach of the Health and Social Care Partnership. Key developments relating to <a href="#">Locality Planning</a> are reported to the Strategic Planning Advisory Group.</li> <li>• The Participatory Budgeting process gives residents the opportunity to decide where public money is spent in their communities. Annual updates on Participatory Budgeting progress are reported to <a href="#">Service and Partnerships Performance Panel</a>.</li> <li>• We use the <a href="#">South Ayrshire 1000 Citizens' Panel</a> to get the views of South Ayrshire residents, their feedback helping to improve and develop public services.</li> <li>• Services have access to Microsoft 365 which gives them the ability to create their own surveys and engage with the public using the M365 Forms application via the Council's <a href="#">consultations</a> web page.</li> <li>• We use our website to publicise <a href="#">current consultation exercises</a> and to report back on their findings e.g. <a href="#">Community Learning and Development Plan 2024-2027</a>, <a href="#">Budget Consultation 2024-25</a></li> <li>• <a href="#">Equality Impact Scoping Assessments</a> including The Fairer Scotland Duty are prepared for each Panel and Council report, to give clarity over the impact that the recommended decision will have, including details of what involvement, engagement or consultation took place. The introduction of a new online integrated impact assessment (IIA) was approved by <a href="#">Cabinet</a> in September 2023. Following approval, the IIA was launched as a pilot for testing within the Strategic Change and Communities Directorate.</li> <li>• Our <a href="#">digital community engagement platform</a> allows open, transparent and democratic engagement between the community and the Council.</li> </ul>	<p>SL Thriving Communities</p> <p>Health and Social Care Partnership Facilitator</p> <p>SL Performance, Policy and Community Planning</p> <p>SL Transformation</p>




Key:		Effective		Effective but scope for improvement		Requiring improvement
------	---	-----------	---	-------------------------------------	--	-----------------------



## Appendix 1: DGG 2023-24 Year End Assessment

### Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits


<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Defining outcomes</b>		2023-24 Year End Assessment: 
<p>27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</p> <p>28. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>29. Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>30. Identifying and managing risks to the achievement of outcomes</p> <p>31. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> <li>• The Council's vision and values have been in place since 2019 and are embedded. Our vision is that we want to serve South Ayrshire 'by making a difference every day'</li> <li>• The <a href="#">Council Plan 2023-28</a> identifies key areas of focus over the next 5 years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. Service Plans supporting the new Council Plan were approved by Council in June 2023 (for year one of the Council Plan). In February 2024 the service planning process began to develop council plan actions for year two of the Council Plan (2024-2025).</li> <li>• These plans help to inform the resourcing requirements of the Council and at the same time should reflect the realities and constraints around resource availability. We have been working during 2023-24 to improve ties between our plans and our resource strategies, covering <a href="#">Finance</a>, our <a href="#">Workforce</a> and <a href="#">Asset Management</a>. <a href="#">Revision of the Council's Land and Property Asset Management Plan will reflect the Council's management structure and the Council Plan 2023-28</a> and <a href="#">Community Asset Transfer</a>.</li> <li>• Our <a href="#">Corporate Workforce Plan</a> (2022-2025) was approved in November 2022. A standardised approach, developed in conjunction with the Local Government Association model has been adopted in developing our workforce planning activities. Workforce planning is now embedded within the 2024 Service Plan template. Our recent external audit (which focused on the theme of workforce innovation) was viewed as positive by Audit Scotland.</li> <li>• Our <a href="#">Strategic Risk Register</a> helps us to manage the overarching elements of risk that are critical to the achievement of our desired outcomes, with risk management arrangements also in place at Directorate level.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>SL Corporate Accounting</p> <p>SL Asset Management and Community Asset Transfer</p> <p>SL Organisational Development and Customer Services</p> <p>SL Risk and Safety</p>




Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
------	---	---	--



## Appendix 1: DGG 2023-24 Year End Assessment



### Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Sustainable economic, social and environmental benefits</b>		<b>2023-24 Year End Assessment:</b> 
<p>32. Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p> <p>34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>35. Ensuring fair access to services</p>	<ul style="list-style-type: none"> <li>• Currently all Panel and Council reports are required to consider 'Sustainable Development and Climate Change Implications' to highlight the environmental impact of proposed policies and plans. This is complimented by any accessibility, health, well-being and deprivation impacts being spelt out through the <a href="#">Equality Impact Scoping Assessment</a> process. The Council's online integrated impact assessment introduced during 2023/24 will allow several key national and local priorities to be considered as part of our decision-making process. Topics include Climate Change, The Fairer Scotland Duty, The Promise and Children's Rights.</li> <li>• The Council is committed to Inclusive Growth and Environmental Impact which are at the core of the <a href="#">Strategic Economic Plan: Vision 2030</a> and the new South Ayrshire Inward Investment Strategy 2024. This is also demonstrated through progressing specific projects, service planning and commitment to the <a href="#">Ayrshire Regional Economic Strategy</a>.</li> <li>• Fairer Scotland Duty has been incorporated into the <a href="#">Equality Impact Assessment</a> process which forms part of the Council's integrated impact assessment. This prompts officers to carefully consider and reflect on how they comply with the legal responsibility placed on the Council to actively consider ('pay due regard' to) how it can reduce inequalities of outcome caused by socioeconomic disadvantage, when making strategic decisions.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>Assistant Director - Communities</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
------	---	---	--

## Appendix 1: DGG 2023-24 Year End Assessment


### Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Determining actions</b>		<b>2023-24 Year End Assessment:</b> 
<p>36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</p> <p>37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> <li>• All Panel and Council reports set out the details of any 'Options Appraisal' carried out together with the 'Results of Consultation'. An options appraisal is required to be undertaken where 'it aids the consideration and appraisal of a number of alternative courses of action to ensure that desired outcome can be achieved in the most economic, effective and efficient way possible; and it allows for new initiatives to be carefully appraised in relation to all potential costs and benefits and their financial sustainability before being approved by the Council/Panel'.</li> <li>• The Strategic Change Executive, which oversees the Council's Change Programme, has been replaced with wider transformation governance arrangements including the establishment of the Transformation Fund and Transformation Board which meets quarterly. Reports providing updates on the success of the Change Programme were delivered to Cabinet in <a href="#">June 2023</a> and Service and Partnerships Performance Panel in <a href="#">January 2024</a>.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>Director – Communities and Transformation</p>
<b>Planning actions</b>		<b>2023-24 Year End Assessment:</b> 
<p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>39. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p> <p>41. Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</p> <p>42. Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</p>	<ul style="list-style-type: none"> <li>• Our planning and control cycle is set out within the Council's <a href="#">Performance Management Framework</a> for 2023-2028.</li> <li>• Services develop plans with clear targets that are based around the Council's priorities with quarterly reporting to <a href="#">Service and Partnerships Performance Panel</a> and the Council's Leadership Team.</li> <li>• Service Plans allow for team plans and <a href="#">Personal Development Review</a> (PDR) to connect directly into the Council's 3 Council Plan Priorities and Outcomes - Spaces and Places; Live, Work, Learn; and Civic and Community Pride.</li> <li>• Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (<a href="#">Pentana</a>) with the contribution of the workforce towards their achievement being assessed through our PDR process. It is managers' responsibility to ensure their staff achieve their objectives. A review of the PDR process is scheduled to be carried out in 2024.</li> <li>• Our PDR template reflects our Purpose, Vision and Values and includes discussion on the <a href="#">Employee Deal</a> with each employee.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>SL Organisational Development and Customer Services</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
-------------	---	-----------	---	-------------------------------------	--	-----------------------

## Appendix 1: DGG 2023-24 Year End Assessment



### Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Planning actions (cont'd)</b>		
<p>43. Ensuring capacity exists to generate the information required to review service quality regularly</p> <p>44. Preparing budgets in accordance with objectives, strategies and the medium term financial plan</p> <p>45. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</p>	<ul style="list-style-type: none"> <li>• Council Services completed self-evaluation as part of the Service Planning Process in February 2024. The Council has adopted the <a href="#">Public Sector Improvement Framework (PSIF)</a> for self-evaluation and this framework was used as part of the self-evaluation exercise</li> <li>• In March 2024, the CLT undertook the self-assessment for the leadership theme. The results of the self-assessment were analysed by the PSIF team at the Improvement Service and two workshops were then held with the CLT to plan for improvement going forward.</li> <li>• Our <a href="#">annual budget setting exercise</a> is undertaken within the context of the <a href="#">Council Plan 2023-28</a>. Throughout 2023/24, including the 2024/25 budget setting process, a continued focus has been the impact on current and future resource constraints, including inflationary pressures.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>SL Corporate Accounting</p>
<b>Optimising achievement of intended outcomes</b>		<b>2023-24 Year End Assessment:</b> 
<p>46. Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p> <p>47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p> <p>48. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p> <p>49. Ensuring the achievement of 'social value' through service planning and commissioning</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Financial Strategy 2020 to 2030</a> and <a href="#">Medium Term Financial Plan 2024-25 to 2028-29</a> are key to ensuring the achievement of the Council's strategic objectives and are about making sure sufficient resources are available to support their delivery. They will provide assistance in identifying where and when resources will become stretched and encourage the identification of a more prioritised approach to future planning with regard to financial constraints.</li> <li>• We are committed to maximising both the contractual and voluntary <a href="#">Community Benefits</a> from our procurement activities. Evidence of the increase in Community Benefit achieved is published in the Council's <a href="#">Annual Procurement Report</a>.</li> <li>• <a href="#">Commissioning Plans</a> are in place to deliver on the Health and Social Care Partnership's (HSCP) Adult Mental Health and Adult Learning Disability Strategies and the Adult and Older People Service Plan. These tie in the HSCP Financial Plan to the <a href="#">HSCP Strategic Plan 2021 to 2031</a>. Review of the Adult Mental Health Strategy has commenced and the Strategy will be published later in 2024.</li> </ul>	<p>SL Corporate Accounting</p> <p>SL Procurement</p> <p>Head of Community Health and Care Services</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
-------------	---	-----------	---	-------------------------------------	--	-----------------------

## Appendix 1: DGG 2023-24 Year End Assessment

### Core Principle E. Developing the Council's capacity, including the capability of its leadership and the individuals within it




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Developing the Council's capacity</b>		<b>2023-24 Year End Assessment:</b> 
<p>50. Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>51. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</p> <p>52. Recognising the benefits of partnerships and collaborative working where added value can be achieved</p> <p>53. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<ul style="list-style-type: none"> <li>• The Council's Service Review process was designed to systematically review the options for delivering services to ensure they represent best value. Council approved a new approach to transformation in <a href="#">March 2024</a> including four priority areas and the establishment of the Transformation Board to ensure the appropriate level of governance is in place for the Strategic Change Programme.</li> <li>• Service re-design process and approach is being reviewed by the Council's Transformation Service</li> <li>• A review and evaluation of the Council's approach to <a href="#">Future Operating Model</a> identified implications for operational performance and use of assets. This was presented to Strategic Change Executive and was the subject of an Elected Member's Briefing in June 2023. Transition to the Future Operating Model is complete.</li> <li>• Benchmarking activity includes use of the <a href="#">Local Government Benchmarking Framework</a> measures to help evaluate our performance, which are reported annually to Members.</li> <li>• A <a href="#">Corporate Workforce Plan</a> is in place which includes a comprehensive action plan that will be taken forward by key, identified services. Workforce Planning is now a subject included in the Leadership Development Programme.</li> <li>• Information from <a href="#">workforce planning</a> and <a href="#">succession planning</a> templates informed detailed workforce planning reports which were issued to all Directors, and highlighted a range of workforce considerations, maturity levels, risks, and critical role analysis. These reports will also inform the Directorate workforce planning groups.</li> </ul>	<p style="text-align: center;">Director – Communities and Transformation</p> <p style="text-align: center;">SL Performance, Policy and Community Planning</p> <p style="text-align: center;">SL Organisational Development and Customer Services</p>
<b>Developing the capability of the Council's leadership and other individuals</b>		<b>2023-24 Year End Assessment:</b> 
<p>54. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>55. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p> <p>56. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of</p>	<ul style="list-style-type: none"> <li>• Role Profiles set out the generic responsibilities of all Members, together with specific ones for the Leader of the Council, Provost, Portfolio Holders and the Chairs of Standing Scrutiny Panels, Regulatory Panel and Other Panels. Role Profiles will be revised and updated in 2024/25.</li> <li>• Job descriptions are in place for the Chief Executive, Directors, Assistant Directors/Chief Officers and Senior Officers.</li> <li>• The Council's <a href="#">Scheme of Delegation</a> is regularly updated, setting out what powers are exercised by Council, what are delegated to Panels and what are delegated to officers.</li> <li>• The Chief Executive is appraised by the Leader of the Council and other senior Members at the Chief Officers Appointments / Appraisal Panel.</li> </ul>	<p style="text-align: center;">SL Democratic Governance</p> <p style="text-align: center;">Chief HR Officer</p> <p style="text-align: center;">SL Organisational Development and Customer Services</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
-------------	---	---	--

## Appendix 1: DGG 2023-24 Year End Assessment

### Core Principle E. Developing the Council's capacity, including the capability of its leadership and the individuals within it

services and other outputs set by members and each provides a check and a balance for each other's authority	<ul style="list-style-type: none"><li>• Chief Officers are appraised against our Leadership Competency Framework.</li></ul>	
--	---	--

Key:		Effective		Effective but scope for improvement		Requiring improvement
------	---	-----------	---	-------------------------------------	--	-----------------------

## Appendix 1: DGG 2023-24 Year End Assessment



### Core Principle E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Developing the capability of the Council’s leadership and other individuals (continued)</b>		
<p>57. Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by ensuring:</p> <ul style="list-style-type: none"> <li>• access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• they have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and that they are able to update their knowledge on a continuing basis</li> <li>• personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul> <p>58. Ensuring that there are structures in place to encourage public participation</p> <p>59. Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>60. Holding staff to account through regular performance reviews which take account of training or development needs</p> <p>61. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<ul style="list-style-type: none"> <li>• A comprehensive induction programme was provided for Members in May / June 2022.</li> <li>• An ongoing programme of Member Briefings provides updates and discussion on emerging issues/areas of interest, this is available in a hybrid format and can be accessed as recordings where members are unable to attend. Corporate Leadership Team agreed that senior management can now attend Member Briefings.</li> <li>• We have a suite of development and training opportunities for Members including CPD, briefings and political skills self-assessment.</li> <li>• Welcome pages are in place as part of the <a href="#">Future Operating Model</a> to support new employees who are joining on different workstyles e.g. homeworking.</li> <li>• A new <a href="#">Leadership Development Programme</a> is in place, including a range of Leadership Engagement Events.</li> <li>• Our senior officers and managers have Personal Development Plans arising from our Performance and Development Review process.</li> <li>• The Council’s <a href="#">Community Engagement Strategy</a> sets out the role of Community Empowerment in the active involvement of people and communities within South Ayrshire in the work of the Council.</li> <li>• Training in partnership with the Consultation Institute has been delivered to Elected Members and Officers to understand the requirements for consultation. During 2023/24 we continued to upskill the workforce on consultation, a consultation reference group was set up to coordinate consultations and details of consultations published.</li> <li>• Our workforce participate in an annual <a href="#">Performance Development Review</a> process, which ties into the Council’s corporate vision and values of the <a href="#">South Ayrshire Way</a>. Managers are responsible for ensuring PDRs are carried out effectively and meaningfully in their area.</li> <li>• The health and well-being of our workforce is of the utmost importance to the Council, as recognised through the implementation of the Workforce Planning Strategy and the Wellbeing Strategy. These Strategies identify a range of workstreams relating to employee wellbeing which cut across several Council Services..</li> </ul>	<p>Lead officers</p> <p>SL Democratic Governance</p> <p>SL Organisational Development and Customer Services</p> <p>SL Thriving Communities</p> <p>SL Corporate Planning and Improvement</p> <p>Chief HR Officer</p>



## Appendix 1: DGG 2023-24 Year End Assessment

### Core Principle F. Managing risks and performance through robust internal control and strong public financial management

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Managing risk</b>		<b>2023-24 Year End Assessment:</b> 
<p>62. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p> <p>63. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p> <p>64. Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<ul style="list-style-type: none"> <li>• A <a href="#">risk management strategy</a> that sets out the overall arrangements for assessing, managing and reviewing risk across the operation of the Council.</li> <li>• Strategic and directorate risk registers in place, with a regular review and reporting regime, to ensure risks are managed to a tolerable level.</li> <li>• 6 monthly agreement of the Council's Strategic Risk Register by the <a href="#">Audit and Governance Panel</a> and <a href="#">Cabinet</a>, following specific training for Members.</li> <li>• All Panel and Council reports include 'Risk Implications of Accepting or Rejecting Recommendations'</li> </ul>	SL Risk and Safety
<b>Managing performance</b>		<b>2023-24 Year End Assessment:</b> 
<p>65. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p> <p>66. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p> <p>67. Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>68. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>69. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</p>	<ul style="list-style-type: none"> <li>• Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system <a href="#">(Pentana)</a>.</li> <li>• Scrutiny of these performance reports takes place at the Service and Partnerships Performance Panel. The Council Plan Quarter 2 performance report was submitted to Panel in <a href="#">November 2023</a>. The <a href="#">Annual Performance Report 2022/23</a> was taken to full Council in December 2023. To aide this scrutiny, Members can directly access the performance information held within Pentana.</li> <li>• Throughout 2023/24, the Council's Strategic Change Programme ensured a project approach to the delivery of key outcomes. The programme was underpinned by a governance framework focusing on benefit realisation and effective reporting. The Strategic Change Executive received bi-monthly updates on the Change Programme.</li> <li>• In March 2024, proposals to take forward a new strategic vision for delivering transformation activity, Shaping our Future Council, were approved by <a href="#">Full Council</a>. The new vision includes new governance and reporting framework as well as a transformation fund that Services can utilise to deliver strategic priorities.</li> <li>• Revenue Budgetary Control reports are presented to Members at <a href="#">Cabinet</a> every three months, to provide a financial overview of the General Services Revenue Account, Housing Revenue Account and Common Good Accounts. Plans are currently being developed to increase the frequency of budgetary control reports to Cabinet to five per annum.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>Director – Communities and Transformation</p> <p>SL Corporate Accounting</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
-------------	---	---	--

## Appendix 1: DGG 2023-24 Year End Assessment

### Core Principle F. Managing risks and performance through robust internal control and strong public financial management



<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Robust internal control</b>	<b>2023-24 Year End Assessment:</b>	
<p>70. Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>71. Evaluating and monitoring risk management and internal control on a regular basis</p> <p>72. Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>73. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>74. Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul>	<ul style="list-style-type: none"> <li>• As described under 'managing risk' we have a risk management strategy aligned to the Council Plan and Risk Registers which management evaluate and monitor on a 6-monthly basis</li> <li>• As described under 'managing performance' we have internal controls (our <a href="#">Performance Management Framework</a>) designed to help deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis.</li> <li>• As described under 'Respecting the rule of law' we have counter fraud and anti-corruption arrangements, together with a <a href="#">Corporate Fraud Team</a> that reports to the Audit and Governance Panel on a <a href="#">6 monthly basis</a>. The Council also participates in the biennial National Fraud Initiative exercises.</li> <li>• Our Internal Audit team develop their <a href="#">annual plan</a> linked to risk register and Council Plan. It is focused on areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes. Progress is <a href="#">reported quarterly</a>, together with an <a href="#">annual statement of assurance</a>.</li> <li>• Our Audit and Governance Panel, whose chair and vice chair are independent of the ruling political administration, is responsible for considering the overall adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements, including the associated anti-fraud and anti-corruption arrangements. The work of the Panel is conducted in line with our <a href="#">Audit Committee Handbook</a>, and <a href="#">CIPFA Guidelines</a>.</li> <li>• Regular updates are provided to the Audit and Governance Panel on progress against <a href="#">Internal Audit</a> improvement actions together with progress against <a href="#">External Audit Reports</a>.</li> <li>• The Panel also administers the 'Call-In' process, where decisions of the Cabinet can be 'called in' by other Members, to allow further scrutiny to take place.</li> </ul>	<p style="text-align: center;">SL Risk and Safety</p> <p style="text-align: center;">SL Performance, Policy and Community Planning</p> <p style="text-align: center;">SL Internal Audit</p> <p style="text-align: center;">SL Democratic Governance</p>




Key:		Effective		Effective but scope for improvement		Requiring improvement
------	--	-----------	--	-------------------------------------	--	-----------------------








## Appendix 1: DGG 2023-24 Year End Assessment

### Core Principle F. Managing risks and performance through robust internal control and strong public financial management


<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Managing data</b>		2023-24 Year End Assessment: 
<p>75. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>76. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p> <p>77. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Records Management Plan</a> sets out proper arrangements for the management of both electronic and physical records across all Council service areas, in compliance with the Public Records (Scotland) Act 2011.</li> <li>• Our <a href="#">Data Protection Policy</a> sets out our arrangements to ensure that we are fully compliant with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. Data Protection training was provided to Services in January 2024.</li> <li>• We have <a href="#">guidance over sharing of data</a> and a specific <a href="#">Ayrshire and Arran Protocol</a> regulating the sharing of data with the Police Service for Scotland and Scotland Fire &amp; Rescue. An <a href="#">information sharing protocol</a> is in place between South Ayrshire Council, East Ayrshire Council, North Ayrshire Council, NHS Ayrshire and Arran and the Health and Social Care Partnership Service Integration Joint Boards.</li> </ul>	SL Democratic Governance
<b>Strong public financial management</b>		2023-24 Year End Assessment: 
<p>78. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</p> <p>79. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Financial Strategy 2020 to 2030</a> and <a href="#">Medium Term Financial Plan 2024-25 to 2028-29</a> are key to ensuring the achievement of the Council's strategic objectives. Our planning at <a href="#">Service and Improvement Plan</a> level continues to be linked to budgets available to services. Links exist between our 'financial' and 'performance' reporting including reference in the financial reports to the impact on service performance for context.</li> <li>• Work continues to improve the flow of financial management information as budget holders become more directly involved in the budgeting and forecasting of spend. A new Enterprise Resource Planning solution, which is predicated on adopting best practice in this area and will ultimately inform future improvement work, became operational during April 2023. Following a period of 'bedding-in', work is ongoing to review the new processes and controls associated with the system to help ensure that stakeholders' needs are addressed through effective operation of the system.</li> </ul>	SL Corporate Accounting




Key:		Effective		Effective but scope for improvement		Requiring improvement
------	---	-----------	---	-------------------------------------	--	-----------------------

Behaviours and actions that demonstrate	Current arrangements in South Ayrshire that support those behaviours and actions.....	Lead officers
<b>Implementing good practice in transparency</b>		<b>2023-24 Year End Assessment:</b> 
<p>80. Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p> <p>81. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Council website</a> offers the public easy access to up to date information. We now comply with the <a href="#">Public Sector Bodies Accessibility Regulations</a> with regards to the accessibility of the documents we publish. We also use a <a href="#">range of social media</a> to ensure that we appeal to and engage with a broad range of audiences. We offer translations and alternative formats for our printed publications.</li> <li>• Our social media profile continues to increase with over 63,000 followers across all of our corporate platforms. We publish quarterly editions of our SAC Live Magazine, providing residents with information on our services and the work of the Council. We also use tools such as public facing TVs to inform the public.</li> <li>• Our <a href="#">Annual Accounts</a> feature a reader-friendly 'management commentary' covering our administration, financial management and performance over the course of the last year, providing a concise outline of progress, illustrated with examples and infographics.</li> </ul>	<p>SL Transformation</p> <p>SL Organisational Development and Customer Services</p> <p>SL Corporate Accounting</p>
<b>Implementing good practices in reporting</b>		<b>2023-24 Year End Assessment:</b> 
<p>82. Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</p> <p>83. Ensuring members and senior management own the results reported</p> <p>84. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</p> <p>85. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework</p>	<ul style="list-style-type: none"> <li>• Our approach to <a href="#">public performance reporting</a> includes our <a href="#">Annual Performance Report</a>, and annual reports for high profile services including <a href="#">Educational Services</a>, <a href="#">Housing</a> and the <a href="#">Health and Social Care Partnership</a></li> <li>• Council decisions are taken by Members and these are <a href="#">minuted and published</a>.</li> <li>• Our <a href="#">Council's Annual Performance Report</a> and analysis of <a href="#">benchmarking data</a> allows the public to assess performance across all the main areas of Council service provision. Our <a href="#">Public Performance webpage</a> allows people to find out more about how the Council and Community Planning Partnership are performing.</li> <li>• We will continue to update evaluation procedures for this Framework, maintaining the robustness of our existing approach, where the <a href="https://www.south-ayrshire.gov.uk/media/4935/Item-10-Delivering-Good-Governance/pdf/Item_10_AGP220622_Delivering_Good_Governance.pdf?m=637904756629200000">initial officer assessment https://www.south-ayrshire.gov.uk/media/4935/Item-10-Delivering-Good-Governance/pdf/Item_10_AGP220622_Delivering_Good_Governance.pdf?m=637904756629200000</a> is scrutinised by the <a href="#">Audit and Governance Panel</a>, the findings and improvement actions then being reflected in the Council's Annual Governance Statement within our Annual Accounts.</li> <li>• We look for the principles of good governance, rather than this Framework itself, to be evident wherever we work in partnership. For example, our Health and Social Care Partnership publish their <a href="#">detailed governance arrangements on their website</a>.</li> </ul>	<p>SL Performance, Policy and Community Planning</p> <p>SL Democratic Governance</p>







Key:		Effective		Effective but scope for improvement		Requiring improvement
------	---	-----------	---	-------------------------------------	---	-----------------------




<p>have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p> <p>86. Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</p>		
---	--	--

<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Assurance and effective accountability</b>		<b>2023-24 Year End Assessment:</b> 
<p>87. Ensuring that recommendations for corrective action made by external audit are acted upon</p> <p>88. Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</p> <p>89. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>90. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>91. Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</p>	<ul style="list-style-type: none"> <li>• Regular updates are made to the Audit and Governance Panel on progress against improvement actions identified in relation to <a href="#">External Audit</a> reports.</li> <li>• Inspection reports on schools, social work services, children's services etc. are considered at <a href="#">Cabinet</a>, who are kept updated over their improvement actions.</li> <li>• National Audit Scotland reports are considered by the Audit and Governance Panel, allowing the Council to <a href="#">reflect on their findings</a> and to act on areas for improvement.</li> <li>• Services continue to take account of the risks associated with service delivery through third parties as part of our 2023/24 annual governance statement.</li> <li>• Our <a href="#">Service and Partnerships Performance Panel</a> monitors, reviews and challenges the performance of services which are delivered through or in partnership with external bodies and discharges the statutory requirement for local review of police and fire performance.</li> </ul>	<p>Chief Financial Officer</p> <p>SL Democratic Governance</p>





Key:		Effective		Effective but scope for improvement		Requiring improvement
------	---	-----------	---	-------------------------------------	---	-----------------------

## Appendix 2 - Delivering Good Governance – 2023/24 Improvement Actions – Update on progress to 31 March 2024


<b>KEY:</b>		Completed		Not on target – major concerns		Action no longer being progressed
		On target		Not on target – some concerns		Not due to start

Improvement Action	Lead Officer	Due Date	Status	Update on progress
<b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>				
1. Introduction of new procedures for the Conflict of Interest Register for Employees	Service Lead - Democratic Governance	31 Jul 2023		Introduction of new procedures re Conflict of Interest Register completed
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>				
2. Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	Service Lead - Performance, Policy and Community Planning	15 Dec 23 (revised date)		The Integrated Impact Assessment (IIA) was approved by Cabinet on the 26 <sup>th</sup> of September. The IIA incorporates Public Sector Equality Duty, Fairer Scotland Duty, Human Rights, Children's Rights and Wellbeing Impact Assessment (CRWIA), Sustainability and Climate Change and a number of cross-cutting issues: trauma informed, health and wellbeing, ageing population, The Promise and rurality. The IIA has been launched as a pilot for testing within Strategic Change and Communities (now Communities and Transformation) Directorate
3. Governance through reporting by Officers to ensure consultation data and findings are published	Service Lead - Thriving Communities	31 Mar 24		The annual log of consultations for 2023/24 will be posted on 'Have Your Say' website. Officers are collating this information

## Appendix 2 - Delivering Good Governance – 2023/24 Improvement Actions – Update on progress to 31 March 2024

4. Review of Ayrshire Roads Alliance Operational Arrangements	Director of Housing Operations and Development	31 Mar 24		Final report and recommendations presented to the Project Board. Recommendations will be taken forward by Director of Housing Operations and Development, with an update on progress provided at the Transformation Board in July/August
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>				
5. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and Community Asset Transfer	30 Sep 23 (revised date)		The revision of the Council's Land and Property Asset Management Plan will be submitted to Cabinet in June 2024. The Transforming the Estate report will be reviewed by the Council's ELT and Transformation Board prior to being submitted to Cabinet after recess
<b>D. Determining the actions necessary to optimise the achievement of the intended outcomes</b>				
6. Review of the Health and Social Care Partnership Adult Mental Health Strategy	Head of Community Health and Care Services	31 Mar 24 (revised date)		It was anticipated that a new manager for the service would start in March 2023, but they did not start until October 2023. The engagement process to develop the Strategy started in February 2024 and the Strategy will be published by December 2024
7. Refresh the Council's corporate evaluatory tool 'How Good is our Council'	Service Lead - Performance, Policy and Community Planning	31 Mar 24 (revised date)		Following agreement from ELT and the Best Value Working Group, the Council has adopted the Public Service Improvement Framework as it's self-evaluation tool. The framework has been used to assist in the service planning process and will be rolled out to individual services during 2024/25

**Appendix 2 - Delivering Good Governance – 2023/24 Improvement Actions – Update on progress to 31 March 2024**

F. Managing risk and performance through robust internal control and strong public financial management				
8. The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management	Service Lead - Corporate Accounting	31 Mar 24 (revised date)		Following the roll-out of Oracle Fusion, a number of operational and reporting issues were identified during financial year 2023/24. Although some 'teething issues' were anticipated, the volume and breadth of some of the challenges faced were significant and consequently required more time and resource to identify, test and deploy solutions. Although this process remains ongoing, the proposed technical solutions - supported by a training refresh - are expected to deliver improvement in the user experience that will subsequently facilitate further improvements in system processes through wider adoption of system functionality

### Appendix 3 - Delivering Good Governance – Proposed 2024/25 Improvement Actions

Improvement Action	Lead Officer	Due Date	Priority Desirable / Essential
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law			
B. Ensuring openness and comprehensive stakeholder engagement			
1. Governance through reporting by Officers to ensure consultation data and findings are published	Service Lead – Thriving Communities	30-Sep-2024 <i>(revised)</i>	Desirable
2. Review of formal operational agreements in place with Partnerships	Chief Governance Officer	31-Mar-2025	Desirable
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits			
3. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and Community Asset Transfer	30-Jun-2024 <i>(revised)</i>	Essential
D. Determining the actions necessary to optimise the achievement of the intended outcomes			
4. Review of the Health and Social Care Partnership Adult Mental Health Strategy	Head of Community Health & Care Services	31 Dec 2024 <i>(revised)</i>	Essential
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it			
5. Revision and updating of Role Profiles for Elected Members	Service Lead – Democratic Services	31-Mar-2025	Desirable
F. Managing risk and performance through robust internal control and strong public financial management			
6. The new Enterprise Resource Planning system will facilitate both the adoption of good practice and further improvement in financial management and control	Service Lead – Corporate Accounting	31-Mar-2025 <i>(revised)</i>	Desirable
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability			

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Review of Year End Assessment re Delivering Good Governance Framework.
Lead Officer (Name/Position/Email)	Catriona Caves

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-



Community or Groups of People	Negative Impacts	Positive impacts
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<del>YES</del> <b>NO</b>
<b>Rationale for decision:</b>  <b>This report asks members to review the 2023/24 year end assessment against the Council's Delivering Good Governance Framework. The review has no specific equality implications</b>	
<b>Signed:</b> Wynne Carlaw	Service Lead – Democratic Governance
<b>Date:</b> 31 May 2024	