

County Buildings
Wellington Square
AYR KA7 1DR
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18 September 2024

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 (SPECIAL)

You are requested to participate in the above Panel to be held **on Thursday, 26 September 2024 at 2.00 p.m.** for the purpose of considering the undernoted business.

This meeting will be held in the County Hall County Buildings, Ayr on a hybrid basis for Elected Members, will be live-streamed and available to view at <https://south-ayrshire.public-i.tv/>

Yours sincerely

CATRIONA CAVES
Chief Governance Officer

B U S I N E S S

1. Declarations of Interest.
2. Final Report on the 2023/24 Audit – Submit report by the Chief Financial Officer (copy herewith).

For more information on any of the items on this agenda, please telephone Jill Butchart,
Committee Services on 01292 612102, Wellington Square, Ayr or
e-mail: committeeservices@south-ayrshire.gov.uk
www.south-ayrshire.gov.uk

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South Ayrshire Council

**Report by Chief Financial Officer
to Audit and Governance Panel (Special)
of 26 September 2024**

Subject: Final Report on the 2023/24 Audit

1. Purpose

- 1.1 The purpose of this report is to submit the Annual Accounts for the financial year ended 31 March 2024 and the proposed independent auditor's report to Members of the Council, and to allow the auditor to communicate the matters raised during the audit to the Panel.

2. Recommendation

2.1 It is recommended that the Panel:

- 2.1.1 notes the contents of Audit Scotland's audit completion letter (Annex 1);**
- 2.1.2 accepts Audit Scotland's Proposed 2023/24 Annual Audit Report (Annex 2), and notes that both the Council's 2023/24 Annual Accounts and the Charitable Trust Funds 2023/24 Trustees' Annual Report and Financial Statements have an unmodified audit opinion;**
- 2.1.3 approves the Council's audited 2023/24 Annual Accounts (Annex 3) for signature and subsequent issue by 30 September 2024; and**
- 2.1.4 approves the Charitable Trust Funds audited 2023/24 Trustees' Annual Report and Financial Statements (Annex 4) for signature and subsequent issue by 30 September 2024.**

3. Background

- 3.1 Audit Scotland undertook its audit of the 2023/24 Annual Accounts of South Ayrshire Council in accordance with the requirements of the Local Government (Scotland) Act 1973, and the Code of Audit Practice approved by Audit Scotland.
- 3.2 A full and separate audit is also required for each registered charity where Elected Members and officers of South Ayrshire Council are sole trustees. Members and officers of South Ayrshire Council are sole trustees for four charitable trusts with total assets of £0.871m.
- 3.3 The Audit and Governance Panel, as stated in the Scheme of Delegation, acts as the Audit Committee of the Council within the remit and powers as set out in detail

in the Audit Committee Handbook approved by Council. This includes the receiving and considering all reports of the external auditors including reports relating to charitable trusts administered by the Council and of which Councillors are Trustees.

4. Proposals

- 4.1 Recognised best practice requires the Council, or a committee thereof, to consider the Council's audited Annual Accounts (refer to Annex 3) and the Charitable Trust Funds Annual Trustees' Report and Financial Statements (refer to Annex 4) and their proposed Independent Auditor's Report, and to approve a recommendation that those accounts are signed as appropriate by the Leader of the Council, Trustees of the Charitable Trust Funds, the Chief Executive and Chief Financial Officer.
- 4.2 The auditor is required under International Standard on Auditing 260 to communicate matters relating to the audit of the financial statements to those charged with governance of a body (which for South Ayrshire Council is the Audit and Governance Panel) to enable appropriate action to be taken (this document, known as the Annual Audit Report, is attached at Annex 2).
- 4.3 There is an unmodified audit opinion in the proposed Independent Auditor's Reports for both the Council and the Charitable Trust Funds.
- 4.4 The Council's accumulated General Fund surplus at 31 March 2024 was £28.591m. This position remains unchanged from the figures reported to the Audit and Governance Panel on 26 June 2024.

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 If the Annual Accounts are not signed and issued by the deadline required by the Accounts Commission then this may result in reputational damage for 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 Annex 5.

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 Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

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 **Report to Audit and Governance Panel of 26 June 2024 – [Annual Accounts 2023/24](#)**

Person to Contact **Tim Baulk, Chief Financial Officer**
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Date: 19 September 2024

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Audit and Governance Panel

26 September 2024

South Ayrshire Council Audit of 2023/24 Annual Accounts

Independent auditor's report

1. Our audit work on the 2023/24 Annual Accounts of South Ayrshire Council and its group and the registered charities administered by the council ([appendix C](#)) is now substantially complete. Subject to the receipt of a revised set of Annual Accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report following approval of the Annual Accounts by the Audit and Governance Panel on 26 September 2024 (the proposed reports are attached at [appendix A](#) and [appendix D](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report on specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Panel's consideration our proposed annual report on the 2023/24 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the Annual Accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the Annual Accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to report.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Audit and Governance Panel we seek confirmation from those charged with governance of any instances of any actual, suspected, or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Chief Financial Officer, as Section 95 Officer, on aspects of the Annual Accounts, including the judgements and estimates made.

9. Draft letters of representation in respect of the council and the registered charities are attached at [appendix B](#) and [appendix E](#). These should be signed and returned to us by the Chief Financial Officer together with the signed Annual Accounts prior to the independent auditor's report being certified.

Concluding remarks

10. I take this opportunity to record my thanks for the patient and courteous assistance extended to the audit team. Officers provided good support to the audit team which helped to ensure that the audit process ran smoothly.



Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
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Glasgow, G2 1BT

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of South Ayrshire Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of South Ayrshire Council and its group for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Account and Common Good Fund Accounts and notes to the financial statements, including material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2024 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Financial Officer and the Audit and Governance panel for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit and Governance Panel is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Financial Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Financial Officer concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Statement of Responsibilities, Annual Governance Statement, and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other

purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow, G2 1BT

Appendix B: Letter of Representation (ISA 580)

Fiona Mitchell-Knight FCA
Audit Scotland
4th Floor
8 Nelson Mandela Place
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G2 1BT

Dear Fiona,

South Ayrshire Council Annual Accounts 2023/24

This representation letter is provided in relation to your audit of the Annual Accounts of South Ayrshire Council and its group for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the Management Commentary, Annual Governance Statement, and the Remuneration Report.

I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Leadership Team and the council, the following representations given to you in connection with your audit of South Ayrshire Council's Annual Accounts for the year ended 31 March 2024.

General

South Ayrshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 Annual Accounts. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the Annual Accounts have been made available to you for the purposes of your audit. All transactions undertaken by South Ayrshire Council have been recorded in the accounting records and are properly reflected in the financial statements.

I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (2023/24 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and The Local Authority Accounts (Scotland) Regulations 2014.

In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of South Ayrshire Council and its group at 31 March 2023 and the transactions for 2023/24.

Accounting Policies & Estimates

All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2023/24 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to South Ayrshire Council's circumstances and have been consistently applied.

The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or because of new information or experience.

Going Concern Basis of Accounting

I have assessed South Ayrshire Council and its group's ability to continue to use the going concern basis for accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on South Ayrshire Council and its group's ability to continue as a going concern.

Assets

The assets shown in the books and accounts at 31 March 2024, other than assets which are employed under finance leases, were owned by South Ayrshire Council. The assets are free from any lien, encumbrance, or charge.

For the year ended 31 March 2024, title deeds for properties owned or mortgaged to South Ayrshire Council were held by the council and all such deeds were in order.

Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2024 does not differ materially from that which would be determined if a revaluation had been carried out at that date. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2024.

All non-current assets are appropriately classified and there are no known errors in the valuations of non-current assets in the balance sheet. The net book value in the balance sheet was arrived at after:

- Taking into account all material capital expenditure on additions but not expenditure properly chargeable to revenue.
- The amounts at which the land and buildings were stated in the balance sheet were properly calculated in accordance with the approved bases of valuation and fairly represented the values at 31 March 2024.
- Deducting the cost and accumulated depreciation relating to items sold or scrapped.
- Providing for depreciation and obsolescence on bases and at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its probable useful life.

The council's housing stock was valued on the Existing Use Value – Social Housing (EUV – SH) using the beacon principle. In my view the valuation approach complies with RICS guidance, it is in accordance with the 2023/24 accounting code and fairly represents the value of the housing stock.

The council owns intangible assets in the form of software licenses. Intangible assets have been separately identified in the balance sheet. Intangible assets have been recognised in accordance with the 2023/24 accounting code and IAS 38, as disclosed in Note 10 to the Annual Accounts.

All leasing arrangements have been reviewed and correctly classified as operating or finance within the financial statements. Lease arrangements granted by South Ayrshire Council have been correctly classified and disclosed in the financial statements.

In line with the requirements of FRS 30 Heritage Assets, heritage assets are included in the balance sheet at valuation. As allowed by the 2023/24 accounting code, the basis of valuation is the declared valuation for insurance purposes or replacement value.

All long-term debtors and prepayments have been fully provided for in the books of account.

The council's stocks have been valued at the lower of cost or net realisable value. All inventories are included in the financial statements.

I carried out an assessment at 31 March 2024 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

Liabilities

All liabilities have been provided for in the books of account, including the liability for all purchases for which title has passed prior to 31 March 2024 and deferred liabilities arising from the financing of PPP/PFI contracts and other finance leases.

Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2024 of which we are aware where the conditions specified in IAS 37 have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2024. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2024 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

Expenditure has only been accrued where it relates to costs incurred prior to the financial year end.

The accrual recognised in the financial statements for holiday untaken by 31 March 2024 has been calculated by extrapolating actual costs from a sample of staff. In my opinion the sample selected is representative of the workforce as a whole.

The pension assumptions made by the actuary in the IAS 19 report for South Ayrshire Council have been considered and I confirm that they are consistent with management's own view.

There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Litigation and Claims

We have made you aware of all known actual or possible legal claims.

Contingent liabilities

There are no significant contingent liabilities, other than those disclosed in Note 30 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the Annual Accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2023/24 accounting code and IAS 37.

Loans Fund

All borrowings are compliant with relevant legislation. The council did not, during 2023/24, borrow in advance of immediate requirements other than as part of normal treasury management.

The profiling of the payments included in the Annual Accounts complies with the reported accounting policy and relevant statutory guidance.

Prior year restatement

I confirm that all restatements to correct or update 2022/23 comparative figures in the 2023/24 financial statements have been accurately processed. Details of the restatement can be found in Note 3 to the Financial Statements.

Insurance Fund

In respect of the council's insurance fund for property, motor and liability insurance, there are no material unfunded risks.

Other matters

I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code.

Except as disclosed in the financial statements, the results for the period were not materially affected by:

- Transactions of a sort not usually undertaken by South Ayrshire Council
- Circumstances of an exceptional or non-recurrent nature
- Changes or credits relating to prior periods
- Any change in the basis of accounting

Fraud

I acknowledge that it is the responsibility of South Ayrshire Council to prevent and detect fraud and other irregularity. I have considered the risk that the financial statements may be materially misstated because of fraud. I have disclosed to you any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Laws and Regulations

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code. I have made available to you the identity of all the South Ayrshire Council's related parties and all the related party relationships and transactions of which I am aware.

Management Commentary

I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

I confirm that South Ayrshire Council has undertaken a review of the system of internal control during 2023/24 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2024, which require to be reflected.

Remuneration Report

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014 and all required information of which I am aware has been provided to you.

Group Accounts

I have identified all the other entities in which South Ayrshire Council has a material interest and have classified and accounted for them in accordance with the 2023/24 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Common good fund and trust funds

I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements. Where appropriate those common good assets used operationally by the council are recognised as finance leases.

Similarly, all assets, liabilities and revenue transactions relating to trusts administered by the council have been properly separated from the council's single entity Annual Accounts and are reflected within the trust fund accounts.

Events Subsequent to the Date of the Balance Sheet

All events subsequent to 31 March 2024 for which the 2023/24 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Tim Baulk
Chief Financial Officer
South Ayrshire Council

Appendix C: Registered charities administered by South Ayrshire Council

Charity	Scottish charity number
South Ayrshire Charitable Trust	SC045677
David Elder Edward Trust	SC016728
South Ayrshire Council Charitable Trusts	SC025088
McKechnie Trust	SC012759

Appendix D: Proposed independent auditors report – registered charities administered by South Ayrshire Council

Independent auditor’s report to the Trustees of South Ayrshire Council Charitable Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of South Ayrshire Council Charitable Trust Funds for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2024 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council’s Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible for the preparation of financial statements that properly present the receipts and payments of the charities, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees concerning the charities' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Other information

The Trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charity Accounts (Scotland) Regulations 2006.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Andrew Kerr CA
Senior Audit Manager
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Andrew Kerr is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix E: Letter of representation – registered charities administered by South Ayrshire Council

Andrew Kerr CA
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Andrew,

South Ayrshire Charitable Trust
David Elder Edward Fund
South Ayrshire Council Charitable Trusts
McKechnie Trust

SC045677
SC016728
SC025088
SC012759

Annual Accounts of the registered charities administered by South Ayrshire Council 2023/24

This representation letter is provided in connection with your audit of the financial statements of the registered charities listed above for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements properly represent the financial position of each of these registered charities as at 31 March 2024 and their receipts and payments for the year then ended.

I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees of the registered charitable trusts, the following representations given to you in connection with your audit for the year ended 31 March 2024.

General

I acknowledge my responsibility and that of South Ayrshire Council, as the administering authority, for the preparation of the 2023/24 financial statements on behalf of the trustees. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered charitable trusts have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

The information given in the Trustees' Annual Reports presents a balanced picture of each charity and is consistent with the financial statements.

I confirm that there are no uncorrected misstatements.

Financial reporting framework

The financial statements have been prepared in accordance with the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).

Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each charity for the year ended 31 March 2024.

Accounting policies

The financial statements have been prepared on a receipts and payments basis in accordance with applicable regulations and the founding documents of each charitable trust.

Assets and Liabilities

The cash funds and investments shown in the Statement of Balances at 31 March 2024 were owned by the charities. Assets are free from any lien, encumbrance, or charge. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.

The McKechnie Institute is a heritage asset and it is the opinion of the Trustees that it is neither practicable nor cost efficient to obtain a valuation for this. Accordingly, the asset is not recognised on the Trust's Statement of Balances.

All liabilities at 31 March 2024 of which we are aware have been reported in the financial statements.

Litigation and Claims

We have made you aware that there are no known actual or possible legal claims.

Prior year restatement

I confirm that all restatements to correct or update 2022/23 comparative figures in the 2023/24 financial statements have been accurately processed. Details of the restatement can be found in the Trustees' Annual Report.

Related party transactions

There were no related party transactions with any party other than South Ayrshire Council as administering agent.

Governance

The business of the charitable trusts is recorded in the systems of South Ayrshire Council. As section 95 officer for South Ayrshire Council, I confirm that there are no issues or deficiencies in internal control that require to be disclosed within the financial statements of the charitable trusts.

Fraud

I have considered the risk that the financial statements may be materially misstated because of fraud or irregularity. There have been no actual or alleged frauds or irregularities involving trustees or staff of South Ayrshire Council that could affect the financial statements of the charitable trusts.

Events subsequent to the balance sheet date

Since 31 March 2024, no events or transactions have occurred which, though properly excluded from the annual accounts, are of such importance that they should be brought to your notice.

Yours sincerely

Tim Baulk

Chief Financial Officer, South Ayrshire Council, for and on behalf of the trustees of the charities administered by South Ayrshire Council.

South Ayrshire Council

Proposed 2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of South Ayrshire Council and the Controller of Audit
September 2024

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Key messages

2023/24 Annual Accounts

- 1 An unmodified independent auditor's report has been issued for the 2023/24 Annual Accounts of the council and its group and the four section 106 charities administered by the council. The accounts show a true and fair view of the council's financial position.

Best Value

- 2 The council has made good progress with prior year Best Value recommendations. There has been greater strategic focus on improving the pace of change at the council.
- 3 An audit review of the council's workforce planning reflects positively on the arrangements in place and identifies areas of good practice. The council recognises that it needs to make workforce planning more strategic and workforce planning is one of the council's new Transformational Change Board's projects.
- 4 The council is now systematically measuring and reporting on its performance across its strategic priorities. Good progress has been made in completing actions in year one of the Council Plan.
- 5 The council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. The framework has been used in the service planning process and will be rolled out to individual services during 2024/25.

Financial management

- 6 The council operated within budget in 2023/24. Reserves of £19.671 million were used to achieve this. Total usable reserves are now only £42 million.
- 7 The council's approved reserves strategy is to maintain unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. At 31 March 2024, the council's unearmarked balance of £4.444 million represents 1.76 per cent of the expenditure budget of £252 million for 2024/25, out with this range. A review of the council's general fund was undertaken in 2024/25 to re-establish its unearmarked balance in line with its reserves policy.

- 8 The council should ensure that all projects in its capital programme are supported by up-to-date business cases. To comply with the council's capital management processes, the revised business case to support its expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be prepared and reported.

Financial sustainability

- 9 The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. The underlying service cost base is not sustainable.
- 10 The council has in place a medium-term financial plan (MTFP) which covers the five-year period to 2028/29. The plan is subject to annual review and aligns financial decisions with the strategic priorities in the Council Plan.
- 11 The latest update to the MTFP shows a cumulative budget gap of £45.7 million. Savings of £28.826 million need to be delivered in 2025/26 and 2026/27. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.
- 12 The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.

Vision, leadership and governance

- 13 In response to its November 2023 [Controller of Audit](#) report the council revised its strategic approach to "*Shaping Our Future Council*." As part of the approved changes the leadership capacity within the council was increased. This aims to support the council in the delivery of its Best Value responsibilities.
- 14 Generally, there is openness and transparency within the council together with appropriate governance and decision-making arrangements.

Use of resources to improve outcomes

- 15 There has been regular reporting of the council's progress with its Council Plan priorities. Good progress has been made in completing actions for year one of the plan.
- 16 The council's overall performance, taken from national benchmarking data, shows an improving position year-on year.

Introduction

1. Fiona Mitchell-Knight (Audit Director) has been appointed by the Accounts Commission as auditor of South Ayrshire Council for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of her five-year appointment. Her appointment coincides with the Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.

2. We would like to thank councillors, senior management, and other staff, particularly those in finance, for their cooperation and assistance this year.

3. This report summarises the findings from the 2023/24 annual audit of South Ayrshire Council (the council). The scope of the audit was set out in our [Annual Audit Plan](#) presented to the 20 March 2024 meeting of the Audit and Governance Panel. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's Annual Accounts.
- conclusions on the council's performance in meeting its Best Value duties.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

4. This report is addressed to the members of council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities and reporting.

5. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing Annual Accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice 2021, and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud.

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Governance Panel we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Auditor Independence.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £347,280 (including £1,150) for the audit of the charitable trusts administered by the council) as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to the council by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2023/24 Annual Accounts

The council is required to prepare Annual Accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

An unmodified independent auditor's report has been issued for the 2023/24 Annual Accounts of the council and its group and the four section 106 charities administered by the council.

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Audit opinions on the Annual Accounts of the council and its group are unmodified.

12. The Annual Accounts for the council and its group for the year ended 31 March 2024 were approved by the Audit and Governance Panel on 26 September 2024. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

13. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

The unaudited Annual Accounts were received in line with the agreed audit timetable.

14. The unaudited Annual Accounts were received in line with our agreed audit timetable on 28 June 2024. The Annual Accounts submitted for audit were of a good standard and supporting working papers were reasonable. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Our audit testing reflected the calculated materiality levels.

15. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

16. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited Annual Accounts and is summarised in [exhibit 1](#).

Exhibit 1

Materiality values for the council and its group

Materiality	Council	Group
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. It has been set at 2 per cent of gross expenditure as at 31 March 2024.	£12.215 million	£12.225 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65 per cent of overall materiality.	£7.940 million	£7.945 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.600 million	£0.600 million

Source: Audit Scotland

Identified misstatements were adjusted for in the Annual Accounts.

17. We identified misstatements in the unaudited Annual Accounts. Further details of these adjustments are included in [exhibit 2](#).

18. Management have adjusted the Annual Accounts to correct the identified issues.

We have significant findings to report on our audit of the Annual Accounts.

19. Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to members, including our view about the qualitative aspects of the council's accounting practices.

20. The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

21. Our significant findings are detailed in [exhibit 2](#).

22. The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

23. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Exhibit 2

Significant findings and key audit matters from the audit of the Annual Accounts

Issue	Resolution
<p>1. Accounting for property, plant, and equipment</p> <p>Our testing of the council's property, plant and equipment identified three primary schools, now part of the Maybole Community Campus, that were not appropriately updated in the fixed asset register.</p> <p>Additionally, it was identified that a primary school, now part of the Prestwick North Educational Campus, remained on the fixed asset register after it was no longer operational.</p>	<p>Management have received revised valuations for these assets and updated the audited Annual Accounts. These adjustments resulted in a net decrease to the long-term assets balance of £3.436 million with a corresponding decrease in unusable reserves.</p>

Issue	Resolution
<p>2. Pension balance</p> <p>The funded pension balance represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this liability.</p> <p>The council is a member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates, and mortality estimates.</p> <p>The council's 2023/24 valuation showed a funded asset of £305.635 million (2022/23: asset of £265.031 million).</p> <p>As required by accounting standards, the amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.</p> <p>The asset shown in the council's Balance Sheet has been limited to £0 for 2023/24 (2022/23: asset of £22.566 million).</p> <p>Additionally, the council's Balance Sheet includes an amount for discretionary enhancements to retirement benefits e.g. payments for early retirement. These are referred to as unfunded liabilities as they are paid by the council rather than the pension fund. Although they are treated the same way as retirement benefit costs as explained above, the council does not have a right to set off the unfunded liability against a pension asset. The unfunded liability recognised in the council's Balance Sheet is £25.037 million (2022/23: £25.772 million).</p>	<p>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

Source: Audit Scotland

Other matters identified from our audit of the Annual Accounts.

24. In addition to our findings in [exhibit 2](#) above, the following were identified through our audit testing:

- **Asset register - fully depreciated assets (at nil net book value):** Where assets are no longer in use they should be formally scrapped or sold. Significant assets continuing in use should be revalued and depreciated over their remaining useful economic life. Our review of the asset register identified that there are around 350 assets with an original cost and accumulated depreciation of £31.345 million. The council should undertake a review of these assets (**Recommendation 1** - [Appendix 1](#), action plan).
- **Common good:** The council rents properties from the Common Good. The rental agreements state that the rent should be reassessed every five years. This ensures the council pays a fair market rate for use of the properties. Our testing identified two instances where the agreements had not been reassessed since 2011 and 2016 respectively. There is a risk that the Common Good has lost income because of outdated market rates being applied. The council should review these arrangements (**Recommendation 2** - [Appendix 1](#), action plan).

The council's revaluation approach for assets will be revised for 2024/25.

25. In our [2022/23 Annual Audit Report](#) we recommended the move to a matrix approach to asset valuations whereby a percentage of each class of asset is revalued each year. For 2023/24 the council has adopted a hybrid approach and will move the suggested matrix approach from 2024/25. For this year, the council revalued those assets that had still to be covered by its five-year rolling programme together with a sample of assets from other asset categories e.g. schools.

26. We reviewed the approach adopted by management in 2023/24 and are satisfied that the assets covered by this year's valuation programme have provided sufficient evidence that there was no indication of material movements with those assets not subject to a revaluation in 2023/24.

Our audit work responded to the risks of material misstatement we identified in the Annual Accounts.

27. We have obtained audit assurances over the identified significant risks of material misstatement in the Annual Accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our [2023/24 Annual Audit Plan](#). It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Significant risks of material misstatement in the Annual Accounts**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p>Results: Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found arrangements in place were satisfactory.</p> <p>We assessed the design and implementation of controls over journal entry processing. No issues were identified.</p> <p>Journal adjustments were tested, and no indication of management override of controls were found.</p> <p>We reviewed transactions during the year - no issues were identified with significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>Conclusion: No instances of management override of controls were identified.</p>
<p>2. New financial ledger</p> <p>In April 2023 South Ayrshire Council transferred to the new ledger system Oracle Fusion. This involved a significant data migration</p>	<p>Assess the design and implementation of controls within the new system.</p> <p>Assess the results of our other audit testing for any evidence of issues with the operation of the new system.</p>	<p>Results: Our review of the design and implementation of controls within the new system did not identify any issues that would result in a significant risk of material misstatement to the Annual Accounts. However, as detailed at paragraph 97, in</p>

Audit risk	Assurance procedure	Results and conclusions
<p>from the previous system to Oracle Fusion.</p> <p>The system is now fully operational, processing all transactions for the council. The new system will be used for the production of the 2023/24 financial statements.</p> <p>Risk: Increased risk of errors or misstatement in the financial statements following the migration to the new system.</p>		<p>year-issues were noted that have since been rectified.</p> <p>Conclusion: The new system was used to produce the 2023/24 Annual Accounts. No issues were identified with the accuracy and completeness of the data used from the system.</p>
<p>3. Significant estimation and judgment: other land and buildings, council dwellings and schools PPP valuations</p> <p>The council held other land and buildings, including its council dwellings and school PPP estate, with a net book value of £714 million as at 31 March 2023.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets. As such, valuations are changing to</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Critically evaluate the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Test the reconciliation between the financial ledger and the asset register.</p> <p>Evaluate management's assessment of why it considers that the land and buildings not revalued in 2023/24 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>Critically assess the adequacy of the council's disclosures</p>	<p>Results: We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation team's work, and the external valuer, confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management's assessment that land and buildings not revalued in 2023/24 are not materially misstated, to be reasonable, and found assumptions made to be appropriate.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We found that appropriate disclosures have been made</p>

Audit risk	Assurance procedure	Results and conclusions
<p>a matrix approach in 2023/24 for the first time.</p> <p>Risk: Valuations of these assets are materially misstated.</p>	<p>regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</p>	<p>regarding the assumptions in relation to the valuation of land and buildings.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluations. There is no evidence of material misstatement of asset values.</p>

Source: Audit Scotland

28. In addition, we identified the pension balance as an “other area of audit focus” in our 2023/24 Annual Audit Plan. This is considered in [exhibit 2](#) and based on the findings of the audit procedures performed, there are no issues which we need to bring to your attention.

The council’s 2023/24 Management Commentary provides a fair and balanced picture of its performance and operational activity for the year.

29. The council’s Management Commentary that accompanies the Annual Accounts explains how the council has performed against its budget. The council has included a good level of disclosure on the principal risks it is facing going forward. This includes details on the challenging financial environment the council is operating within due to budget pressures and demand for services.

30. In our view, the 2023/24 disclosure represents a fair and balanced commentary on the council’s performance during the year and is transparent on the risks it faces in 2024/25. This is presented in a user-friendly format which makes good use of relevant infographics that help tell the story of the council’s performance in 2023/24 and provides a clear link to the figures in the financial statements.

The Annual Governance Statement provides an appropriate level of disclosure on the council’s governance arrangements during 2023/24.

31. The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016. The council’s Annual Governance Statement complies with this guidance.

The audited part of the Remuneration Report was consistent with the Annual Accounts and has been prepared in accordance with applicable regulations.

32. The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a Remuneration Report within its Annual Accounts that includes details of:

- the remuneration of relevant persons, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- information on pay bands and the number and cost of exit packages approved during the financial year.

33. We have no issues to report in relation to the information included within the Remuneration Report in the council's 2023/24 Annual Accounts.

Progress has been made on prior year audit recommendations relating to the Annual Accounts.

34. The council has made some progress towards implementing the three agreed prior year recommendations relating to the Annual Accounts. The Best Value recommendations are considered in the next section of this report. For actions not yet completed, full implementation is planned for 2024/25 as recorded in [Appendix 1](#).

Our audit opinions on the Annual Accounts of the four section 106 charities administered by the council are unmodified.

35. In addition to administering several trusts that have non-charitable status, Elected members of the council are trustees for four registered Scottish charities:

- South Ayrshire Charitable Trust: charity number - SC045677
- South Ayrshire Council Charitable Trusts: charity number - SC025088
- McKechnie Trust: charity number - SC012759
- David Elder Edward Fund: charity number - SC016728

36. The trust balances are disclosed in a note in the council's Annual Accounts but do not represent assets of the council so are not included within the council's balance sheet.

37. As a result of the interaction of the Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

38. Our duties as auditors of the charities administered by South Ayrshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

39. We have given an unqualified opinion on the Annual Accounts of the four charities administered by the council.

40. We have one matter to report under ISA (UK) 260 (*Communication with Those Charged with Governance*) or ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). This is in relation to the David Elder Edward Fund (the fund). After receipt of the unaudited Annual Accounts, management made us aware that the investments balance for the fund had not been updated to reflect the 31 March 2024 valuation. We reviewed the valuation report and management have updated the Annual Accounts accordingly. This resulted in an increase of £0.034 million to the investments balance of the fund.

2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

The council has made good progress with prior year Best Value recommendations. There has been greater strategic focus on improving the pace of change at the council.

The council is now systematically measuring and reporting on its performance across its strategic priorities. Good progress has been made in completing actions in year one of the Council Plan.

The council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. The framework has been used in the service planning process and will be rolled out to individual services during 2024/25.

An audit review of the council's workforce planning reflects positively on the arrangements in place and identifies areas of good practice. The council recognises that it needs to make workforce planning more strategic and workforce planning is one of the council's new Transformational Change Board's projects.

The council complies with the requirements of the Statutory Performance Information Direction.

Best Value work in 2023/24.

41. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

42. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2023/24 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on "*Workforce Innovation - how councils are responding to workforce challenges.*"

- Progress made against Best Value improvement actions made in previous years, including with the findings made in the November 2023 [Controller of Audit](#) report on the council.
- Council service performance improvement.
- Effectiveness of council performance reporting.

43. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

Workforce Innovation - how councils are responding to workforce challenges.

44. This year auditors were asked to focus on how the council is responding to current workforce challenges through building capacity, increasing productivity and innovation within its workforce. The results of this work were [reported](#) to the council's elected members at the March 2024 Audit and Governance Panel.

45. The key findings in this report were as follows:

- 1** South Ayrshire Council employs 6,052 staff. The council's Corporate Workforce Plan covers the period 2022-25 and includes a detailed action plan. The council recognises that it needs to make workforce planning more strategic and workforce planning is one of the council's new Transformational Change Board's projects. The council is testing out directorate-level workforce planning.
- 2** The Corporate Workforce Plan 2022-25 features a comprehensive range of data, including age profiles, details of casual staff used and absence statistics. It also sets out and draws themes from workforce intelligence provided by each service. The council should now develop performance measures to capture the impact of its workforce planning approach to help it monitor progress, particularly in strategic priority areas.
- 3** The council consulted with Heads of Service and Trades Unions when developing the Workforce Plan. To ensure support for its future workforce developments, the council has also engaged openly with staff groups and Trade Unions on areas of service change.
- 4** Links between the Corporate Workforce Plan 2022-25 and the Council Plan, Digital and ICT Strategy and Medium-Term Financial Plan could be more explicit. However, there is clear alignment between the council's workforce plan and its service plans, and these service plans link directly to the Council Plan. The development on the service plans involved self-evaluation of workforce planning across all services. This is a positive development and has put in place the foundations on which the council can measure improvement.
- 5** The council has not yet articulated its vision for how digital technology can shape its workforce of the future. It acknowledges that its Corporate Workforce Plan needs to align with its Digital and ICT Strategy 2023-28. Delays to developing workforce reporting tools in Oracle Fusion have impeded the analysis and reporting of workforce data.
- 6** The council's Remote Working Policy provides flexibility for staff. The council's initial assessment of the impact of its new way of working is positive with further monitoring and engagement with staff planned.

- 7 The council and the Health and Social Care Partnership have introduced a number of innovative initiatives to improve the skills and capacity of their future and existing workforce.
- 8 As well as sharing its roads and transportation service with East Ayrshire Council through the Ayrshire Roads Alliance, the council shares a small number of other roles with other councils. The workforce benefits of these arrangements have not yet been captured or quantified.

46. Overall, the key messages reflect positively on the council's workforce planning arrangements which is further evidenced through the areas of good practice highlighted in our report. A small number of audit improvement recommendations were included in the thematic report and are replicated in [Appendix 1](#) of this report. This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

The council has made good progress with prior year Best Value recommendations. There has been greater strategic focus on improving the pace of change at the council.

47. The [Controller of Audit](#) report for South Ayrshire Council was considered by the Accounts Commission and their findings were published in November 2023. The Commission acknowledged the progress the council made in addressing the recommendations in its [2021 Best Value Assurance Report](#). However, they reported that *"We are concerned that the pace of improvement has been slow. We acknowledge that external factors, including financial pressures and changes in political leadership, have contributed to this but these factors are not unique to the council."*

48. The findings did recognise that *"that the council has sought to address our previous findings on leadership, and we commend the council for the clear intent around the new senior management structure, to ensure that there is sufficient leadership capacity. We look forward to seeing the impact of these changes and evidence of a culture of continuous improvement within the council."*

49. As part of our 2023/24 audit work, we have followed up on the four prior year Best Value recommendations, conclusions are reported in [Appendix 1](#). These recommendations were reported in our [2022/23 Annual Audit Report](#), which formed the basis of the Controller of Audit report considered by the Accounts Commission. We have concluded that good progress has been made in two of these areas, performance reporting and publishing place plans. Further work is still required on the recommendation relating to corporate self-evaluation and the introduction of new impact assessments in all services, but work is underway to progress both. In addition to these recommendations, we also welcome the improvements in the strategic focus of the council. Following the November 2023 report a new Transformation Board has been established (see [paragraphs 119 to 127](#)) together with changes in the senior leadership structure (see [paragraph 130](#)). These aim to drive at pace, the required change for the council.

The council is now systematically measuring and reporting on its performance across its strategic priorities. Good progress has been made in completing actions in year one of the Council Plan.

50. The [Best Value Revised Statutory Guidance 2020](#) says that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting.

51. In response to an audit recommendation in our [2022/23 Best Value thematic](#) report, replicated in [Appendix 1](#) of this report, the council was to make improvements to ensure:

- a balanced view of progress against the council plan priorities should be reported regularly to members.
- a timetable for performance reporting to elected members should be a priority.
- performance reports include details or links to planned improvement actions.
- public performance reporting fully complies with the new Statutory Performance Information (SPIs) Direction.

52. A new performance management framework (PMF) was approved by the Cabinet in June 2023. This was designed in response to previous audit recommendations, aiming to align the council's activities with its strategic priorities. It focuses on setting clear outcomes and priorities, integrating self-evaluation, and emphasising continuous improvement in service delivery. The framework includes structured performance monitoring and reporting mechanisms to enhance transparency and accountability.

53. To report effectively on its progress towards meeting its priorities, new service plans have been approved for each council service. They show the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact. Service plans are monitored by the Council Leadership Team quarterly, with reports going to Service and Partnerships Performance Panel (S&PP) in quarters two and four. An annual report will also be produced every December for approval by the council.

54. The PMF aligns with the council's strategic priorities. It supports the Council Plan, focusing on delivering and managing services effectively. The reports, considered by the S&PP in November 2023 and June 2024, provide a detailed assessment of performance across various priorities and includes actions and their corresponding Key Performance Indicators (KPIs). These reports show a systematic measurement of the Council Plan's performance in areas like Spaces and Places, Live Work and Learn, Civic and Community Pride and Efficient and Effective Enabling Services.

55. Each priority area has specific actions with clear targets, timescales and assigned leads. The report tracks these actions, noting their progress status,

such as 'on target,' 'completed,' or 'off track,' along with detailed notes on each action. For example, in Spaces and Places, there are actions like the transition to a low-emission car fleet and development plans for golf courses, each with its specific progress percentage and success measurement criteria.

56. Moreover, the report highlights key achievements in the quarter, such as successful delivery of events and opening of new facilities. When actions are identified as 'off-track,' detailed explanations for these deviations are provided in the accompanying narrative within the performance report. This transparency in addressing underperformance not only identifies issues but also provides insights that guide remedial actions. We have considered the quarter four position at [paragraphs 143 to 146](#).

57. This comprehensive approach demonstrates the council's commitment to systematically measuring and reporting on its performance across all areas of activity.

The council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. The framework has been used in the service planning process and will be rolled out to individual services during 2024/25.

58. The [Best Value Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. Key to the council demonstrating improved outcomes for citizens will be the reintroduction of a corporate approach to self-evaluation.

59. Our [2022/23 Best Value thematic](#) report identified that a corporate approach to self-evaluation needed to be progressed. This should include an understanding of the council's performance in relation to other councils.

60. The council is progressing with the roll out a new corporate self-evaluation tool. Following agreement from Executive Leadership Team and the Best Value Working Group, the council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. This followed the council's Corporate Leadership Team engaging with the Improvement Service in early 2024 to talk through the process. Subsequently, self-evaluation training sessions were held with all Service Leads to highlight their role in supporting change and improvement within the council. The framework has since been used to assist in the service planning process and will be rolled out to individual services during 2024/25.

The council complies with the requirements of the Statutory Performance Information Direction.

61. The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow

comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).

- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

62. The council has a dedicated public performance reporting webpage. However, our [2022/23 Annual Audit Report](#) found issues that impact on the effectiveness of the public performance reporting. The council has put in place arrangements to address the issues reported. For example:

- the council's dedicated public performance reporting webpage has been updated. This has included updating information and links and re-organising the layout to make the site more user friendly (SPI 1).
- the council has increased its performance measurement capabilities, by updating its Performance Management Framework in June 2023. Key improvements include - providing comprehensive summaries, a renewed focus on community engagement and updates on KPIs that align with council priorities - enabling more effective tracking of progress against set targets (SPI 1).
- service plans were developed and presented to the Service and Partnership Performance Panel in June 2023. The plans outline the council's strategic priorities and corresponding actions. The plans include detailed actions, performance targets and responsibility assignments. Additionally, they emphasise a commitment to continuous improvement and adaptability, responding to community needs and changing circumstances (SPI 1).
- Best Value reports, and the council's updates on its progress in addressing the recommendations within them, are included on its website along with inspection body reports (SPI 2).

63. In addition to its own performance reporting, the council presented its analysis of the national Local Government Benchmarking Framework (LGBF) 2022/23 results to its Service and Partnerships Performance Panel in June 2024 and published the result of this on its website. Further commentary on the LGBF and the council's performance in year is at [paragraphs 147 to 153](#).

64. Given the nature of performance reporting, compliance with the direction is an iterative process. However, in our view, the improvements made to the council's public performance reporting have ensured it now complies with the requirements of the Statutory Performance Information Direction.

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The council operated within budget in 2023/24. Reserves of £19.671 million were used to achieve this. Total usable reserves are now only £42 million.

The council's approved reserves strategy is to maintain unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. At 31 March 2024, the council's unearmarked balance of £4.444 million represents 1.76 per cent of the expenditure budget of £252 million for 2024/25, out with this range. A review of the council's general fund was undertaken in 2024/25 to re-establish its unearmarked balance in line with its reserves policy.

The council should ensure that all projects in its capital programme are supported by up-to-date business cases. To comply with the council's capital management processes, the revised business case to support its expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.

Financial systems of internal control were designed effectively, but the implementation of the new Oracle Fusion system resulted in some key controls not being fully operational during the year. This did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement.

The council operated within budget in 2023/24. Reserves of £19.671 million were used to achieve this.

65. The council approved its 2023/24 budget in March 2023. The budget was set at £329.938 million. Budget adjustments throughout the year resulted in a revised budget of £339.157 million which included a draw down from reserves based on earmarked spending plans of £20.179 million to support the budget. The nature of most of the reserves utilised were non-recurring e.g. use of PPP/PFI flexibility - £5 million and £2.459 million from the inflationary reserve). As we discuss at [paragraphs 119 to 127](#) it is vital the council delivers on its transformation projects to ensure its longer-term financial sustainability.

66. In the 2023/24 Annual Accounts, the council reported an underspend of £1.026 million. This was transferred to the uncommitted general fund reserve at the year-end. The most significant directorate under / overspends are summarised in [exhibit 4](#).

Exhibit 4 Summary of significant variances against budget

Area	Total	Reason for variance
Significant underspends		
Chief Executive's Office	£2.093 million	Mainly attributed to underspends with employee costs due to vacant posts and underspends in ICT contracts.
Strategic Change and Communities	£2.648 million	The underspend was due to delays in filling vacant posts combined with over recovery of income in leisure facilities and the receipt of grant income monies which are being carried into 2024/25.
Significant overspends		
Housing, Operations and Development	£2.781 million	Overspends with employee costs and Ayrshire Road Alliance costs combined with an under recovery in planning fees and car-parking income.

Source: South Ayrshire Council Annual Accounts 2023/24

There are well-established budget monitoring and reporting processes in place.

67. The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

68. The Cabinet regularly review progress against budget throughout the year. The budget updates provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council

for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from members.

There was a £19.671 million net decrease in usable reserves. Total usable reserves are now only £42 million. A review of the council's general fund was undertaken to re-establish its unearmarked balance in line with its reserves policy.

69. One of the key measures of the financial health of a council is the level of reserves held. In 2023/24 there was a net decrease of £19.671 million in the council's usable reserves, with the total now sitting at £42.127 million ([exhibit 5](#)).

70. Within the general fund reserve the most significant movements were in relation to the following:

- **PPP/PFI flexibility:** as agreed on the creation of this reserve in 2022/23, £5 million was used to support the 2023/24 budget.
- **Covid-19:** the council utilised £4.198 million of Covid-19 funding carried forward from 2022/23. The total Covid-19 funding held in the reserve at 31 March 2024 is £1.714 million.
- **Inflation reserve:** £2.459 million was utilised to support service overspends on ongoing inflationary pressures with utility costs.
- **Unearmarked balance:** reduction of £2.998 million to support service overspends and cover costs of Station Hotel encapsulation and traffic management following the September 2023 fire.

Exhibit 5

South Ayrshire Council - usable reserves

Reserve	31 March 2022 £'million	31 March 2023 £'million	31 March 2024 £'million
General fund	£39.877	£47.744	£28.591
Housing revenue account	£9.531	£3.279	£2.520
Capital grants unapplied	£6.379	£9.478	£9.701
Repairs and renewals	£1.682	£1.159	£1.171
Capital fund	£1.472	£0.138	£0.144
Total usable reserves	£58.941	£61.798	£42.127

Source: South Ayrshire Council Annual Accounts 2021/22 to 2023/24

71. As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Chief Financial Officer) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- **Working balance:** To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- **Contingency:** To cushion the impact of unexpected events or emergencies.
- **Known requirements:** To build up funds to meet known or predicted requirements.

72. £24.147 million of the council's general fund reserve is earmarked for specific purposes such as the PPP/PFI benefit for future budgets (£9.000 million), Covid-19 recovery costs (£1.714 million) and the council's workforce change fund (£5.515 million).

73. The general fund reserve also includes an unearmarked balance of £4.444 million (2022/23: £7.442 million). The council's level of uncommitted general fund reserves as a percentage of overall budget (2.4 per cent) was below the Scottish average (3.2 per cent) based on the [Improvement Service – LGBF 2022/23](#) financial sustainability indicators. We recognise that the level of unearmarked reserves is dependent on councils' approach to earmarking funds. However, as at 31 March 2024, the council's unearmarked balance of £4.444 million represents 1.76 per cent of the expenditure budget of £252 million for 2024/25. The council's approved strategy is to maintain unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. The current position was out with this range.

74. As such, management undertook a review of the £24.147 million earmarked reserves to determine if all balances held required to be retained or if they could be released to the uncommitted reserve balance. An update was provided to Cabinet in August 2024. This review identified £0.887 million that could be released from the earmarked reserves to the uncommitted balance. The result of which in 2024/25 was to increase the uncommitted reserve to £5.331 million or 2.11 per cent of planned 2024/25 expenditure.

75. Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the council to meet unforeseen costs and pressures.

Capital expenditure decreased in 2023/24 as there continues to be challenges in the construction industry that have impacted on the council's capital programme.

76. The council's total capital budget for 2023/24 was set in March 2023 at £174.885 million but was subject to budget revisions throughout the year. Capital projects continued to face challenges in 2023/24 due to skilled worker

shortages, inflation, and the ongoing war in Ukraine. Total capital expenditure, both general services and housing, in 2023/24 was £99.362 million.

General services programme 2023/24.

77. The general services capital programme monitoring reports are presented to Cabinet throughout the year and provide updates on the progress of current projects and the programme budget.

78. The general services capital programme budget was set at £99.145 million for 2023/24. Several revisions were made to the budget throughout the year resulting in a final budget of £53.677 million. The general services capital programme outturn spend was £53.677 million which represents 54 per cent spend against the original budget.

79. Maybole Community Campus was a major capital project completed in 2023/24. This replaces Carrick Academy, St Cuthbert's Primary School, Cairn Primary School, and Gardenrose Primary School with a modern multi-purpose campus.

80. During the last quarter of the 2023/24 financial year, which covered the period from January to March, exceptionally wet weather was experienced. In addition, the construction industry continues to be volatile and is impacted by external factors including the conflict in Ukraine and a scarcity of materials and skilled labour. These issues impacted on the final quarter progress of several projects that were on site and contributed to the current year underspend detailed above.

81. The most significant project re-profiling was in relation to the commercial space at the industrial units in Prestwick. This project had a budget of £22.401 million in 2023/24 and forms part of the Aerospace and Space programme included in the Ayrshire Growth Deal. However, a review of the Aerospace and Space programme is currently underway to develop alternative proposals which meet the Ayrshire Growth Deal criteria. Members have been provided with regular updates on the Ayrshire Growth Deal, including the reasons behind the need for a review into this project.

Housing capital programme 2023/24.

82. There is regular monitoring of the housing capital programme throughout the year. In March 2023, the housing capital budget was set at £75.740 million for 2023/24. During the year revisions were made to the budget to re-profile projects from 2023/24 to 2024/25 resulting in a final budget of £45.685 million. The most significant re-profiling in budget was in relation to new builds, decreasing from an original budget of £41.951 million to a final budget of £25.153 million. Both new housing developments on the site of former Riverside flats and affordable housing at former St Ninian's primary school have later than planned start dates accounting for a large amount of the re-profiled budget. The council is committed to delivering these projects and the budget has been moved into 2024/25. The housing programme outturn spend in 2023/24 was in line with the revised budget at £45.685 million.

The council should ensure that all projects in its capital programme are supported by up-to-date business cases. To comply with the council's capital management processes, the revised business case to support its expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.

83. As part of our work this year we considered the approval and review process the council has in place for its general services capital programme. We selected one project, expenditure on the refurbishment of the Ayr Citadel Leisure Centre, from the 2023/24 capital programme. This had a total budgeted spend of £10 million between 2023/24 and 2026/27. Spend in 2023/24 amounted to £0.290 million, with a further £0.188 million spent so far in 2024/25.

84. The council has a Capital Asset Management Plan which details the process and governance arrangements for all such capital projects. The process is as follows:

- A business case is prepared by the sponsoring service.
- The business case is presented to the Capital Asset Management group for consideration.
- Each case is given a RAG status with input from the Chief Financial Officer on overall affordability of the capital programme.
- The proposed bids are then considered by the council's Budget Working Group which includes Elected Members and Officers and then the final approval site with Full Council, as part of the annual capital programme budget.
- Quarterly capital monitoring reports are taken to Cabinet for review and approval.

85. The refurbishment of the Citadel Leisure Centre evolved from the proposed new build that was removed from the council's 2022/23 capital programme in December 2022 on the basis that it no longer met the affordability criteria set by the council. This had a budget of £40 million based on a 2018 business case.

86. We requested the supporting documentation relating to the refurbishment, including the business case and condition surveys.

87. There are surveys and reviews from independent experts in support of the project which are comprehensive and up to date. However, at the time of undertaking our review in June 2024, no business case was provided for the refurbishment works.

88. Management advised that as the project evolved from the original rebuild, a portion (£10 million) of the previously agreed budget (£40 million) was allocated for the refurbishment works. We confirmed with officers that no revised or new

business case was completed for the Citadel refurbishment project at that time. Management have subsequently provided this to us in September 2024.

89. In our view, the move from a £40 million rebuild to a £10 million refurbishment represents a fundamental change in the project. As such, the original business case should have been revised or an updated business case should have been developed at that time to demonstrate that the new project represents Best Value for the council.

90. In the absence of a business case, we asked management to clarify how the £10 million estimate was arrived at. Initially, no information was provided to support the £10 million estimate. We have since been provided with a breakdown of the anticipated spend.

Recommendation 3

To comply with the council's capital management processes, a revised business case to support the expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.

The council should ensure that all projects in its capital programme are supported by up-to-date business cases, that comply with the good practice set out in Audit Scotland's report on [major capital investment in councils](#).

Borrowing levels have increased in support of the council's capital programme. The council understands the future revenue implications of servicing this debt.

91. In the Accounts Commission's January 2024 Local government in Scotland: Financial Bulletin 2022/23, it was highlighted that a greater reliance on borrowing to fund capital programmes increases the pressures on revenue budgets over the longer term.

92. To finance the capital plans, the council relies on external borrowing. Over half of capital funding comes from external borrowing, with 24 per cent being funded from government grants and contributions and 16 per cent from other sources. The council's medium-term financial plan and treasury management and investment strategy provide a guide to the borrowing needs of the council.

93. During 2023/24 the council borrowed £36 million from the Public Works Loans Board (PWLB) on a long-term loan basis. The council remained within its authorised capital financing requirement (CFR) of £534.483 million, with the actual CFR being £475.682 million. The ratio of net revenue used for paying for the borrowing finance cost (loan interest) was 13 per cent for housing and six per cent for non-housing. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The national average ratio of financing costs to net revenue stream is 22.2 per cent for housing and 5.4 per cent for non-housing. South Ayrshire Council are

performing well in the housing context, being 10 per cent less than the Scottish average. Finance costs for non-housing is slightly higher than the Scottish average, however this is likely due to the council's ambitious capital programme. The range for non-housing finance costs is 0.7 per cent to 9.7 per cent meaning the council are in the middle of the range.

94. The liability benchmark indicates that the council's reliance on external borrowing does not peak until 2032 before beginning to decrease. This could present a risk to the council, as if interest rates were to increase again or remain elevated for an extended period a higher proportion of revenue spend would be spent on paying interest costs.

95. The council continues to manage its borrowing through its treasury management strategy that is subject to regular review by the Audit and Governance Panel. The strategy and scrutiny of this ensures the debt charges remain prudent and affordable.

Financial systems of internal control were designed effectively, but the implementation of the new Oracle Fusion system resulted in some key controls not being fully operational during the year. These issues were addressed by the council and did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement.

96. In April 2023, the council implemented its new Oracle Fusion ERP cloud solution. This replaced the previous on-premises Oracle Enterprise Business Suite (EBS) that had been in operation since 2005 and had reached its end of life.

97. From our review of the design and implementation of systems of internal controls relevant to our audit approach (including those relating to IT), we identified areas where controls or reports were impacted by the new system. This did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement. Specifically, the 2022/23 audited Annual Accounts balances were not available within Oracle Fusion until April 2024. This delayed our ability to assess whether balances from the old system had been accurately transferred into Oracle Fusion. We also identified an unreconciled amount that went unresolved for several months during the year, between the bank and general ledger. These issues were subsequently addressed and did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement.

98. Our review did not identify any issues in controls relating to the council's other key financial systems (e.g. council tax, non-domestic rates). However, as noted at [Appendix 1](#), our recommendation from last year regarding the need for a formalised payroll validation process remains open.

99. The key controls within the council's main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to the Annual Accounts is low.

100. As with all major system changes, particularly those where challenges have been encountered, a post-project evaluation should be undertaken. This should be completed within a reasonable timescale. The evaluation should consider performance against cost, time and quality targets which will help to assess if the expected wider benefits which originally justified the investment have been delivered. The council has completed a review of the project which will be considered by the Transformation Board in November 2024. The review, and any lessons learned from this, can be used to inform future projects.

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2023/24.

101. The internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

102. In line with the Public Sector Internal Audit Standards (SIAS) there is a requirement for the internal audit function to be independently reviewed once every five-years. The internal auditor of Inverclyde Council undertook this review, and the findings were reported to the Audit and Governance Panel in May 2024. The report noted a high level of compliance with the PSIAS. There were no areas assessed as being partial or non-conformance with the standards. A small number of improvement actions were noted. The Chief Internal Auditor has agreed to address these as part of her teams rolling improvement plan.

103. Internal audit's annual report, presented to the June 2024 Audit and Governance Panel, concluded 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.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption.

104. The council has a range of established procedures for preventing and detecting fraud and irregularity including anti-fraud and bribery policies and codes of conduct for members and officers.

105. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. For the 2022/23 exercise, the council has made good progress in reviewing all very high-risk matches, creditors, and the council tax reductions scheme. Progress has also been made towards completing target investigations for the housing waiting list. The council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

106. We have concluded that the council has in place appropriate arrangements for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. The underlying service cost base is not sustainable.

The council has in place a medium-term financial plan (MTFP) which covers the five-year period to 2028/29. The plan is subject to annual review and aligns financial decisions with the strategic priorities in the Council Plan.

The latest update to the MTFP shows a cumulative budget gap of £45.7 million. Savings of £28.826 million need to be delivered in 2025/26 and 2026/27. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.

The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.

The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. The underlying service cost base is not sustainable.

107. The council, alongside other local authorities, is navigating substantial fiscal pressures that are projected to widen budget gaps in the coming years. In its January 2024, [Local Government in Scotland Financial Bulletin 2022/23](#), the Accounts Commission noted that Scottish councils received more funding in cash terms due to high inflation in 2022/23, but total revenue funding from all sources fell by £619 million (2.8 per cent) in real terms compared to the previous year. This illustrates the real decrease in financial resources available for councils to use towards local priorities. In its May 2024 [Local government budgets 2024/25](#) briefing, the Accounts Commission also commented on the continued limited flexibility councils have with their funding *'which is largely directed towards the delivery of Scottish Government policies or to support*

previous pay awards, rather than an increase in available funding for councils to use at their discretion.'

108. Set in this challenging context, in February 2024, the council approved a balanced budget for 2024/25 of £252.767 million. In addition, the council committed £100.454 million to the South Ayrshire Health and Social Care Partnership (HSCP). The council received funding of £3.296 million, offered by the Scottish Government, following a freeze to council tax rates for 2024/25.

109. The council had a projected revenue budget gap of £17.772 million for 2024/25. In the narrative that supported the budget, the council transparently set out the options it considered to help address this gap. Following the budget consultation, the council employed strategic measures to balance its budget including:

- **Pension contribution savings:** The Strathclyde Pension Fund has reduced employer contributions for 2024/25 and 2025/26 to 6.5 per cent. The rate will then revert to 17.5 per cent from 2026/27. This temporary reduction has resulted in savings of £14.306 million for 2024/25. Of this, £10.253 million has been applied as a non-recurring reduction in the base budget, with the remaining £4.053 million allocated to support the council's new Transformation Board (see [paragraphs 119 to 127](#)).
- **Use of reserves:** The council has utilised reserves of £4 million. These funds relate to the application of Service Concession Arrangements (PPP/PFI) flexibilities in accordance with [Finance Circular 10/2022](#) as agreed by the council in December 2022.
- **Increase fees/charges and recurring savings:** The budget outlines an increase to fees and charges totalling £2.367 million of additional income, as well as recurring savings of £1.152 million.

110. The budget for 2024/25 is balanced yet the council anticipates a need for savings of £28.826 million in the subsequent two years. This cumulative gap equates to around nine per cent of its 2024/25 net revenue budget, which emphasises the need for action. Accordingly, within the 2024/25 budget paper the council has identified several future activities that it will look to progress in the coming year with the aim of ensuring sustained financial health.

The council has in place a medium-term financial plan (MTFP) which covers the five-year period to 2028/29. The plan is subject to annual review and aligns financial decisions with the strategic priorities in the Council Plan.

111. Multi-year allocations were not included in the Scottish Government's 2024/25 budget. As such, the funding position beyond 2024/25 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst we recognise that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer-term, the development of financial plans is necessary to help councils plan for and deliver better outcomes for its citizens.

112. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about the scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important.

113. The council's MTFP 2024-25 to 2028-29 was updated in November 2023. The plan emphasises aligning financial decisions with the Council Plan to meet the council's three key priorities: Space and Places, Live Work Learn, and Civic and Community Pride. The updated five-year plan which replaces both the previous three-year MTFP, and the ten-year Long-Term Financial Outlook (LTFO), provides a picture of the likely challenges to be faced in the coming years. This should help to focus attention and inform decisions on areas of priority and non-priority spend for the council.

The latest update to the MTFP shows a cumulative budget gap of £45.7 million. Savings of £28.826 million need to be delivered in 2025/26 and 2026/27. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.

114. The MTFP outlines a strategic approach to navigating through a challenging financial environment, marked by increased inflation and tighter fiscal constraints. The plan aims to provide clarity on the management of financial resources and the delivery of council priorities, identifying a potential cumulative budget gap of £45.9 million by 2028/29 ([exhibit 6](#)).

115. The MTFP is predicted on several key assumptions to forecast the future financial environment. These include a flat cash assumption for Scottish Government funding and anticipated 3 per cent pay uplift across the plan's duration, and the impact of the Strathclyde Pension Fund employer contribution changes. Council tax is projected to increase by 5 per cent annually and an inflationary uplift is accounted for, with the expectation of this pressure decreasing over term of the plan. The plan also anticipates a review of debt charges and the utilisation of £21.718 million PPP/PFI retrospective savings over the period of the plan. The council's MTFP, while prepared with appropriate information and using reasonable assumptions, also acknowledges the difficulty in planning due to the volatility and unpredictability of economic factors, including the impact of global events and national policies.

Exhibit 6

MTFP - budget gap 2024/25 - 2028/29

	2024/25 £'million	2025/26 £'million	2026/27 £'million	2027/28 £'million	2028/29 £'million	Total gap £'million
Budget gap	3.5	4.2	21.0	9.7	7.5	45.9

116. As part of its 2024/25 budget setting in February 2024, the council provided an update on the MTFP. The position reported indicated a potential cumulative budget gap of £45.7 million. After removing the balanced 2024/25 position, this reflects a worsening position to the one reported in the MTFP ([exhibit 6](#)). The update shows an improvement on the budget gap positions reported in November 2023 for 2024/25 (budget balanced), as well as 2028/29 (gap now £6.2 million). However, worsening budget gap positions are reported in 2025/26 (£6.7 million), 2026/27 (£22.1 million) and 2027/28 (£10.7 million). Inflation, ongoing pay discussions and future funding settlements all contribute to the uncertainty and fluctuations in financial planning.

117. Acknowledging the scale of the budget gap, the MTFP anticipates the difficulty in managing financial pressures while trying to achieve the council's strategic priorities. The council's MTFP details a dual approach of expenditure reduction and income increases. This includes a strategy for council tax, reflecting varying scenarios of tax rate increases, as well as strategies for fees and charges and service savings. The plan balances immediate financial requirements with medium-term strategic planning.

118. The MTFP is subject to review alongside the annual budget setting process. This will consider the financial environment the council operating in at the time alongside its strategic priorities.

The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.

119. The [2021 Best Value Assurance Report](#) said that relative to other councils, South Ayrshire's approach to transformation had been slow and inconsistent, lacking drive and urgency. The number of projects in its transformation programmes scope had increased from 22 at launch in June 2021 to 35 by January 2023. The council then refocussed the programme in June 2023 to 14 projects. Prior to the refocus, the council had progressed, to the final stage of the process, eight projects with an estimated cashable benefit of around £0.545 million.

120. The November 2023 [Controller of Audit](#) report repeated concerns about the lack of progress with the council's transformation programme stating: *"We note that the transformation programme has been refocused, and the number of projects reduced, but we now urge the council to move at pace to establish the expected cashable benefits and baseline activity for the programme."* The Commission then highlighted the need for decisive and focused leadership to deliver the required transformation.

121. To take forward this recommendation the council approved the formation of a new Transformation Board in March 2024. The Transformation Board's remit focuses on four key transformation priorities for the council being:

- Workforce
- Technology
- Assets
- Delivery Model

122. The Terms of Reference for the new Board have been approved. The Board is chaired by the Chief Executive and membership includes Chief Officers of the council. The Board will meet quarterly. The Board has authority to allocate and monitor sums from the new Transformation Fund of up to £0.100 million for the delivery of transformation projects, subject to a business case and other approvals. Any proposals of over £0.100 million will be subject to decision making by the Cabinet.

123. In addition to the strategic oversight from the Transformation Board, a Transformation Delivery Group has been established that meets four-weekly. This group is chaired by the Assistant Director - Transformation and is responsible for the operational oversight of the projects.

124. As part of the 2024/25 budget setting process, the council agreed to contribute £4.053 million of the temporary employer pension fund contribution savings to establish the Transformation Fund. When combined with £0.975 million of funds held in the council's Efficiency and Improvement Fund the Transformation Fund has an opening balance of £5.053 million. The Transformation Fund can be used to invest in capital or revenue requirements.

125. The council has committed to implementing benefits trackers for each funded project that will demonstrate cashable and non-cashable 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.

126. From review of the August 2024 portfolio Transformation Board update, the council has identified and approved 14 projects across its four key transformation areas. Work is now ongoing to understand the level of investment required to deliver on these projects together with the likely cashable benefits.

127. We welcome the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities. We will continue to monitor the progress of transformation at the council as part of our 2024/25 audit.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

In response to its November 2023 Controller of Audit report the council revised its strategic approach to “*Shaping Our Future Council.*” As part of the approved changes the leadership capacity within the council was increased. This aims to support the council in the delivery of its Best Value responsibilities.

Generally, there is openness and transparency within the council together with appropriate governance and decision-making arrangements.

In response to its November 2023 Controller of Audit report the council revised its strategic approach to “*Shaping Our Future Council.*”

128. Following appointment in November 2023, and after taking into consideration the findings from the November 2023 [Controller of Audit](#) report, the new Chief Executive brought forward proposed structural changes to the Full Council meeting in March 2024.

129. The Controller report was critical of the council’s pace of change and transformation. This strategic review included changes at a Chief Officer and senior management level, with the aim of driving change activity forward to realise benefits that will ensure the sustainability of the council.

As part of the approved changes the leadership capacity within the council was increased. This aims to support the council in the delivery of its Best Value responsibilities.

130. At the meeting members approved an enhanced leadership and management structure. This aims to support the council in the delivery of its Best Value responsibilities and is designed to improve the leadership capacity required to drive sustainable change within the council. The main changes approved were:

- Creation of a post of Chief HR Officer.
- Creation of an Assistant Director with responsibility for Corporate Policy, Strategy and Performance.
- Revision to the job title for the current Head of Legal and Regulatory Services to be replaced by Chief Governance Officer to better reflect the statutory nature of the post.
- Revision to the job title and remit for the current Head of Finance, ICT, and Procurement to be replaced by Chief Financial Officer to better reflect the statutory nature of the post.
- Appointment of Performance Analyst to support the development of performance management and performance reporting.
- Revisions to job titles for the current Director of Strategic Change and Communities and the Assistant Director of Strategic to be replaced by Director of Communities and Transformation and Assistant Director Transformation.
- Transfer of the ICT Enterprise Architecture and ICT Operations service into the remit of the new Assistant Director Transformation.

131. In addition to the above changes, members approved the establishment of a Transformation Board (see [paragraphs 119 to 127](#)).

132. Over the course of our audit appointment, we will monitor the effectiveness of this revised structure. It is vital the council sustains its leadership capacity to achieve its objectives and drive change at the pace needed.

There is openness and transparency in decision-making by the council.

133. The council has implemented several measures to ensure that the decision-making processes are accessible to the public. These include the live streaming of meetings and the publication of meeting agendas, papers, and video recordings on the council website.

134. The council publishes its Annual Accounts on its website, which include a Management Commentary. This commentary provides an analysis of the council's financial performance and use of resources for the year. An Annual Governance Statement is also available, which details its compliance with the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

135. The council website also provides the public with a wide range of corporate information including details of the council's Council Plan and performance, equality, and diversity reporting.

Generally, there are appropriate governance and decision-making arrangements are in place at the council.

136. Members and management of the council are responsible for ensuring effective governance arrangements are in place, to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded. Effective governance arrangements also enable the council to monitor how effectively it is using its resources.

137. 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. Therefore, the quality of the Audit and Governance Panel is key to ensuring effective scrutiny of decisions.

138. The Panel’s bi-annual self-evaluation of its performance was completed in September 2023. The review identified a small number of actions to be take forward but overall indicated a high-level of compliance with CIPFA’s Audit Committees: Practical Guidance for Local Authorities and Police guidance. The main action point from this review involved the introduction an annual report on the activities of the Panel.

139. In response, an annual report was considered and approved by the Panel in May 2024 prior to this being sent to Full Council for its consideration. The report includes an assurance statement from the Chair of the Panel that states: *“I can, therefore, provide the council with reasonable assurance on the adequacy of the arrangements for risk management, governance, and control, based on the work undertaken by the Panel.”* The contents of the annual report, including the assurance statement, is consistent with our knowledge of the work considered by the Panel during the year.

140. The council has a local code of corporate governance. The local code follows the seven principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016, with a further 21 sub-principles identified by the council to report against.

141. One of the Audit and Governance Panel’s responsibilities is to undertake an annual review of council officers’ self-assessment against the council’s corporate governance framework. The most recent review (2023/24) identified that of the 21 sub-principles, 20 were effective and one was effective, but some improvements were needed. The council has developed an action plan, with this disclosed in its 2023/24 Annual Governance Statement, to take forward these improvements into 2024/25.

142. The local code of corporate governance, and the subsequent annual review of this, supports the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the effective delivery of services and value for money.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

There has been regular reporting of the council's progress with its Council Plan priorities. Good progress has been made in completing actions for year one of the plan.

The council's overall performance, taken from national benchmarking data, shows an improving position year-on year.

There has been regular reporting of the council's progress with its Council Plan priorities. Good progress has been made in completing actions for year one of the plan.

143. In response to our prior year recommendation on the need for the council to improve the effectiveness and timeliness of its performance reporting, we are pleased to report that progress has been made in this area (see [paragraphs 50 to 57](#) and [61 to 64](#)).

144. The quarter four Council Plan update was reported to the Service and Partnerships Performance Panel in June 2024.

145. Of the 48 actions in the plan:

- 20 were complete
- 17 were on track
- 8 had their completion date re-assessed
- 3 were off track

146. Management assessed the RAG status of the overall action plan to be "Green." Of the projects off track one of these relates to Place Plans. We raised a recommendation around the need for these to be published as part of our audit last year (see [Appendix 1 2022/23 b/f BV 2 recommendation](#)). Progress with our recommendation has been made, with all plans now available on the

council's website, but the council is now undertaking a new round of engagement with its communities to re-fresh these.

The council's overall performance, taken from national benchmarking data, shows an improving position year-on year.

147. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. In analysing the LGBF data we recognise that local policy choices about council services and strategic priority areas will have an impact on the results.

148. The most recent [National Benchmarking Overview Report 2022/23](#) by the Improvement Service was published in March 2024. The results were considered by the council's Service and Partnerships Performance Panel in June 2024 along with council specific commentary on where improvement activity is planned or already underway. The information reported to members stated that:

- 40 per cent of the measures improved.
- 36 per cent declined.
- 11 per cent remained stable.
- 13 per cent had no data.

149. Following comments in our [2022/23 Annual Audit Report](#), the council has taken steps to improve how it uses this data. In March 2024, Service Leads were provided with data packs on the LGBF results. Each pack contained information on:

- The council's individual performance over three and five years.
- The council's performance in relation to its Family Group and National average over three and five years.
- The performance of its Family Group for the current year for which data is available
- An abbreviated commentary on the national performance of each indicator.

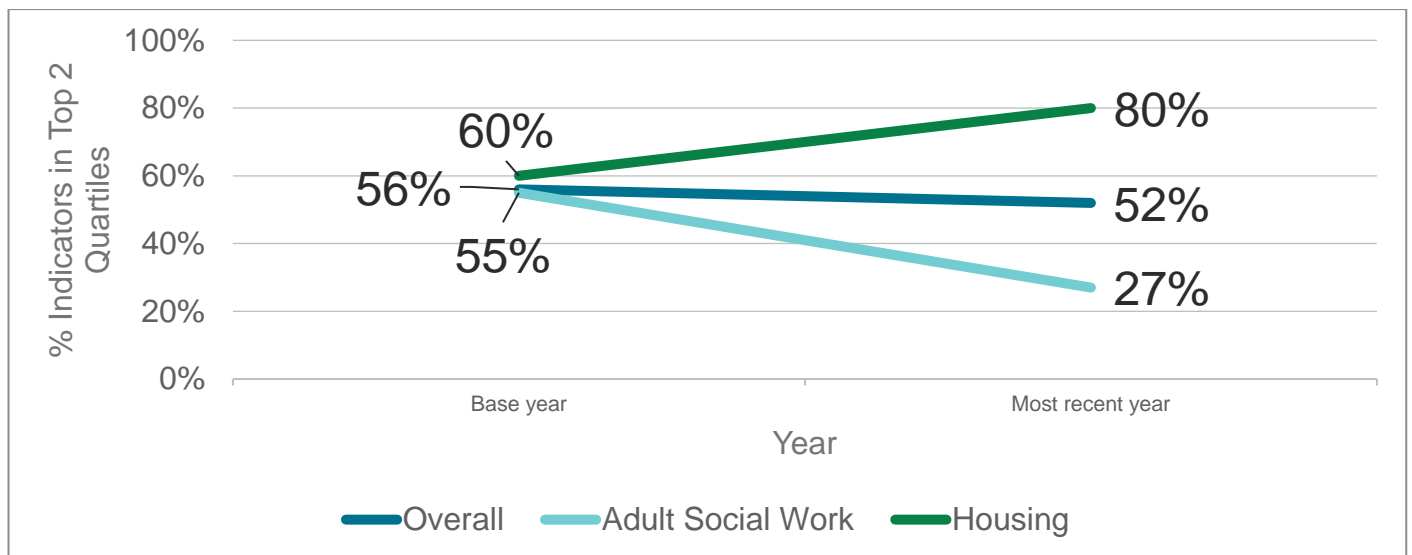
150. The council's LGBF results are transparently reported in its Management Commentary within the 2023/24 Annual Accounts.

52 per cent of national indicators are in the top two quartiles of councils, this has fallen from 56 per cent, showing the rate of service improvement is slower when compared to other councils.

151. The number of indicators in the top two quartiles has decreased from 56 per cent in the base year to 52 per cent in 2022/23 ([exhibit 7](#)). These results indicate that whilst the council's overall performance year-on-year has improved, its performance has improved more slowly than other councils over this period.

Exhibit 7

Proportion of indicators in the top two quartiles from the base year to 2022/23



Source: [Improvement Service – LGBF 2022/23](#)

- Housing Services:** Of the indicators in the area, the council is now in the top two quartiles in 80 per cent of these, up from 60 per cent in the base year. Relative to its own position since the base year, 60 per cent of the indicators have improved. The council continues to rank highly in the quality of it housing that meets the Scottish Housing Quality Standards and that are energy efficient.
- Adult Social Work Services:** Since the base year, the council's top two quartile position relative to others has decreased from 55 per cent to 27 per cent. This is also reflected in the council's position relative to its own historical position, with nine of the 11 indicators in this service having declined since the base year. In our [2022/23 BV thematic](#) report, we noted several actions the council, and the South Ayrshire Health and Social Care Partnership, were putting in place to address the performance in this service. Whilst it is too soon to say how effective these have been, particularly given the ongoing national social care pressures being experienced across the

sector, for 2022/23 six of the 11 indicators are better when compared to the prior year, indicating some level of improvement in the service.

152. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all the services they currently provide. This means that councils will need to make increasingly difficult choices about what their service and performance priorities are.

153. South Ayrshire Council should continue to use the LGBF data alongside its own performance management framework and its engagement with its communities to assess its local performance and priorities. This will provide it with a breadth of data to help inform and identify where improvements and better outcomes for its communities can be achieved.

Appendix 1. action plan 2023/24

2023/24 recommendations including Best Value (BV) Thematic

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Asset register – fully depreciated assets</p> <p>Where assets are no longer in use they should be formally scrapped or sold. Significant assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p>Risk: Depreciation charges are not being charged to user services.</p>	<p>Where significant fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life. Other assets should be considered for disposal.</p> <p>Paragraph 24</p>	<p>Accepted</p> <p>Management response</p> <p>A review of fully depreciated assets held in the asset register will be undertaken.</p> <p>Where the asset is continuing, the economic life will be reviewed and extended. Where there is no longer a use for the asset it will be considered for disposal or derecognition.</p> <p>Responsible Officer</p> <p>Kevin Braidwood - Director of Housing Operations and Development</p> <p>Actioned by</p> <p>31 December 2024</p>
<p>2. Common Good rental agreements</p> <p>Rent agreements between the council and Common Good are not being revalued in line with rental agreements.</p> <p>Risk: Lost income to the Common Good.</p>	<p>All rental agreements and support service agreements should be reviewed and updated as required.</p> <p>Paragraph 24</p>	<p>Accepted</p> <p>Management response</p> <p>A paper reviewing the service and rental agreements between the council and the Common Good is currently being prepared and will be submitted to Members for formal consideration and approval later this year.</p> <p>Responsible Officer</p> <p>Kevin Braidwood - Director of Housing Operations and Development</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Ayr Citadel Leisure Centre</p> <p>Following the move from an approved project rebuild to a refurbishment, initially, there was no updated or new business case prepared. Additionally, it was not clear how the £10 million budget for the refurbishment had been estimated.</p> <p>Risk: That the project does not represent value for money.</p>	<p>To comply with the council's capital management processes, a revised business case to support the expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.</p> <p>The council should ensure that all projects in its capital programme are supported by up-to-date business cases, that comply with the good practice set out in Audit Scotland's report on major capital investment in councils. Paragraphs 83 to 90</p>	<p>Actioned by</p> <p>31 December 2024</p> <p>Accepted</p> <p>Management response</p> <p>A revised business case has been completed for the Citadel Refurbishment and will be submitted to Members for formal consideration and approval later this year.</p> <p>Responsible Officer</p> <p>Kevin Braidwood - Director of Housing Operations and Development</p> <p>Actioned by</p> <p>31 December 2024</p>
<p>2023/24 Best Value (BV) Thematic recommendations</p>		
<p>BV 1. Workforce performance measures</p> <p>The council's Corporate Workforce Plan 2022-25 includes a detailed action plan. However, this does not list any targets or measurements, and it is unclear how the council will monitor the impact of its workforce planning approach in this way.</p>	<p>The council should develop performance measures and targets to monitor the impact of its workforce planning approach with data on future skills and capacity projections or any plans for various scenarios detailed. Additionally, workforce data such as the number of casual staff, age profile of staff and staff turnover should also be reported regularly to members.</p>	<p>Accepted</p> <p>Management response</p> <p>As part of the Council's revised Transformation Process, specific workforce targets and expectations will be set, cascaded, and reported against. Future workforce updates to members will reference key workforce data and metrics (see response to BV issue 3 below).</p> <p>Responsible Officer Lyndsay McRoberts - Depute Chief Executive/Director of Education</p> <p>Actioned by</p> <p>December 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>BV 2. Impact of Digital Strategy actions on the workforce</p> <p>The Digital and ICT Strategy 2023-28 has an associated action plan that sets out actions, lead services and enabling services. However, it does not contain detail on the measures the impact of these actions will have on the use of digital technology on workforce productivity or other workforce benefits and service delivery and outcomes.</p>	<p>The council should measure and report on the impact that digital technology has on its service delivery and outcomes, including how this can shape its workforce of the future.</p>	<p>Accepted</p> <p>Management response</p> <p>The revised Transformation Process and associated structure will ensure closer alignment between the Digital and ICT Strategy, service delivery and the workforce. The required focus on value added/benefits realisation will become embedded into the process.</p> <p>Responsible Officer</p> <p>Louise Reid - Assistant Director Strategic Change</p> <p>Actioned by</p> <p>December 2024</p>
<p>BV 3. Workforce information from Oracle Fusion</p> <p>The new Oracle Fusion platform went live on 1 April 2023. At that time there was a focus on business-critical functions to keep the council operating and reporting was viewed as secondary to this. This has led to there being fewer workforce reporting tools, creating limitations in what analysis can be undertaken.</p>	<p>The council should prioritise the development of workforce planning reporting tools in Oracle Fusion to aid managers in decision-making.</p>	<p>Accepted</p> <p>Management response</p> <p>This will be a priority over the next 12 months. Projects and procurement activities related to Fusion enhancement will be required to consider workforce planning data and reporting, and how they improve the development of future workforce plans. Accessibility and availability of reports across a range of stakeholders will be a key aim.</p> <p>Responsible Officer</p> <p>Louise Reid - Assistant Director Strategic Change</p> <p>Actioned by</p> <p>March 2025</p>

2022/23 recommendations including Best Value (BV)

Issue/risk	Recommendation	2023/24 update
<p>1. Accounting for Property, Plant and Equipment (PPE)</p> <p>We identified a number of issues in our testing of PPE.</p> <p>Risk: If the accounting for PPE is not improved future accounts could be materially misstated.</p>	<p>The council should undertake a thorough assessment of the fixed asset register to ensure its accuracy.</p> <p>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>In progress</p> <p>A review of the asset register was undertaken in 2023/24, and improvements were made. However, as noted at exhibit 2, further work is needed to tidy up the register to ensure it remains accurate.</p> <p>Responsible Officer</p> <p>Chief Financial Officer and Service Lead – Asset Management and Community Asset Transfer.</p> <p>Actioned by</p> <p>30 June 2025.</p>
<p>2. Matrix approach for revaluations</p> <p>We identified several assets which have not been revalued in over 5 years, in line with the council's 5-year rolling programme.</p> <p>The current approach to revaluations can also lead to uneven valuation movements arising each year.</p> <p>Risk: The valuation of assets included in the accounts could be materially misstated.</p>	<p>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>In progress</p> <p>The valuation methodology was refined for 2023/24, but management have committed to adopting the full matrix approach for 2024/25.</p> <p>Responsible Officer</p> <p>Chief Financial Officer and Service Lead – Asset Management and Community Asset Transfer.</p> <p>Actioned by</p> <p>30 June 2025.</p>
<p>3. Control improvement: journal authorisation</p> <p>Some staff can approve their own journals.</p> <p>Risk: Invalid, erroneous or fraudulent journals could be posted to the financial ledger.</p>	<p>Each journal should be prepared and authorised by different members of staff.</p>	<p>Rejected by management in 2022/23</p> <p>No issues reported by audit with journals testing in 2023/24.</p>
<p>4. Control improvement: payroll validation</p>	<p>The council should ensure formal procedures are in</p>	<p>In progress</p> <p>A new report has been developed where managers</p>

Issue/risk	Recommendation	2023/24 update
<p>There is currently no payroll validation exercise in place to confirm that only current employees are getting paid.</p> <p>Risk: Payments are made to individuals not in the employment of the council.</p>	<p>place to validate staff on the payroll.</p>	<p>can access the establishment listing through their Fusion profile to validate staff on payroll. This new annual protocol was piloted in two areas in 2023/24 and was rolled out across all service areas in April/May 2024. The majority of service areas have completed the review with a few outstanding areas being followed up by HR colleagues.</p> <p>Responsible Officer Chief HR Officer.</p> <p>Actioned by 31 October 2024.</p>
<p>BV 1. Effective and timely performance reporting</p> <p>The council failed to effectively measure its performance against targets for the priorities in the Council Plan to March 2023.</p> <p>To help support challenge of services and focus of improvement actions, regular reporting of performance to elected members against the new council priorities is key.</p> <p>A framework is due to be discussed with members in June.</p>	<p>A balanced view of progress against the council plan priorities should be reported regularly to members.</p> <p>The accuracy of performance information provided to members should be checked.</p> <p>A timetable for performance reporting to elected members should be a priority.</p> <p>Performance reports should include details or links to planned improvement actions.</p> <p>The council should ensure it fully complies with the new Statutory Performance Information Direction.</p>	<p>Implemented</p> <p>See paragraphs 50 to 57</p>
<p>BV 2. Place Plans</p> <p>The Community Empowerment (Scotland) Act 2015 requires the publication of 'place plans'. These were to be in place by October 2017.</p> <p>The council has adopted a place-based approach to its</p>	<p>To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans.</p>	<p>Implemented</p> <p>The role of Team Leader Place Planning was recruited to in September 2023.</p> <p>The council has now published on its website the plans that were developed following the discussions with</p>

Issue/risk	Recommendation	2023/24 update
<p>new Council Plan. It has engaged with its communities and has identified local priorities. Due to resource pressures, to date only two Place Plans have been approved by members and published.</p>		<p>its communities in 2021 and 2022.</p> <p>Work is now ongoing on the re-refresh of these. In 2024 the council engaged with twenty-four localities (via community councils and other groups) in relation to place planning and developing a community action plan. Each locality is at different stage of the process, with the majority contacted and given information how to proceed forward. Around, 1,100 individuals were approached and participated to some degree in place planning.</p>
<p>BV 3. Council Plan – cross cutting impact assessment</p> <p>In the Council Plan there are several cross-cutting themes, one of which is equalities. These themes are to be considered when decisions are made. A new Impact Assessment approach is under development to assist with this.</p> <p>The approach is still to be determined, and it is not clear how the council will measure its success in these priority areas.</p>	<p>There should be a clear process introduced that is sufficiently resourced to ensure these cross-cutting priorities are given the necessary consideration.</p> <p>Measures should be set for monitoring progress for cross cutting themes. In particular how the council will measure that it is reducing inequalities and addressing climate change should be laid out.</p>	<p>In progress</p> <p>The council approved a new integrated impact assessment in September 2023. This was launched as a pilot within the Strategic Change and Communities Directorate. It will be rolled out to the rest of the council in 2024.</p> <p>We will review further reporting of this as part of our 2024/25 audit.</p>
<p>BV 4. Approach to self-evaluation of performance</p> <p>There has been a gap in the council’s self-evaluation of service performance at the council since the Covid-19 pandemic.</p> <p>The council need to do more to challenge how services are delivered.</p>	<p>The plans to reintroduce a corporate approach to self-evaluation need to be progressed.</p> <p>The council’s self-evaluation should include an understanding of its performance in relation to other councils.</p>	<p>In progress</p> <p>See paragraphs 58 to 60.</p>

South Ayrshire Council

2023/24 Annual Audit Report

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Annual Accounts 2023-24



South Ayrshire Council 2023-24 Annual Accounts

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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.

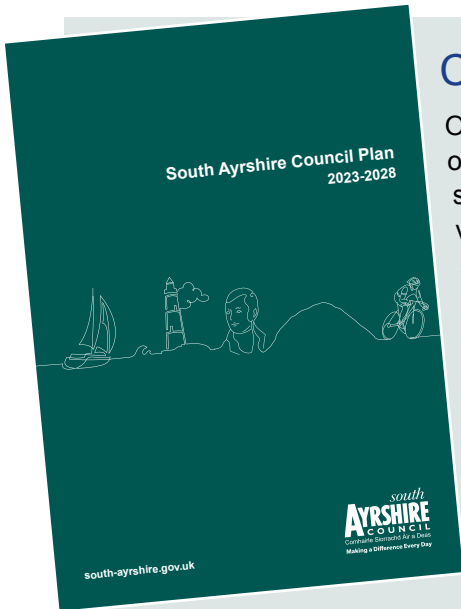


More information can be found by visiting our [website](#). We also regularly share information on our social media channels [Facebook](#), [Twitter](#) and [Instagram](#) and [LinkedIn](#).

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

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



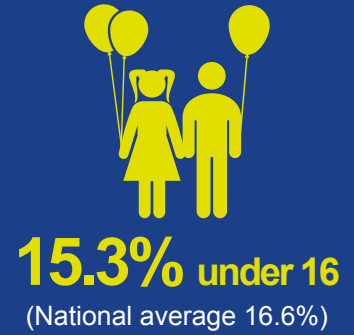
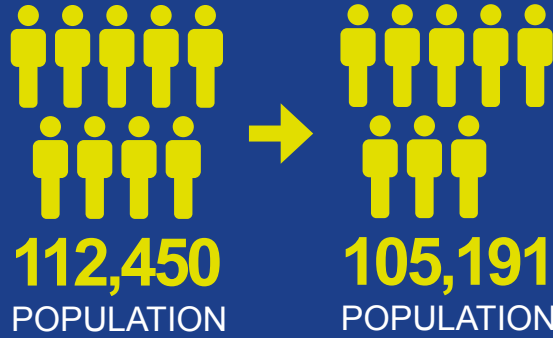
Investing an additional £2million
in Troon, Maybole and Prestwick



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

South Ayrshire Overview

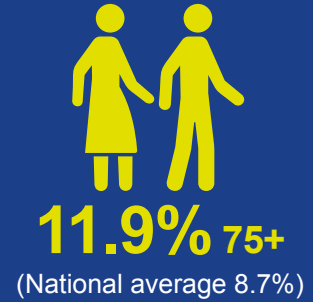
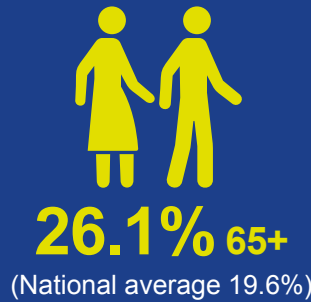
Between 2021 and 2043 the population of South Ayrshire is projected to decrease from 112,450 to 105,191. This is a decrease of 6.9% which compares to a projected increase of 1.7% for Scotland as a whole.



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

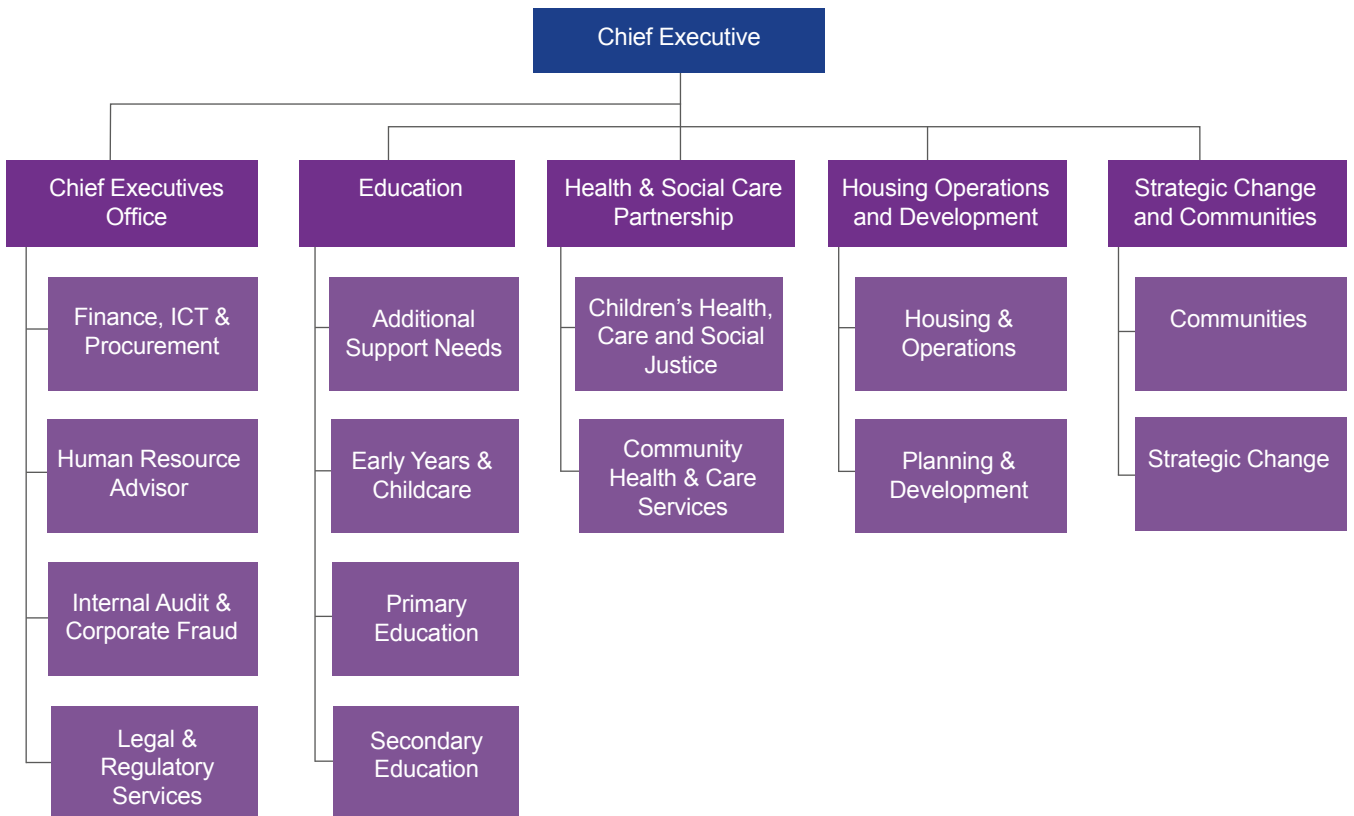
● MAYBOLE

● 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.

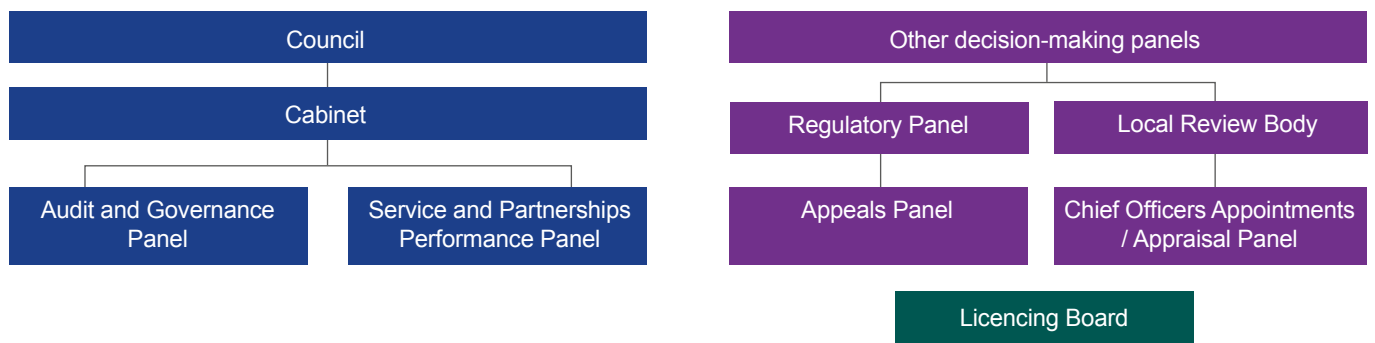
In recognition of this recommendation, Council approved the report ‘Shaping Our Future Council’ in March 2024 which included an enhanced leadership and management structure designed to improve the leadership capacity required to drive sustainable change. The structure below was in place throughout 2023-24 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.

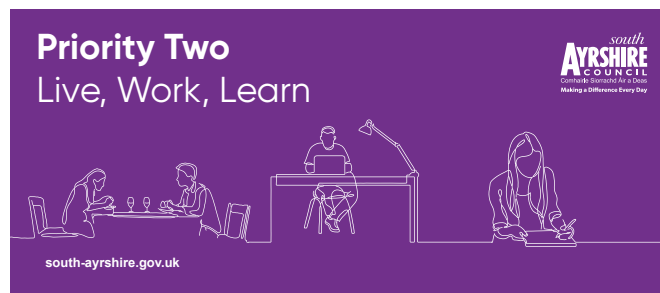
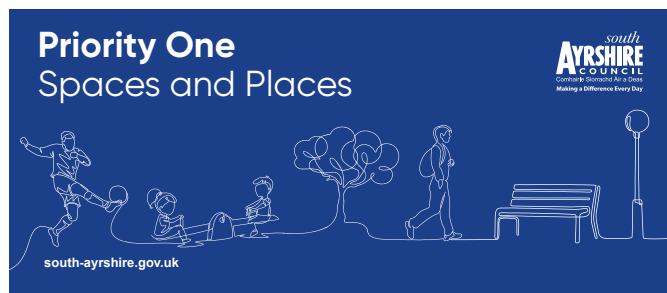
The Political decision-making structure is shown below.



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 can solve. The priorities provide 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:

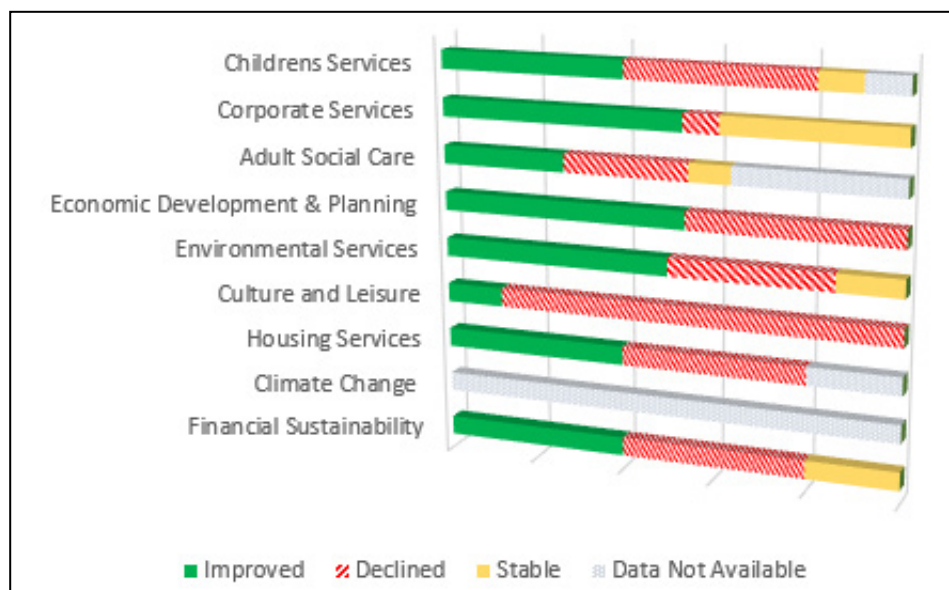
Priority Area	Actions	On track/ Completed	Off track/Not yet started/ Re-assess due date	Overall health
Priority One: Spaces and Places	18	5 on track and 9 completed	<ul style="list-style-type: none"> 1 - off track with concerns 3 - re-assess due date 	✔
Priority Two: Live, Work and Learn	14	6 on track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

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.

Culture and Leisure Services were adversely impacted by a number of factors over and above the general inflationary impact on cost of supplies. New costs encountered related to additional expenditure on Ashtree dieback work by forestry specialists, expenditure relating to the new Riverside Arena (£0.235m) and general increased energy costs (£0.252m). Further one off expenditure relating to the write-off of aborted new leisure centre capital costs (£1m) also contributed to the decline in the performance indicator.

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% 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 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.

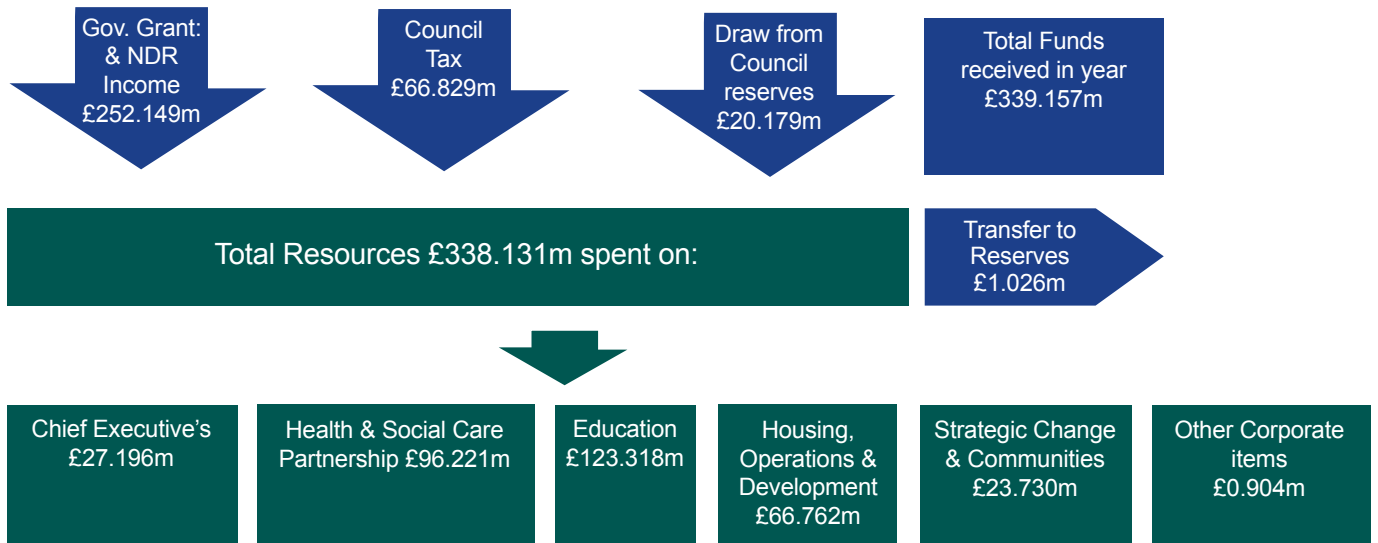
Financial Performance

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.



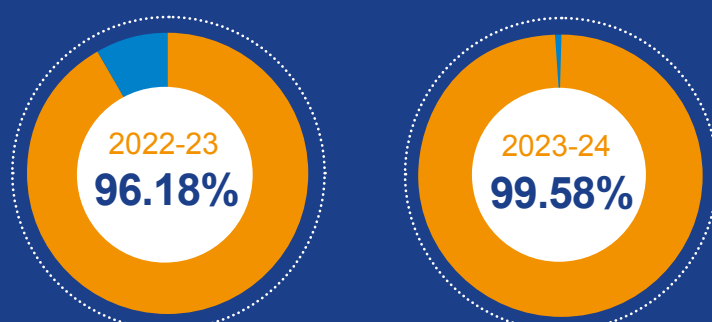
The performance of actual spend against budget for each Service area is shown in the tables opposite with an explanation of the main variance also provided. Further detail on service out-turns can be found in the Budget Management report submitted to Cabinet on 18th June 2024 and can be found at [Committee 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	123,761	123,318	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	(82)	904	(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	
Net Cost of Service	0	(267)	267	

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

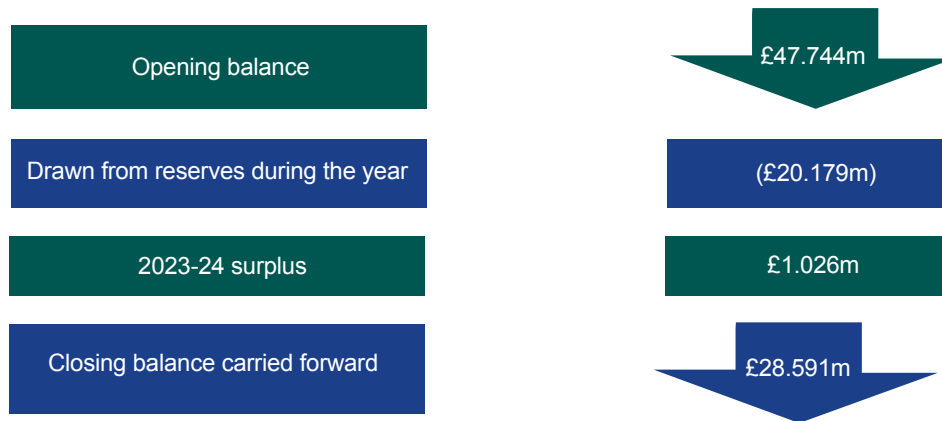


The Comprehensive Income and Expenditure Statement (CIES) sets out our funding and spending in line with accounting requirements which is different to the way we report financial performance internally. The Expenditure and Funding Analysis (EFA) provides a link between our budget management reports and 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	123,318	(4,991)	118,327	Education	118,327
Housing, Operations and Development	66,762	(13,060)	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	904	12,178	13,082	Miscellaneous Services	13,082
Council Tax	(66,829)	66,829	0		321,866
Government Funding	(252,149)	252,149	0		
Use of Balances	(20,179)	20,179	0		
Net Cost of Service	(267)	322,133	321,866		

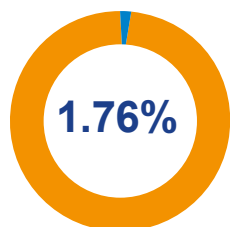
Accumulated General Fund Reserves

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:

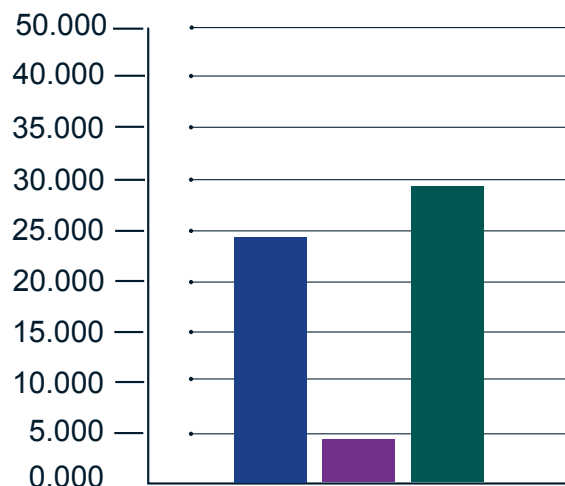


The chart below shows a breakdown of the £28.591 million accumulated reserves held at the end of 2023-24 between committed and uncommitted funds.

2023-24



Uncommitted funds as a percentage of annual budgeted expenditure



Total General Fund Reserves
£28.591m

Further detail on the reserve balances held can be found in Note 7 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](#)

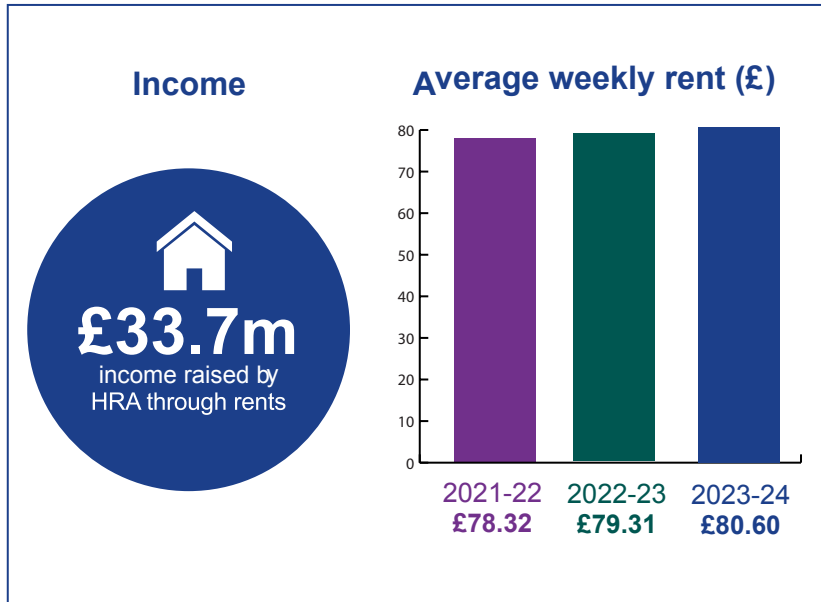
The South Ayrshire HSCP is holding its own reserves of £17.468 million (inclusive of a share of Lead partnership reserves), £13.231 million of general earmarking of funds for use in future years and £4.237 million of a general unallocated reserve. The reserves held by the partnership are not included 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.

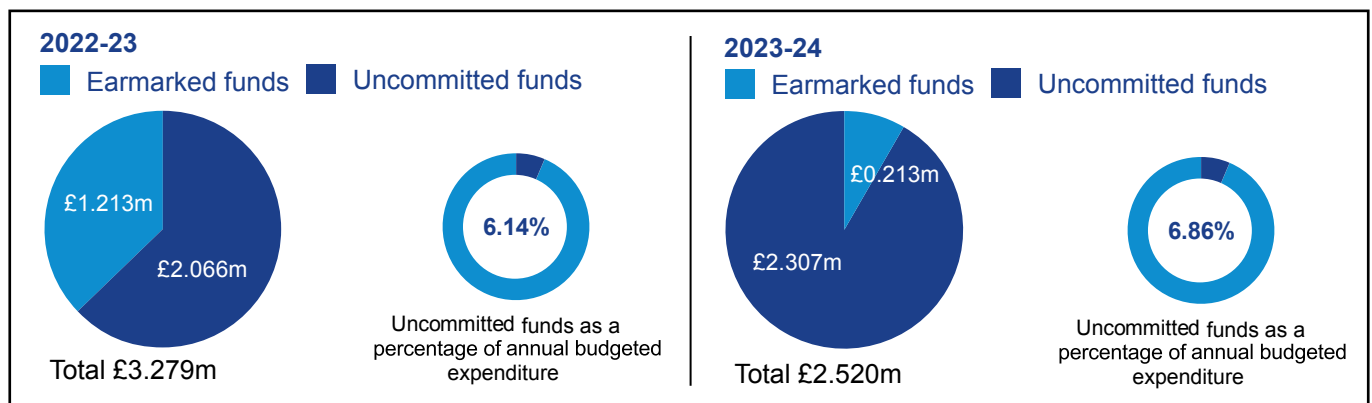
As outlined in the report to the meeting of South Ayrshire Council on 1 March 2023, when preparing the 2023-24 budget, it was acknowledged that the rate of inflation was higher than previously assumed and this was impacting on revenue and capital budgets. As part of the approved 2023-24 HRA budget, budgets 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.



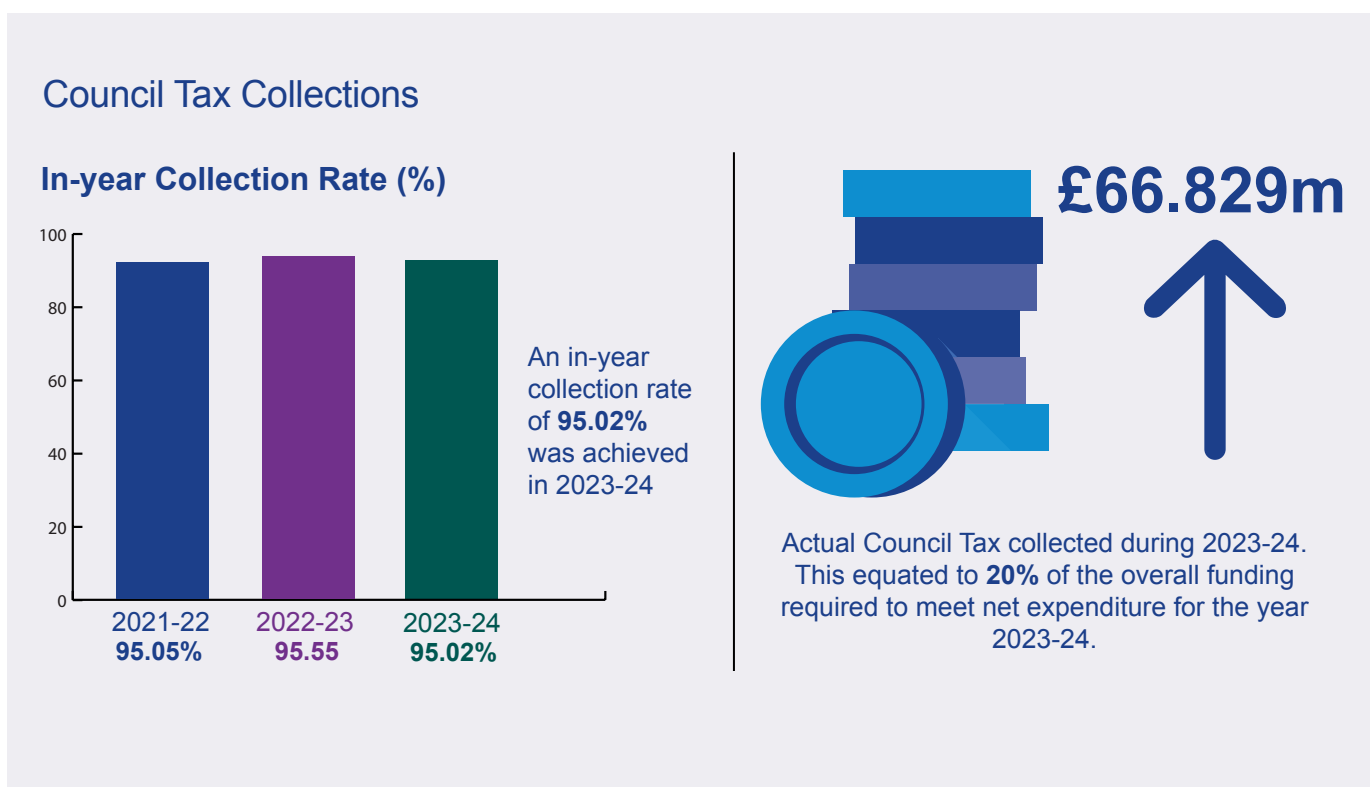
In 2023/24, gross rent arrears were £1.372 million, which was 4.07% of the rent due in the reporting year. This was a decrease on £1.383 million (4.19%) in 2022-23. The Council's performance remains strong in comparison to other Scottish Local Authorities. During 2023/24, the recovery of income and provision 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.

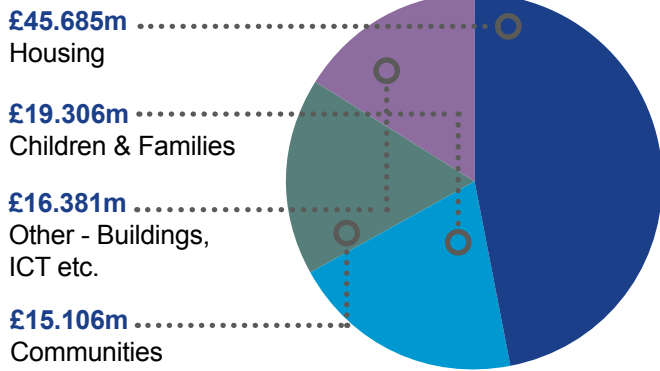
Further detail on the uncommitted balances held can be found in the 2023-24 HRA Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes](#).



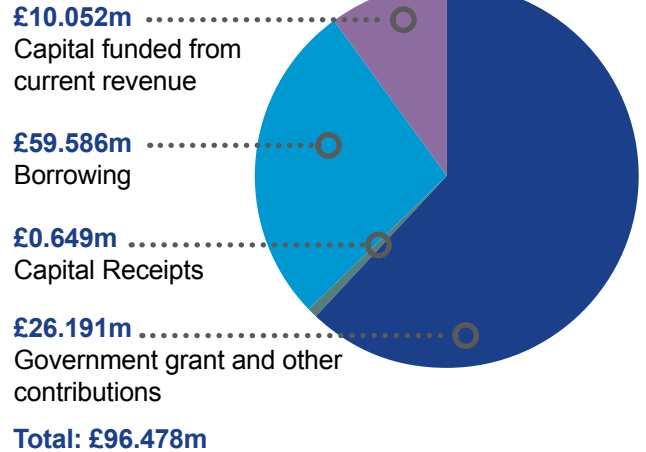
Capital Expenditure and Income

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.

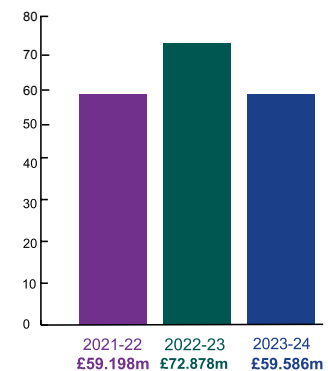
Treasury Management Activity

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.

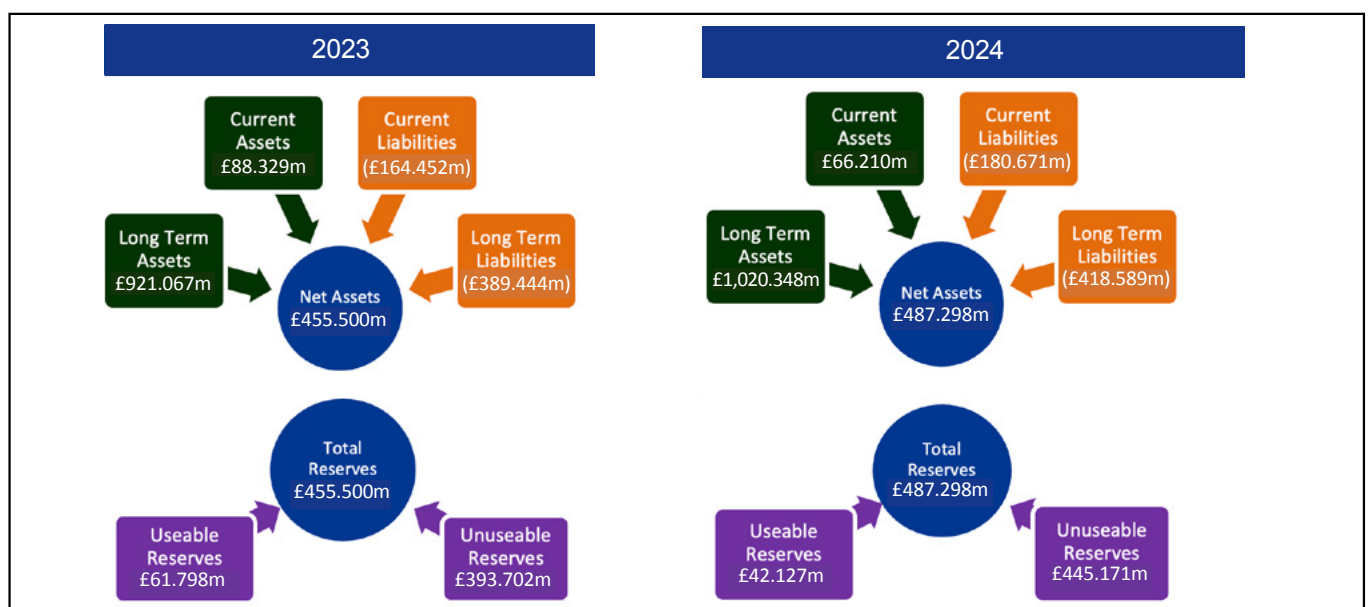


The 2023-24 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 26 June 2024 and remitted to Council for approval. The key Treasury Management indicators drawn from that report are noted below:

Indicator	2022-23	2023-24	Comment
Capital Financing Requirement	£484.612m	£534.483m	External debt levels remain lower than the CFR which reflect the Council’s 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 £487.298m 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 £49.637m 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 years 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"> Continued Horizon scanning to anticipate and respond to risks. Watching brief and continual discussion on funding requirements for any unanticipated emergencies. Dissemination of information to officers and members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA). The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). Chief Executive attends Strategic ALRP. 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. 24/7 on call service in place via Civil Contingencies to respond to, and coordinate, Council emergency response to major incidents. Staffing and resourcing arrangements are in place to support those individuals and families arriving in South Ayrshire from Ukraine." 	<ol style="list-style-type: none"> Withdrawal of the National Insurance increase. Increasing the Scottish Child Payment to £25 per week from 14 November 2022 Winter Heating Payments paid. Rent Freeze Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords. 'One stop shop' website to help those struggling financially. 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. A Member Officer Working Group for the Cost-of-Living Crisis has been established. 	<ol style="list-style-type: none"> Annual 2023/24 budget prepared and approved in March 2023. Maintain pressure on Scottish Government to agree settlements which reflect Local Authority needs through participation in CoSLA groups. Updated five year Medium Term Financial Plan approved by Cabinet in November 2023 Annual Treasury Management Strategy prepared and approved by Council March 2023. Details credit and counterparty risk. Next update due in March 2024. 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. £2.5m Inflation reserve established in February 2023 to mitigate inflationary impact during 2023-24

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

Councillor Martin Dowey
Leader of the Council

Mike Newall
Chief Executive

Tim Baulk BA Acc CPFA
Chief Financial Officer



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.

I confirm that these Annual Accounts were approved for signature by the Audit and Governance Panel at its meeting on 26 September 2024.

Councillor Martin Dowe
Leader of the Council

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.

Tim Baulk BA Acc CPFA
Chief Financial Officer

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 governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). 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. In line with the Public Sector Internal Audit Standards (PSIAS) there is a requirement for the internal audit function to be independently reviewed once every five-years. This review was undertaken in 2023/24 and the findings were reported to the Audit and Governance Panel in May 2024. The report noted a high level of compliance 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.

	Core Principle	Sub-principles
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity
		Demonstrating strong commitment to ethical values
		Respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement	Openness
		Engaging comprehensively with institutional stakeholders
		Engaging with individual citizens and service users effectively
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	Defining outcomes
		Sustainable economic, social, and environmental benefits
D	Determining the actions necessary to optimise the achievement of the intended outcomes	Determining actions
		Planning actions
		Optimising achievement of intended outcomes
E	Developing the Council's capacity, including the capability of its leadership and the individuals within it	Developing the Council's capacity
		Developing the capability of the Council's leadership
F	Managing risks and performance through robust internal control and strong public financial management	Managing risk
		Managing performance
		Robust internal control
		Managing data
		Strong public financial management
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	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	
Key:	 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
Behaving with integrity	Introduction of new procedures for the Conflict-of-Interest Register for Employees	Introduction of new procedures re Conflict-of-Interest Register completed (implemented).
Ensuring openness	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).
Defining outcomes	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).
Determining the actions	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 out to individual services during 2024/25 (implemented).

<p>Managing risks and performance</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>
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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. Reference to these can be found in the Management Commentary (page 22).

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.
F	Managing risks and performance	The new Enterprise Resource Planning system will facilitate both the adoption of good practice and further improvement in financial management and control.
G	Deliver effective accountability	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.

Councillor Martin Dowey
Leader of the Council

Mike Newall
Chief Executive

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 2023 and came into force on 1 April 2023. 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. Industrial relations circular 11-23b sets the amount of the 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: [Members Salaries & Expenses 2023-2024](#)

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

Name	Post title	2023-2024		2022-2023
		Gross salary & allowances	Total Expenses	Total Remuneration
		£	£	£
M Dowey	Leader of the Council	40,235	30	40,265
I Campbell	Provost	30,177	1,796	31,973
M Kilpatrick	Senior Councillor (1)	24,362	54	24,416
A Clark	Senior Councillor (2)	27,035	3,828	30,863
I Davis	Senior Councillor (2)	27,035	30	27,065
S Ferry	Senior Councillor (2)	27,035	30	27,065
M Kilbride	Senior Councillor (2)	27,035	32	27,067
L Lyons	Senior Councillor (2)	20,114	30	20,144
R Pollock	Senior Councillor (2)	27,035	30	27,065
R Shields	Senior Councillor (2)	27,035	86	27,121
P Henderson*	Senior Councillor (1)	6,167	15	6,182
P Saxton	Senior Councillor (1)	24,362	1,625	25,987
I Cavana	Senior Councillor (1)	24,362	211	24,573
B Connolly	Senior Councillor (2)	27,035	1,112	28,147
K Bell	Senior Councillor (1)	24,362	132	24,494
J Dettbarn	Senior Councillor (1)	23,311	30	23,341
		406,697	9,071	415,768

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

*P Henderson is no longer in the position of Senior Councillor (1) from 2nd July 2023 (£24,362 full year equivalent).

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.

Members' Allowances and Expenses Paid 2023-24 Annual Return which is available on the Council's website is based on 2023-24 final approved salary and the above Remuneration of Senior Councillors and Chair of Joint Boards is based on actuals paid throughout 2023-24 and therefore there may be variances between the two.

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
	683,044	652,829

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
	949,970	949,970	898,283

**E Howat left the employment of South Ayrshire Council on 27th October 2023 (£154,609 full year equivalent).*

***K Braidwood commenced employment with South Ayrshire Council on 26th February 2024 (£120,502 full year equivalent).*

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	Number of
	Employees	Employees
	2023-2024	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	-	1
£115,000 - £119,999	-	-
£120,000 - £124,999	2	-
£125,000 - £129,999	-	1
£130,000 - £134,999	2	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	1
	615	434

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 1/49th 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:

Full time pay	Contribution rate 2023-2024
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%

Full time pay	Contribution rate 2022-2023
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 1/49th of actual pensionable salary received and years of pensionable service (prior to 2015 the actual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service; prior to 2009 the actual rate guaranteed based on 1/80th and a lump sum based on 3/80th 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	Pension	As at 31 March 2024	Difference from 31 March 2023
		£	£		£0	£0
M Dowey	Leader of the Council	6,843	7,278	Pension	4	1
				Lump sum	-	-
I Campbell	Provost	5,824	5,028	Pension	4	2
				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	2
				Lump sum	-	-
I Davis	Senior Councillor (2)	5,218	4,604	Pension	4	2
				Lump sum	-	-
S Ferry	Senior Councillor (2)	5,218	4,552	Pension	1	-
				Lump sum	-	-
M Kilbride	Senior Councillor (2)	5,201	4,552	Pension	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	-
				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	-
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	-
				Lump sum	-	-
J Dettbarn	Senior Councillor (2)	4,498	473	Pension	4	1
				Lump sum	-	-
		<u>68,883</u>	<u>65,085</u>		<u>78</u>	<u>19</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.

**P Henderson is no longer in the position of Senior Councillor (1) from 2nd July 2023 (£24,362 full year equivalent).*

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, £000	Difference from 31 March 2023 £000
M Newall - Chief Executive	26,002	19,742	Pension	22
			Lump Sum	41
E Howat – Chief Executive*	17,397	28,200	Pension	6
			Lump Sum	5
T Eltringham – Director of Health & Social Care Partnership	25,742	24,273	Pension	11
			Lump Sum	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	3
			Lump Sum	-
J Bradley - Director of Communities & Transformation	23,257	19,742	Pension	6
			Lump Sum	3
T Baulk - Chief Financial Officer	18,466	17,899	Pension	7
			Lump Sum	7
C Caves - Chief Governance Officer	19,046	17,899	Pension	4
			Lump Sum	1
W Wesson – Chief HR Adviser	13,233	12,723	Pension	4
			Lump Sum	2
C McGhee – Chief Internal Auditor	12,378	11,484	Pension	2
			Lump Sum	-
	180,797	173,310	1,038	137

*E Howat left the employment of South Ayrshire Council on 27th October 2023 (£154,609 full year equivalent).

**K Braidwood commenced employment with South Ayrshire Council on 26th February 2024 (£120,502 full year equivalent).

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
Total	11	415,315	49,084	10	664,248	106,223

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:

The number of employees during 23/24 who were relevant union officials were 43 which equates to 38.66 full time equivalents (FTE).

Percentage of working hours spent by the relevant union officials on Trade Union facility time

	FTE
0%	
1 – 50%	38.66
51 – 99%	
100%	

Percentage of total pay spent on trade union facility time and of total time spent on paid 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 50.19% 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.

Councillor Martin Dowey
Leader of the Council

Mike Newall
Chief Executive

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	144,937	(22,044)	122,893	122,893
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	34,347	(34,356)	(9)	(9)
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
593,309	(244,633)	348,676	348,815	Cost of services	585,051	(245,475)	339,576	339,239
		3,626	3,626	Loss on disposal of non-current assets			6,139	6,139
				Financing and investment income and expenditure:				
		17,875	17,875	Interest payable and similar charges			22,481	22,481
		(1,305)	(1,305)	Interest and investment income	Note 11	(1,955)	(1,955)	(1,955)
		813	813	Net interest on the net defined benefit liability	Note 28	(1,062)	(1,062)	(1,062)
		-	2,740	Share of (surplus)/ deficit on provision of services by associates			-	(563)
		(335,774)	(335,774)	Taxation and non-specific grant income	Note 22	(349,331)	(349,331)	(349,331)
		33,911	36,790	Deficit on the provision of services		15,848	14,948	14,948
		(11,500)	(11,500)	(Surplus) on the revaluation of property, plant, and equipment		(70,097)	(70,097)	(70,097)
		(63)	(63)	(Surplus) on financial assets measured at fair value		(38)	(38)	(38)
		(41,013)	(41,013)	Remeasurements of the net defined liability (asset)	Note 28	22,489	22,489	22,489
		-	2,920	Share of other comprehensive income and expenditure of associates			-	1,275
		(52,576)	(49,656)	Other comprehensive (income)		(47,646)	(46,371)	(46,371)
		(18,665)	(12,866)	Total comprehensive (income)		(31,798)	(31,423)	(31,423)

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
Balance at 31 March 2023	47,744	3,279	9,478	1,159	138	61,798	393,702	455,500	50,012	505,512
Movement in reserves during 2023-2024										
(Deficit)/ surplus on the provision of services	(21,818)	5,970	-	-	-	(15,848)	-	(15,848)	900	(14,948)
Other comprehensive income and expenditure	-	-	-	-	-	-	47,646	47,646	(1,275)	46,371
Total comprehensive income and expenditure	(21,818)	5,970	-	-	-	(15,848)	47,646	31,798	(375)	31,423
Adjustments between accounting basis and funding basis (Note 6)	(1,255)	(6,729)	223	(38)	3,976	(3,823)	3,823	-	-	-
Net increase/ (decrease) before transfers	(23,073)	(759)	223	(38)	3,976	(19,671)	51,469	31,798	(375)	31,423
Transfers to/from earmarked reserves (Note 7)	3,920	-	-	50	(3,970)	-	-	-	-	-
Increase/ (decrease) in 2023-2024	(19,153)	(759)	223	12	6	(19,671)	51,469	31,798	(375)	31,423
Balance at 31 March 2024	28,591	2,520	9,701	1,171	144	42,127	445,171	487,298	49,637	536,935

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

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	997,553	1,011,818
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	-	-
921,067	935,892	Long-term assets		1,020,348	1,034,613
30,377	30,377	Short-term investments	11	5,066	5,066
641	641	Assets held for sale	15	756	756
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
88,329	88,333	Current assets		66,210	66,214
(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)
(164,452)	(163,786)	Current liabilities		(180,671)	(179,728)
(846)	(846)	Long-term provisions	17	(864)	(864)
-	34,547	Investments in associates/joint ventures		-	34,455
(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)
(389,444)	(354,927)	Long-term liabilities		(418,589)	(384,164)
455,500	505,512	Net assets		487,298	536,935
61,798	61,798	Usable reserves	7	42,127	42,127
393,702	393,702	Unusable reserves	19	445,171	445,171
-	50,012	Group reserves		-	49,637
455,500	505,512	Total reserves		487,298	536,935

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

Tim Baulk BA Acc CPFA
Chief Financial Officer

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	4,566	122,893
49,216	11,842	61,058	53,702	13,025	66,727
4,003	(2,311)	1,692	(2,120)	2,111	(9)
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
288,624	60,052	348,676	321,866	17,710	339,576
(287,758)	(27,007)	(314,765)	(298,034)	(25,694)	(323,728)
866	33,045	33,911	23,832	(7,984)	15,848
49,408			51,023		
(866)			(23,832)		
2,481			3,920		
51,023			31,111		

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.

2023-2024	Adjustments for capital purposes (Note 1)	Net changes for the pension's adjustment (Note 2)	Other differences (Note 3)	Total adjustments
	£'000	£'000	£'000	£'000
Chief Executive's Office	4,861	(2)	(109)	4,750
Education	4,711	(2)	(143)	4,566
Housing, Operations and Development	13,216	(3)	(188)	13,025
Housing Revenue Account	2,121	12	(22)	2,111
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)
Net cost of services	18,022	404	(716)	17,710
Other Income and Expenditure from the Expenditure and Funding Analysis	(24,214)	(1,062)	(418)	(25,694)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	(6,192)	(658)	(1,134)	(7,984)

2022-2023	Adjustments for capital purposes (Note 1)	Net changes for the pension's adjustment (Note 2)	Other differences (Note 3)	Total adjustments
	£'000	£'000	£'000	£'000
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
Net cost of services	31,873	26,405	1,774	60,052
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,403)	813	(417)	(27,007)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	4,470	27,218	1,357	33,045

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
Expenditure		
Employee benefit expenses	237,345	248,048
Other service expenses	308,783	310,489
Depreciation, amortisation, and impairment	37,861	35,585
Interest payments	22,481	17,875
(Gain) or Loss on the disposal of assets	6,139	3,626
Total Expenditure	612,609	615,623
Income		
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)
Total Income	(596,761)	(581,712)
Deficit on the provision of services	15,848	33,911

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	(7,984)	33,045
Application of receipts to finance capital expenditure	(118)	(2,060)
Transfer of capital receipts from revenue to reserves	4,279	5,783
Adjustments between Accounting Basis and Funding Basis per MiRS	(3,823)	36,768

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 audited Annual Accounts were authorised for issue on 26 September 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 Annual Accounts are 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
Adjustments primarily involving the capital grants unapplied account:						
Application of grants to capital financing transferred to the capital adjustment account	-	-	80	38	-	(118)
Adjustments primarily involving the capital adjustment account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(24,394)	(11,305)	-	-	-	35,699
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)	(1,245)	-	-	-	6,139
<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)
Adjustments primarily involving the financial instruments adjustment account:						
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)
Adjustments primarily involving the employee benefit statutory mitigation account:						
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)
Adjustments primarily involving the pensions reserve:						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 28)	638	20	-	-	-	(658)
Total adjustments	1,255	6,729	(223)	38	(3,976)	(3,823)

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
Adjustments primarily involving the capital grants unapplied account:						
Application of grants to capital financing transferred to the capital adjustment account	-	-	121	567	1,372	(2,060)
Adjustments primarily involving the capital adjustment account:						
<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)
Adjustments primarily involving the financial instruments adjustment account:						
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)
Adjustments primarily involving the employee benefit statutory mitigation account:						
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
Adjustments primarily involving the pensions reserve:						
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
Total adjustments	(45,462)	12,417	(3,099)	567	(1,191)	36,768

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	
General Fund balance uncommitted	7,442	(2,998)	4,444	This balance represents 1.76% of future budgeted expenditure.
Affordable Housing	1,182	672	1,854	Contributes towards the provision of new build social housing.
Efficiency & Improvement Fund	1,278	(115)	1,163	Used to provide short-term enabling funding to promote and support service redesign.
Workforce Change Fund	5,931	(416)	5,515	Used to meet the severance and other employee related costs arising from any Council's workforce service redesign measures.
Earmarked Funds				
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	
Covid-19	5,912	(4,198)	1,714	Covid-19 funds received up to 31 March 2024 but where spending plans exist in future years.
General Fund Balance	<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	
Housing Revenue Account	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.
Housing Revenue Account Balance	<u>3,279</u>	<u>(759)</u>	<u>2,520</u>	

Other reserves

Capital grants unapplied	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.
Capital fund	138	6	144	Used for financing capital expenditure and the repayment of the principal of loans.
Repair and renewals fund	1,159	12	1,171	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.
Other Reserves Balance	10,775	241	11,016	
Total Useable Reserves	61,798	(19,671)	42,127	Total Useable Reserves per the Movement in Reserves Statement on Page 43

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

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

2022-2023

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

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
Cost or valuation								
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	22,673	1,695	1,255	1,615	-	38,786	85,139
Disposals in year	(1,244)	(4,954)	-	-	-	-	(605)	(6,803)
Revaluation adjustments to revaluation reserve	-	29,855	34,912	(44)	111	20	-	64,854
Revaluation adjustments to CIES	354	(7,994)	6,704	-	(6,509)	(955)	-	(8,400)
Other reclassifications*	11,580	41,433	25	256	2,541	940	(66,286)	(9,511)
At 31 March 2024	324,881	392,626	163,529	43,267	574	1,677	55,852	982,406
Depreciation and impairment								
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)	17	-	(5,194)
Impairment losses to CIES	-	(2,020)	-	-	(97)	4	819	(1,294)
On disposals	(30)	(219)	-	-	-	-	(604)	(853)
Other reclassifications	117	(491)	9	(47)	140	(25)	-	(297)
At 31 March 2024	21,032	4,766	444	34,402	-	7	819	61,470
Net book value at 31 March 2024	303,849	387,860	163,085	8,865	574	1,670	55,033	920,936
Nature of asset holding								
Owned	303,849	385,462	-	8,865	574	1,670	55,033	755,453
Finance lease	-	2,398	-	-	-	-	-	2,398
PPP	-	-	163,085	-	-	-	-	163,085
	303,849	387,860	163,085	8,865	574	1,670	55,033	920,936

2022-2023

	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
Cost or valuation								
At 1 April 2022	278,453	254,143	115,334	38,090	2,008	2,467	69,481	759,976
Additions in year	11,974	29,812	1,368	3,405	352	0	59,621	106,532
Disposals in year	(99)	(3,818)	-	(372)	(9)	(120)	(1,170)	(5,588)
Revaluation adjustments to revaluation reserve	-	3,110	2,405	2	-	9	-	5,526
Revaluation adjustments to CIES	-	(8,198)	1,086	-	-	9	-	(7,103)
Other reclassifications*	4,748	36,564	-	675	465	(693)	(43,975)	(2,216)
At 31 March 2023	295,076	311,613	120,193	41,800	2,816	1,672	83,957	857,127
Depreciation and impairment								
At 1 April 2022	-	3,973	-	27,033	-	-	431	31,437
Depreciation charge for the year	10,077	5,909	2,883	4,296	-	30	-	23,195
Depreciation/Impairment written to revaluation reserve	-	(3,981)	(1,981)	(2)	-	(10)	-	(5,974)
Impairment losses to CIES	-	(2,148)	(902)	-	-	-	605	(2,445)
On disposals	-	(764)	-	(340)	-	(14)	(432)	(1,550)
Other reclassifications	-	7	-	(13)	-	(6)	-	(12)
At 31 March 2023	10,077	2,996	-	30,974	-	-	604	44,651
Net book value at 31 March 2023	284,999	308,617	120,193	10,826	2,816	1,672	83,353	812,476
Nature of asset holding								
Owned	284,999	306,059	-	10,826	2,816	1,672	83,353	689,725
Finance lease	-	2,558	-	-	-	-	-	2,558
PPP	-	-	120,193	-	-	-	-	120,193
	284,999	308,617	120,193	10,826	2,816	1,672	83,353	812,476

Infrastructure Assets (Note 1 below)

2022-23		2023-24
£'000		£'000
65,553	Net book value at 31 March 2023	71,326
7,769	Expenditure	7,382
437	Reclassifications	525
(2,433)	Depreciation	(2,616)
71,326	Net book value at 31 March 2024	76,617
812,476	Other PPE Assets (tables above)	920,936
883,802	Total Property Plant and Equipment assets	997,553

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 84 to 96 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:

Category	Sub-category	Useful life (years)	Valuer	Basis of Valuation	Date of last valuation
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.

Net Book Values are analysed by year of valuation below:

	Council Dwellings £'000	Other Land and Buildings £'000	Schools PPP Assets £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historic cost	-	4,551	-	8,865	-	13,416
Valued at current value as at:						
31 March 2024	625	206,054	163,085	-	1,150	370,914
31 March 2023	-	151,594	-	-	267	151,861
31 March 2022	303,224	17,845	-	-	189	321,258
31 March 2021	-	7,644	-	-	64	7,708
31 March 2020	-	172	-	-	-	172
Total cost or valuation	303,849	387,860	163,085	8,865	1,670	865,329

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.

Expenditure	General Services £'000	Housing £'000	2024-25 Total £'000	2023-24 Total £'000
Capital investment	102,569	64,390	166,959	174,885
	102,569	64,390	166,959	174,885
Sources of finance				
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
	102,569	64,390	166,959	174,885

Note 9: Heritage assets.

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

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 civic 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

The most recent valuation conducted during 2021-22 included a significant proportion of higher value heritage assets. Given the relative value of heritage assets, we consider this to be a reasonable approach.

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 five or seven 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
Balance at start of year:		
Gross carrying amounts	15,400	13,265
Accumulated amortisation	(7,909)	(4,335)
Net carrying amount at start of year	7,491	8,930
Purchases	3,614	1,456
Reclassifications*	6,623	679
Amortisation for the period	(2,162)	(3,574)
Net carrying amount at end of the year	15,566	7,491
Comprising:		
Gross carrying amounts	25,638	15,400
Accumulated amortisation	(10,072)	(7,909)
	15,566	7,491

*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	-	-	-	-	-	-
Total financial assets	1,068	1,033	-	-	5,066	30,377	42,604	45,965
Non-financial assets	-	-	-	-	-	-	-	-
Total	1,068	1,033	-	-	5,066	30,377	42,604	45,965

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)
Total financial liabilities	(308,635)	(274,797)	-	-	(85,125)	(84,348)	(88,104)	(73,519)
Finance lease liabilities	(2,319)	(2,470)	-	-	(150)	(145)	-	-
PPP	(81,734)	(85,560)	-	-	(3,827)	(3,783)	-	-
Total Non-financial liabilities	(84,053)	(88,030)	-	-	(3,977)	(3,928)	-	-
Total	(392,688)	(362,827)	-	-	(89,102)	(88,276)	(88,104)	(73,519)

*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
Net (gains)/losses on:				
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)	-
Total net losses/(gains)	20,526	(38)	16,027	(63)
Interest revenue:				
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)	-
	(1,955)	(38)	(1,848)	(63)
Interest expense	22,481	-	17,875	-

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:

Table 1	31 March 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£'000	£'000	£'000	£'000
PWLB	241,476	188,462	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
Sub Total Borrowing	392,948	336,721	358,322	317,627
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
	176,134	181,484	165,477	174,437
EIR Accounting Entry	812	812	823	823
Total Liabilities	569,894	519,017	524,622	492,887

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

Table 2	31 March 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£'000	£'000	£'000	£'000
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
Sub Total Borrowing	392,948	369,663	358,322	353,079
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
	176,134	188,511	165,477	182,435
EIR Accounting Entry	812	812	823	823
Total Liabilities	569,894	558,986	524,622	536,337

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 £188.462m (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
Financial Assets	£'000	£'000	£'000	£'000
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
	48,737	48,710	77,375	77,357

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
Balance outstanding at start of year	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
Balance outstanding at year end	263	326	352	344	58	50	673	720

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
Total	42,604	45,965

* 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
Total cash and cash equivalents	17,111	10,626

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	115	641
Balance outstanding at year end	756	641

Note 16: Creditors

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

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
Balance as at 1 April 2023	627	378	1,005	283	63	500	846	1,851
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)
Balance as at 31 March 2024	857	650	1,507	283	83	498	864	2,371

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
	5,935	5,580

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	216,729	150,372
Capital adjustment account	268,899	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)
	445,171	393,702

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
Balance on 1 April	150,372	141,976
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	(6,231)	(4,948)
Surplus on revaluation of non-current assets not posted to the deficit on the provision of services	70,098	11,499
Difference between fair value depreciation and historical cost depreciation	(2,104)	(1,945)
Accumulated gains on assets sold or scrapped	(1,637)	(1,158)
Amount written off to the Capital Adjustment Account	(3,741)	(3,103)
Balance on 31 March	216,729	150,372

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.

	2023-2024	2022-2023
	£'000	£'000
Balance on 1 April	263,129	268,219
<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	(35,699)	(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	(6,138)	(3,625)
Adjusting amounts written out of the revaluation reserve	3,741	3,103
Net written out amount of the cost of non-current assets consumed in the year	(40,258)	(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
Balance on 31 March	268,899	263,129

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.

	2023-2024	2022-2023
	£'000	£'000
Balance at 1 April	(10,149)	(10,567)
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	418	418
Balance at 31 March	(9,731)	(10,149)

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
Balance at 1 April	741	678
(Downward)/upward revaluation of investments	38	63
Balance at 31 March	779	741

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 £305.635m 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)
Balance at 1 April	(3,206)	(17,001)
Re-measurement of the net defined benefit asset	308,183	309,250
Asset ceiling adjustment	(330,672)	(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
Balance at 31 March	(25,037)	(3,206)

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
Balance at 1 April	(7,185)	(5,411)
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)
Balance at 31 March	(6,468)	(7,185)

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 £0.346m 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
Credited to taxation and non-specific grant income		
General revenue grant	204,441	209,723
Receipted capital income	30,353	31,028
Non-domestic rates income	47,708	30,913
Council tax income	66,829	64,110
Total	349,331	335,774

	31 March 2024	31 March 2023
	£'000	£'000
Credited to services		
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
Total	81,194	79,597

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.

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 £0.004m (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
Opening capital financing requirement	484,611	399,007
Capital investment		
Property, plant, and equipment	92,864	116,031
Intangible assets	3,614	1,455
	<u>96,478</u>	<u>117,486</u>
Sources of finance		
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>
Closing capital financing requirement	534,412	484,611
Explanation of movements during the year		
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>
Increase in capital financing requirement	49,801	85,604

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
Minimum lease payments	3,089	3,288

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
	3,089	3,288	2,469	2,614

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
	2,781	2,667

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
	1,705	1,856

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
	12,722	12,728

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
Total	158,479	85,560	115,112	359,151

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)
Balance outstanding at year end	85,560	89,342

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
Total	127,369	127,369	-

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
Comprehensive Income and Expenditure Statement (CIES)		
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
Total post-employment benefit charged to the deficit on the provision of services	22,652	48,922
Other post-employment benefits charged to the CIES:		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
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
Total post-employment benefit charged to the CIES	(259,759)	(260,328)
Movement in Reserves Statement (MiRS)		
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)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contribution payable to the scheme	23,310	21,704

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
Surplus	305,635	265,031
Asset Ceiling Adjustment	(330,672)	(268,237)
Net liability arising from defined benefit obligations	(25,037)	(3,206)

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

	2023-2024	2022-2023
	£'000	£'000
Opening balance on 1 April	729,870	1,033,336
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)
Closing balance at 31 March	786,099	729,870

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

	2023-2024	2022-2023
	£'000	£'000
Opening fair value of the scheme assets	994,901	1,016,335
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)
Closing fair value of the scheme assets	1,091,734	994,901

Analysis of pension fund assets

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

At 31 March 2024

Asset category	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	2023-2024 Total £'000
Cash and cash equivalents			
Equity instruments:			
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
Sub-total equity	220,496	239	220,735
Debt securities (corporate bonds incl. non-investment grade)	-	-	-
Private equity	-	260,642	260,642
Real estate (UK property)	-	85,843	85,843
Investment funds and unit trusts:			
Equities	4,483	372,007	376,490
Bonds	-	127,351	127,351
Commodities	-	435	435
Sub-total investment funds and unit trusts	4,483	499,793	504,276
Cash and cash equivalents (all)	1,701	18,537	20,238
Totals	226,680	865,054	1,091,734

At 31 March 2023

Asset category	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	2022-2023 Total £'000
Cash and cash equivalents			
Equity instruments:			
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
Sub-total equity	194,279	1,783	196,062
Debt securities (corporate bonds incl. non-investment grade)	-	-	-
Private equity	-	244,535	244,535
Real estate (UK property)	-	82,029	82,029
Investment funds and unit trusts:			
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
Sub-total investment funds and unit trusts	4,286	449,141	453,427
Cash and cash equivalents (all)	13,760	5,088	18,848
Totals	212,325	782,576	994,901

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:

	2023-2024	2022-2023
Mortality assumptions:		
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
Financial assumptions:		
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.

Change in assumption on 31 March 2024	Approximate % increase to Employer Liability	Approximate monetary amount £000
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

Asset and liability matching strategy

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 17 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 1.95%.

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 £49.199m) 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:

	2023-2024	2022-2023
	£'000	£'000
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
Total	21,767	10,706

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.

	Maturity limit %	Maturing debt Maturing in period %	Actual 2023-2024 £'000	Actual 2022-2023 £'000
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
Principal element of borrowing		100	387,659	355,384

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:

Notional impact on the surplus or deficit on the provision of services:	Actual 2023-2024 £000	Actual 2022-2023 £000
Increase in interest payable on variable rate borrowings	911	945
Increase in interest receivable on variable rate investments	(268)	(248)
	643	697

Other presentational changes	Actual 2023-2024 £000	Actual 2022-2023 £000
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 requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January 2024 for financial year 2023-2024:

- **Amendments to IAS 1:** Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2024.
- **Amendments to IAS 8:** Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2024.
- **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 2024.
- **Amendments to IFRS 3:** Updating a Reference to the Conceptual Framework. Applicable for periods beginning on or after 1 January 2024.

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 84 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	
35,248	Total expenditure		34,558
	Income		
(32,635)	Dwelling rents	(33,336)	
(374)	Non-dwelling rents	(349)	
(685)	Other income	(671)	
(33,694)	Total income		(34,356)
1,554	Net expenditure from HRA service		202
138	HRA share of Corporate and Democratic Core		142
1,692	Net expenditure for HRA services (as recorded in the Council's Comprehensive Income and Expenditure Statement)		344
	Other Operating Expenditure		
3	(Gain) or loss on sale of HRA non-current assets		1,245
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)
(6,165)	Deficit/(surplus) for the year on HRA services		(5,616)

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)	Balance on the HRA at the end of the previous year	(3,279)
(6,165)	Deficit/(surplus) for the year on the HRA Income and Expenditure Statement	(5,616)
12,417	Adjustments between accounting basis and funding basis under statute	6,375
6,252	Net decrease/(increase) in HRA balance	759
(3,279)	Balance on the HRA at the end of the current year	(2,520)

*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
	8,126	8,055

Area of accommodation	2023-2024	2022-2023
Ayr	4,800	4,736
Troon	961	962
Prestwick	734	733
Maybole	700	699
Girvan	931	925
	8,126	8,055

Note 3: Rent arrears & void property lost rent.

On 31 March 2024, rent arrears amounted to £1.372m (2022-2023: £1.383m), being 4.07% (2022-2023: 4.19%) 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)
63,401	In year council tax income	66,890
709	Adjustment to prior years' council tax	(61)
64,110	Transfer to General Fund	66,829

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	56,902
Less exemptions/deductions	642	482	304	209	203	92	46	6	1,984
Less adjustment for single discount	919	1,436	964	754	708	296	159	6	5,242
Less adjustment for double discount	108	167	136	122	108	49	28	5	723
Reduction in tax base due to Council Tax Reduction	2,300	2,727	1,398	611	357	109	32	1	7,535
Effective number of properties	3,293	8,037	6,294	7,173	8,380	4,797	3,157	287	41,418
Band D equivalent factor (D)	240	280	320	360	473	585	705	882	
Band D equivalent number of properties	2,195	6,250	5,595	7,174	11,011	7,795	6,181	702	46,903
Class 17 & 24 dwellings				5					5
Total	2,195	6,250	5,595	7,179	11,011	7,795	6,181	702	46,908
Less provision for non-collection 3.00 per cent (adjusted for impact of Council Tax Reduction)									1,407
Council tax base 2023-2024									45,501

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	(13,464)
(901)	Write-off of uncollectable debts and allowance for impairment	(956)
44,138	Net non-domestic rate income	48,365
(2,867)	Adjustment to previous years' national non-domestic rates	(1,391)
41,271	Total non-domestic rate income	46,974
	National non-domestic rate pool:	
30,913	Non-domestic rate income retained by the authority	47,708
(41,271)	Contribution (to)from national non-domestic rate pool	(46,974)
(10,358)		734

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

	Number	Rateable Value
		£000
Commercial subjects		
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
Total all subjects	5,558	119,889

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 106 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 13.

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 £536.935m compared with £487.298m 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 £25.052m (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 £0.337m (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 £0.332m (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. The organisations running costs were met by South Ayrshire Council by way of an annual revenue contribution. South Ayrshire Council contributed £0.004m for running costs during 2023-24 (2022-23: £0.002m).

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

	Common Good Funds	Strathclyde Passenger for Transport	Strathclyde Concessionary Travel Scheme	Ayrshire Valuation Joint Board	Ayr Renaissance LLP	South Ayrshire IJB
	£'000	£'000	£'000	£'000	£'000	£'000
Share of assets	14,652	26,586	383	415	692	8,734
Share of liabilities	(56)	(1,534)	(46)	(83)	(107)	-
Share of revenues	(1,197)	(5,571)	(269)	(878)	(4)	(142,670)
Share of (surplus)/deficit	(337)	(1,800)	(4)	60	-	(1,181)

Share of Subsidiary and Associate - Assets and Liabilities 2022-2023

	Common Good Funds	Strathclyde Passenger for Transport	Strathclyde Concessionary Travel Scheme	Ayrshire Valuation Joint Board	Ayr Renaissance LLP	South Ayrshire IJB
	£'000	£'000	£'000	£'000	£'000	£'000
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		Ayr	Prestwick	Troon	Maybole	Girvan	2023-2024
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure						
797	Property costs	685	29	-	-	54	768
-	Donations and contributions	-	-	-	-	-	-
83	Other expenditure	90	1	-	-	-	91
880		775	30	-	-	54	859
	Income						
716	Rents and other income	1,073	28	-	-	54	1,155
25	Interest on investments	27	12	2	-	-	41
741		1,100	40	2	-	54	1,196
(139)	(Deficit)/surplus for year	325	10	2	-	-	337
355	Surplus brought forward	56	253	35	2	9	355
216	Accumulated surplus	381	263	37	2	9	692

II) Common Good Balance Sheet as of 31 March 2024

31 March 2023		31 March 2024
£'000		£'000
14,135	Property, plant, and equipment	13,575
14,135	Non-current assets	13,575
2	Inventory	2
830	Loans fund investment	1,075
832	Current assets	1,077
(37)	Creditors	(5)
(20)	Provisions	(20)
(30)	Deferred income	(30)
(87)	Current liabilities	(55)
14,880	Net assets	14,597
14,880	Useable and Unusable Reserve	14,597
14,880	Net reserves	14,597

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

2023-2024 Movements	Ayr	Prestwick	Troon	Girvan	Total
	£'000	£'000	£'000	£'000	£'000
Value as of 1 April 2023	13,258	703	162	11	14,134
Revaluations, impairments, and transfers	(1,690)	1,115	(117)	133	(559)
Value as of 31 March 2024	11,568	1,818	45	144	13,575

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)
619	Closing balance	351	242	593
Balance Sheet as of 31 March				
Assets				
582	Investments	516	110	626
658	Current assets	355	277	632
1,240	Total assets	871	387	1,258
Reserves				
619	Revenue	351	242	593
377	Available for sale financial instrument reserve	348	73	421
244	Capital reserve	172	72	244
1,240	Total reserves	871	387	1,258

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	498	791
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
Total Charitable Trusts		355	516	871

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	110	264
Sundry Mortifications	Maintenance of lairs in perpetuity.	50	-	50
Various	Non-charitable Trusts with closing balances of less than £25,000.	73	-	73
Total Non-charitable Trusts		277	110	387
Total Trusts		632	626	1,258

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
Charitable Trusts									
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	35	20	(1)	(39)	498	293	791
McKechnie Trust (SC012759)	3	3	-	-	-	-	3	3	6
Total Charitable Trusts	485	380	36	22	(1)	(51)	520	351	871
Non-charitable Trusts									
John McMaster Bursary Fund	101	154	9	8	-	(8)	110	154	264
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
Total Non-charitable Trusts	136	238	9	12	-	(8)	145	242	387
Total Trusts	621	618	45	34	(1)	(59)	665	593	1,258

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of South Ayrshire Council and its group for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Account and Common Good Fund Accounts and notes to the financial statements, including material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2024 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Financial Officer and the Audit and Governance panel for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit and Governance Panel is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Financial Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Financial Officer concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Statement of Responsibilities, Annual Governance Statement, and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow, G2 1BT

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
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Wellington Square
Ayr
KA7 1DR

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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**



South Ayrshire Council Charitable Trust Funds

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South Ayrshire Council Charitable Trust Funds

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

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

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	<u>7</u>	<u>6,266</u>

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

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.

Martin Dowey
Trustee

Alec Clark
Trustee

South Ayrshire Council Charitable Trust Funds

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 £
Receipts:						
Investment income	6, 9	124	20,080	1,361	929	22,494
Total receipts		124	20,080	1,361	929	22,494
Payments:						
Charitable activities	7	-	(31,787)	-	(6,266)	(38,053)
Governance costs	10	(174)	(7,335)	(383)	(5,575)	(13,467)
Total payments		(174)	(39,122)	(383)	(11,841)	(51,520)
Surplus/ (deficit)		(50)	(19,042)	978	(10,912)	(29,026)
Comparative information (restated)						
	<i>Note</i>	SC012759 (McKechnie): Unrestricted £	SC016728 (DEEF): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2022/23 £
Receipts:						
Investment income	6, 9	84	21,891	912	1,507	24,394
Total receipts		84	21,891	912	1,507	24,394
Payments:						
Charitable activities	7	-	-	-	(45,450)	(45,450)
Governance costs	10	(133)	(7,082)	(368)	(5,791)	(13,374)
Total payments		(133)	(7,082)	(368)	(51,241)	(58,824)
Surplus/ (deficit)		(49)	14,809	544	(49,734)	(34,430)

South Ayrshire Council Charitable Trust Funds

Statement of Balances as at 31 March 2024

	Note	SC012759 McKechnie £	SC016728 DEEF £	SC025088 SAC CT £	SC045677 SACT £	Total 2023/24 £
Investments	9	2,586	498,313	-	14,867	515,766
Bank and cash:						
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
Total current assets		3,528	292,937	39,617	18,912	354,994
Total assets		6,114	791,250	39,617	33,779	870,760
Comparative information (restated)						
	Note	SC012759 McKechnie £	SC016728 DEEF £	SC025088 SAC CT £	SC045677 SACT £	Total 2022/23 £
Investments	9	2,586	463,822	-	14,700	481,108
Bank and cash:						
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
Total current assets		3,579	311,979	38,639	29,824	384,021
Total assets		6,165	775,801	38,639	44,524	865,129

The unaudited financial statements were issued on 26 June 2024. The audited financial statements were authorised for issue and signed on behalf of the Trustees on 26 September 2024.

Martin Dowey
Trustee

Alec Clark
Trustee

Tim Baulk BA Acc CPFA
Chief Financial Officer
South Ayrshire Council

South Ayrshire Council Charitable Trust Funds

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 £
SC025088 SAC CT	35,849	34,871
SC045677 SACT:		
Ayr	16,560	27,086
Prestwick	374	414
Girvan	1,978	2,324
Total SC045677 SACT	18,912	29,824
Total restricted funds	54,761	64,695

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

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)
	£	£
SC012759 McKechnie	124	84
SC016728 DEEF	9,860	7,112
SC025088 SAC CT:		
Interest on revenue balances	1,206	800
Interest on capital balances	155	112
Total SC025088 SAC CT	1,361	912
SC045677 SACT:		
Ayr	834	1,253
Prestwick and Monkton	14	10
Coylton	-	7
Girvan	81	57
Total SC045677 SACT	929	1,327
Total income from related party transactions	12,274	9,435
7 Charitable activities		
SC016728 DEEF:		
Rozelle House: enhancement of visitor experience	31,787	-
SC045677 SACT:		
Ayr	6,266	45,000
Coylton	-	450
Total SC045677 SACT	6,266	45,450
Total charitable activities	38,053	45,450

South Ayrshire Council Charitable Trust Funds

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)
	£	£
SC012579 McKechnie:		
£2,586.46 nom value 3½% War Stock (redeemed but not received)	2,586	2,586
SC016728 DEEF:		
Alliance Trust Ord GBP0.25	104,334	82,790
AstraZeneca Ord USD0.25	128,181	134,784
Aviva	8,138	6,625
BAE Systems	21,596	15,722
Carnival	2,686	1,622
City of London Investment	14,158	14,490
Lloyds Banking Group	3,852	3,548
Marks & Spencer Ord GBP0.25	4,033	2,540
Mercantile Investment	13,558	12,030
Murray International Trust	32,305	34,788
National Grid Ord GBP0.11395	13,187	13,564
Persimmon Ord GBP0.10	7,895	7,536
Rolls Royce Group	650	650
Rolls Royce Group	4,904	1,714
Royal Dutch Shell EUR0.07	45,216	39,775
Securities Trust of Scotland	15,418	14,980
Standard Life UK Smaller Companies	36,621	34,781
Tate & Lyle Ord GBP0.25	8,031	10,184
Tesco	5,621	5,035
Vodafone Group Ord USD0.11428571	2,311	2,922
Cash account	25,618	23,742
Total DEEF investments	498,313	463,822

South Ayrshire Council Charitable Trust Funds

Notes to the Financial Statements (continued)

	2024	2023 (restated)
	£	£
SC045677 SACT:		
2088 BMO UK High Income Trust plc (Comp 3A Ordinary and 1B Ordinary)	6,911	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
Total SACT investments	14,867	14,700
Total investments	515,766	481,108

Investments in respect of both McKechnie and SACT relate to the Girvan area and are valued at market value.

	2024	2023 (restated)
	£	£
Interest received on external investments:		
SC016728 DEEF	10,220	14,779
SC045677 SACT	-	180
Total interest received on external investments	10,220	14,959

10 Governance costs

SC012759 McKechnie:		
Preparation of financial statements	99	78
Audit fee	75	55
Total SC012759 McKechnie	174	133
SC016728 DEEF:		
Legal and administrative costs	2,282	2,032
Preparation of financial statements	4,553	5,050
Audit fee	500	-
Total SC016728 DEEF	7,335	7,082

South Ayrshire Council Charitable Trust Funds

Notes to the Financial Statements (continued)

	2024	2023 (restated)
	£	£
SC025088 SAC CT:		
Preparation of financial statements	308	313
Audit fee	75	55
Total SC025088 SAC CT	383	368
SC045677 SACT:		
Legal and administrative costs	1,750	1,500
Preparation of financial statements	3,325	3,301
Audit fee	500	990
Total SC045677 SACT	5,575	5,791
Total governance costs	13,467	13,374

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

Independent Auditor's Report to the Trustees of South Ayrshire Council Charitable Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of South Ayrshire Council Charitable Trust Funds for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2024 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible for the preparation of financial statements that properly present the receipts and payments of the charities, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

South Ayrshire Council Charitable Trust Funds

- using my understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees concerning the charities' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Other information

The Trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charity Accounts (Scotland) Regulations 2006.

South Ayrshire Council Charitable Trust Funds

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Andrew Kerr CA
Senior Audit Manager
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Andrew Kerr is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

**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	Final Report on the 2023/24 Audit
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)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

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)
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
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

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Rationale for decision: This report submits accounts for the financial year to 31 March 2024 and the proposed independent auditor’s report to Members. Their decision on this has no specific equality implications	
Signed : Tim Baulk Date: 19 September 2024	Chief Financial Officer