South Ayrshire Council
Comhairle Siorrachd Àir a Deas

Annual Accounts 2018-19

South Ayrshire Council 2018-2019 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 2019.

The accounts provide key information about our administration, financial management and performance in the financial year 2018-19, which was the first full financial year under the current political administration.

Our management commentary provides a clear and easy-to-read summary of what we have achieved over the past year and the progress we have made against Our People, Our Place – the Council Plan 2018-2022 – and I hope you find it useful.

This progress is testament to the efforts of colleagues from across the Council – and our partners – working tirelessly day in and day out to make a difference for our people and places, and my thanks go to each and every one of them.

We will build on this positive start to ensure we continue to deliver the best possible services that genuinely make a difference for those most in need.

Councillor Douglas Campbell, Leader of South Ayrshire Council

Highlights of 2018-19

We want South Ayrshire to be the best it can be, and for all people and places to have the opportunity to reach their full potential.

Some of the key highlights delivered during 2018-19 to achieve this include:

- Securing Ayrshire Growth Deal funding of more than £250 million from the UK and Scottish Governments and the three Ayrshire Councils to help transform the local economy over the next 10-15 years through the creation of an estimated 7,000 jobs and leveraging estimated private sector investment of £300 million. We also took the first steps to establish the Ayrshire Regional Economic Partnership, which will oversee the delivery of the Growth Deal.
- Continuing a positive programme of consultation and engagement with people and communities on key issues and projects including our 'Ayr your views' consultation, which ran throughout the year and focused on improvements people want to see in Ayr town centre. Input to this consultation helped inform the creation of a dedicated town centre strategy and action plan.
- Progressing our exciting and extensive investment programme in our education estate with the opening of the new £4 million Invergarven School, which is transforming education for children and young people with additional support needs, and the continuation of major schools projects such as the new £25 million Queen Margaret Academy, which opens later this year.
- Improving the local environment by rolling out a new recycling service to 57,000 households across South Ayrshire to increase recycling levels, improve the quality of recyclable waste and reduce the amount of household waste going to landfill.
- Investing additional monies to help mitigate the impact of child poverty through free breakfast clubs in schools in the most deprived areas; increasing the footwear and clothing grant from £50 to £110; introducing free meals for every P4 child in the most deprived schools; and extending our free holiday meals and activities programme.
- Enhancing the local environment with record investment in our roads network of almost £7.1 million – including an ex funding to help improve ro lighting and infrastructure for South Ayrshire.
- Becoming the first Council in Europe 'safe leave' to employees experiencing abuse and the first in Scotland to offer add paid maternity and paternity leave to employe with children who receive hospital care following premature birth.
- Supporting and delivering a wide-ranging arts, culture and events programme that brings people in to South Ayrshire and helps boost the local economy through the likes of the Scottish International Airshow, which achieved record-breaking visitor numbers in 2018; national exhibitions; and the WW1 centenary commemorations.
- Delivering dedicated programmes to support care-experienced young people into work and managing and maintaining their own tenancies.

This is just a snapshot of some of the positive progress we made in 2018-19 and you can find out more – and keep up with our latest news – at our website: **www.south-ayrshire.gov.uk**.

Plans for 2019 and beyond

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

While we have seen some positive pace and progress, we know there's much more we have to do and we are confident that we have the right framework in place to take this forward.

Looking ahead, I'm proud to say that people, places and priorities are once again at the heart of our spending plans for 2019-20 and beyond.

From this year's budget consultation, we took on board the feedback that people are willing to pay more to protect and maintain 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.

This includes an unprecedented £74.2 million for the South Ayrshire Health and Social Care Partnership. Combined with a further £8.3 million directly from the Scottish Government, this means £82.5 million to support health and wellbeing and help improve lives across South Ayrshire.

In our extended, and record-breaking, capital investment programme, a total of £347.2 million will be spent over the next ten years – with £72 million invested in 2019-20 alone – to transform towns and villages and benefit every single person across South Ayrshire.

More than £113 million will be invested in our schools and early years facilities over the next decade. This includes a total of £12.7 million to support the expansion of early years provision from 600 hours to 1,140 hours for all three and four-year-olds and eligible two-year -olds by 2020.

New schools

Girvan Primary; Carrick Academy in Maybole; Glenburn Primary and St Ninian's Primary shared campus in Prestwick; and Sacred Heart Primary in Girvan.

Early years projects

New Cherry Tree Early Years Centre; extensions at Barr, Coylton, Kincaidston and Symington Early Years Centres; a new-build Forehill Early Years Centre; and a new Early Years Centre within the refurbished Ayr Grammar Primary.

Almost £50 million of the programme will be spent enhancing sport and leisure facilities across the area. This includes £40 million for a new leisure facility in Ayr town centre, as well as further improvements to facilities in Ayr and Girvan.

We have also listened to concerns about the condition of the road network and an additional £9.5 million has been added to the programme for road reconstruction and improvement, taking the total over the ten years to £17.5 million.

Overall, we have set out a bold and ambitious programme of investment that will touch the lives of everyone in South Ayrshire and change lives for the better – and we know exactly what we are going to do to turn those ambitions into reality and create a legacy for generations to come.

This will create a stronger South Ayrshire, change lives and make lives, give people hope for a better and brighter tomorrow, and shape our people, our places and our future.

About South Ayrshire

By 2041, the South Ayrshire population is projected to be 106,974 – a decrease of 5% compared to the population in 2017. The population of Scotland as a whole is projected to increase by 5%.

The projected change in South Ayrshire is not evenly spread across the different age groups. The number of children aged 0-15 years is projected to decrease by 12% and our working age population by 14%.

The pensionable age population is, however, projected to increase by 19% by 2041. More dramatically, the South Ayrshire population aged 75+ is projected to increase by 77% by 2041.

These anticipated changes to the population will have considerable consequences for the Council as it strives to ensure social, educational, housing and community services continue to meet the needs of the community.

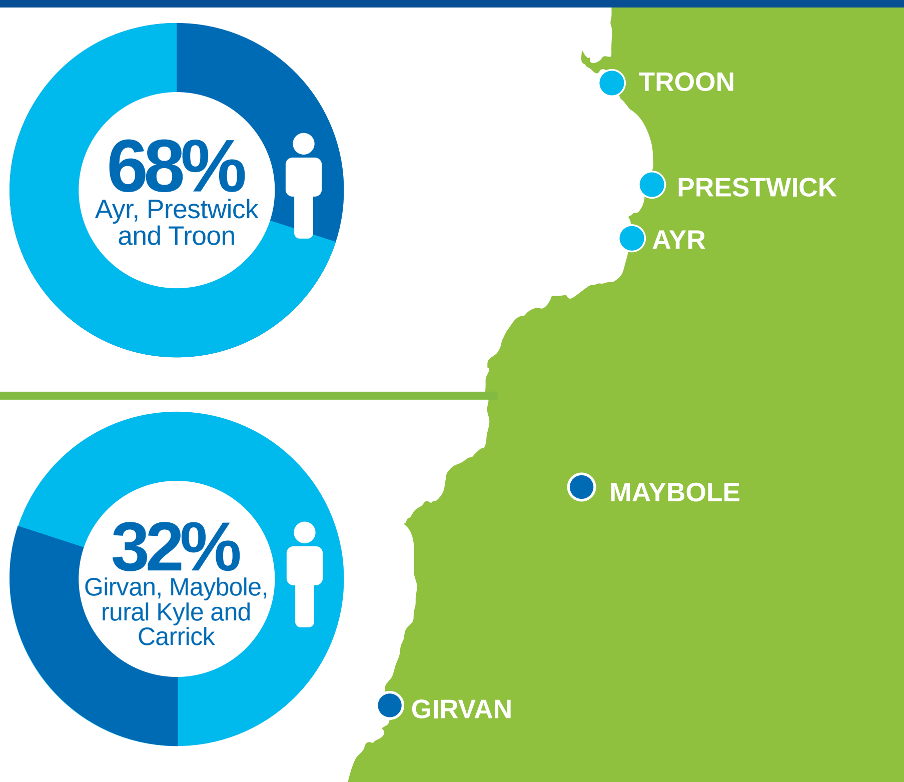
112,680
POPULATION

48% MALE
52% FEMALE

25% over 65
(National average 19%)

16% under 16
(National average 17%)

(Source: National Records of Scotland, 2017 Mid-Year Population Estimates



(Source: National Records of Scotland, Small Area Population Estimates 2017)

About The Council

Elected Members

CONSERVATIVE **12**
SNP **9**
LABOUR **5**
INDEPENDENT **2**

Staff

4,435 full-time equivalent
(at 31 March 2019)

Our Council Structure

Chief Executive's Office

The Chief Executive is responsible for the efficient and effective management of the Council. The Chief Executive's Office is responsible for: Revenues and Benefits; Corporate Finance and Accounting; ICT Strategy and Delivery; Customer Services; Employability and Skills; Employee Services; Human Resources; Information and Advice Hub; Organisational Development; Democratic Governance Services; Legal and Licensing Services; Insurance, Risk and Safety Management; Civil Contingencies and Business Continuity; Trading Standards and Environmental Health.

Eileen Howat, Chief Executive

People Directorate

Responsible for: Libraries, Arts, Culture, Sports and Leisure; Community Engagement; Community Learning and Development; Community Safety; Corporate and Community Planning and Improvement; Housing Policy and Strategy; Internal Audit; Education Curriculum, Qualifications, Assessment and Additional Support Needs; Education Management and School Resources and Support Services; Early Years and Childcare; Public Affairs.

Douglas Hutchison, Director

Place Directorate

Responsible for: Asset Management (including Community Asset Transfer and Ayrshire Roads Alliance); Capital Programme; Corporate Procurement; Economic Development; Facilities Management; Fleet; Greenspace, Streetscene and Bereavement; Housing Development; Housing Management; Planning; Building Standards; Professional Design Services; Property Maintenance; Tourism; Waste Management and Sustainability.

Donald Gillies, Director

Health and Social Care Partnership

Responsible for: Adult Support and Protection; Care at Home and Care Homes; Community Care and Day Services; Community Mental Health; District Nursing; Physical Disability; Children with Disabilities; Children's Houses; Corporate Parenting; Family Support and Young People's Services; Fostering and Adoption; Health Visiting and School Nursing.

Tim Eltringham, Director

Strategic Direction

The Council Plan 2018-22 sets out the Council's vision for the next four years, with a focus on 'Our People, Our Place'.

It details the high-level objectives and outcomes we want to achieve for our people and places by 2022.

Our six strategic objectives are:

- Effective leadership that promotes fairness
- Reduce poverty and disadvantage
- Health and care systems that meet people's needs
- Make the most of the local economy
- Increase the profile and reputation of South Ayrshire and the Council
- Enhanced environment through social, cultural and economic activities

The Council Plan is supported by dedicated Directorate Plans for our People and Place directorates, as well as our Health and Social Care Partnership.

These plans set out what we will do to help achieve the best for every person and place within South Ayrshire and help them reach their full potential.

Progress against these plans is monitored in line with our Performance Management Framework. At the heart of the Framework is a cyclical approach to 'plan-deliver-review-improve', which allows us to see what we have achieved, how effective we are and identify where we need to improve.

We report on our performance using the following indicators: Completed; On Target; Not on Target – Some Concerns; Not on Target – Major Concerns.

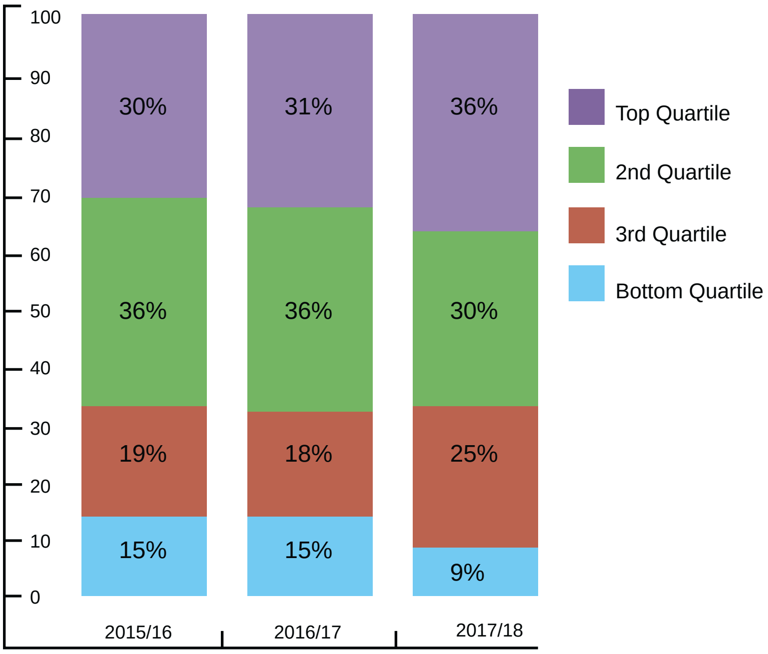
We also monitor our performance as part of the South Ayrshire Community Planning Partnership against the Local Outcomes Improvement Plan and Local Place Plan. The performance report reflects how community planning partners have worked together to deliver a range of outcomes that will improve the quality of life for people in South Ayrshire.

You can find out more about our plans at **www.south-ayrshire.gov.uk/council-plans**.

Service Performance

South Ayrshire's Performance against other Councils

The percentage of indicators where the council's performance is in the top quartile increased from 30% in 2015-16 to 36% in 2017-18



This analysis groups services as to whether they performed higher or lower than the average performance of all 32 Scottish Councils.

Those services where our performance is poorest compared to others include the cost of refuse collection, the town vacancy rates for commercial premises, and the condition of our A and B class roads.

Those services where performance was among the best in Scotland include the satisfaction with our open parks and spaces, the cost per visit to libraries, and the level of rent arrears.

Further detail on the performance of our services can be found at:
www.south-ayrshire.gov.uk/performance

Directorates report on performance and achieving the outcomes as set out within the 'Our People, Our Place Council Plan 2018-22 Council Plan strategic objectives twice a year. Council will consider a new annual report for future years that will cross reference the National Performance Framework. However, other strategic planning documents also link closely to the national framework, including the Children's Services Plan and the Local Outcomes Improvement Plan, reporting to their respective governance structures under the Community Planning Partnership.

Performance reports are scrutinised by the Service and Performance Panel, which has the ability to raise any areas of concerns with Leadership Panel for further investigation. The Council Plan performance reporting is also considered by full Council on a six monthly cycle in line with the refreshed Performance Management framework.

The LGBF reports are considered by Service and Performance Panel in February each year, carrying out detailed scrutiny of the information - exploring areas of poorer performance as well as higher performing services. Where services are underperforming, elected members ask for further information to be supplied and services use this process as evidence as part of the on-going self-evaluation exercise that is currently underway, in order to consider service specific improvements.

Financial Performance

Medium Term Financial Strategy

Every Council in Scotland operates in a challenging economic climate and is faced with significant financial challenges due to the decreasing budgets and increasing demand for services. The Council's current Financial Strategy covers the period 2018-2022 and, using a scenario based planning approach, indicates a potential budget gap of between £25.7 million and £42.3 million over the three year period. Taking this three year approach enables the Council to give early consideration to forecast pressures in later years and take a measured approach to addressing them. It will also provide greater flexibility in financial planning by establishing a robust framework for the role of reserves in supporting planned expenditure and also considering how these reserves will be replenished.

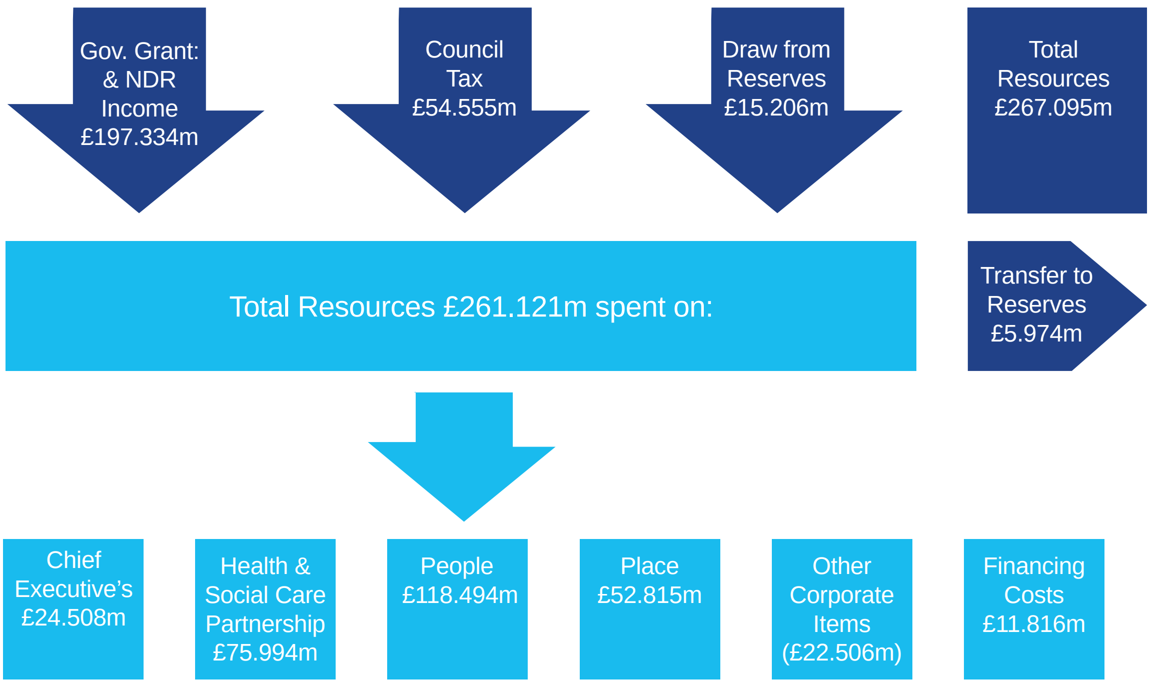
The Strategy recognises the Council's duty to set a prudent, sustainable budget, and seeks to provide a practical foundation for the provision of the best possible value for money in the delivery of Council services in the longer term in the context of the significant uncertainty around the extent of grant reductions.

Financial Performance Monitoring

Financial information is a key element of the council's performance management framework with regular reporting to the Council's Leadership Panel. 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 23 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 26 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 2018-19.



The Councils contribution to the Health and Social Care Partnership (HSCP) includes an additional £3.277 million which was drawn down from reserves to offset an in year overspend. Repayment of this balance is anticipated over the period 2019-20 to 2022-23. Further details on service out-turns can be found in the Budget Management report submitted to the Leadership Panel meeting on 11 June 2019. This can be found at:
https://ww20.south-ayrshire.gov.uk/ext/committee/committeepapers2019

Actual net service expenditure as a percentage of budget

Accumulated General Fund Reserves

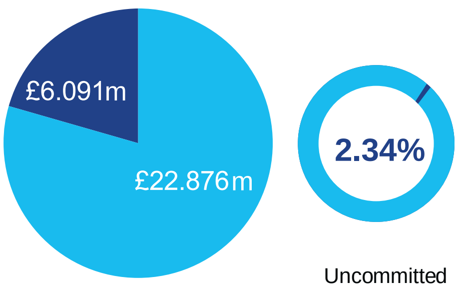
The Council holds General Fund balances to meet contingencies and for specific initiatives. Within the General Fund, certain balances are earmarked to be held for specific purposes-for example, efficiency and improvements or for workforce change purposes. The Council brought forward accumulated reserves of £27.774 million from 2017-18 and the movement during the year on this balance, agreed as part of the original 2018-19 budget and through decisions taken during the year, was as follows:

Opening balance	£27.774m	
Drawn from reserves during the year £15.206m for:	2017/18 earmarked spend	(£6.091m)
	Planned in year revenue expenditure	(£2.241m)
	HSCP temporary funding	(£3.277m)
	Captial expenditure contributions	(£0.597m)
	Repairs & Renewals Fund contribution	(£1.500m)
	Captial Fund contribution	(£1.500m)
2018-19 surplus	£5.974m	
Closing balance carried forward	£18.542m	

The charts below show the £18.542 million to be carried forward to 2019-20 compared to the two previous years and also the amount earmarked or committed to be used for specific purposes.

2016-2017

Committed funds
Uncommitted funds

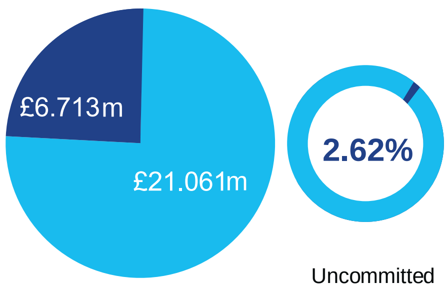


Total £28.967 million

Uncommitted funds as a percentage of annual budgeted expenditure

2017-2018

Committed funds
Uncommitted funds

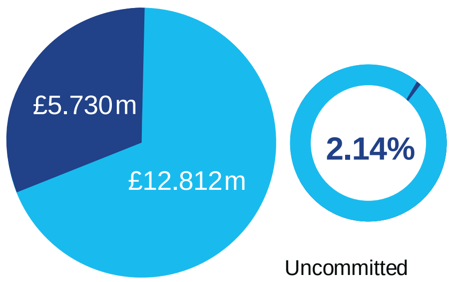


Total £27.774 million

Uncommitted funds as a percentage of annual budgeted expenditure

2018-2019

Committed funds
Uncommitted funds



Total £18.542 million

Uncommitted funds as a percentage of annual budgeted expenditure

The Council keeps its level of balances under review and, as per the approved Council Financial Strategy, aims to maintain an uncommitted balance of at least 2% of annual running costs, which is equivalent to approximately £5.350 million. Any balance in excess of this provides additional fexibility until used or earmarked by the Council. As the level of uncommitted reserves sits only slightly above the targeted minimum, the Council plans to re-assess its level of reserves as part of its new Long Term Financial Strategy due to be presented to leadership Panel during 2019-20.

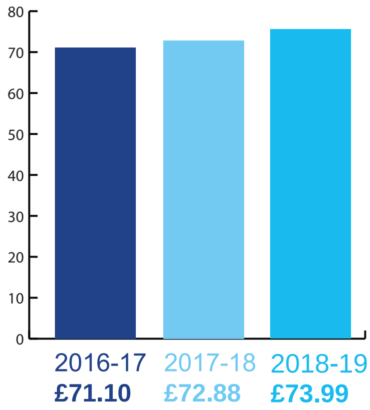
Housing Revenue Account

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.

Income

Average weekly rent (£)

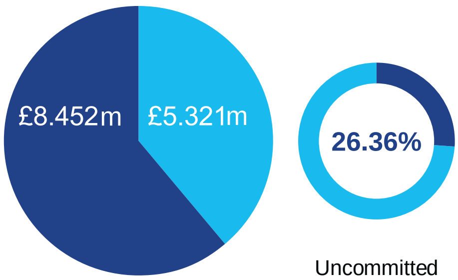


In the past 10 years, an average of 45% of the rental income has been used to improve our properties in line with the Scottish Housing Quality Standard, ensuring our homes are in a good condition, safe, and energy efficient, with modern facilities.

Accumulated Reserved

2016-2017

Earmarked funds
Uncommitted funds

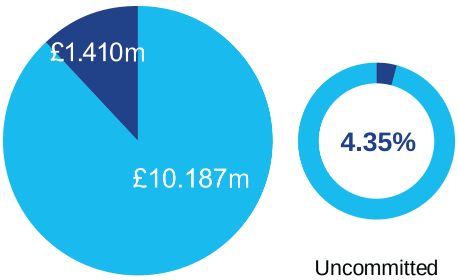


Total £13.773 million

Uncommitted funds as a percentage of annual budgeted expenditure

2017-2018

Earmarked funds
Uncommitted funds

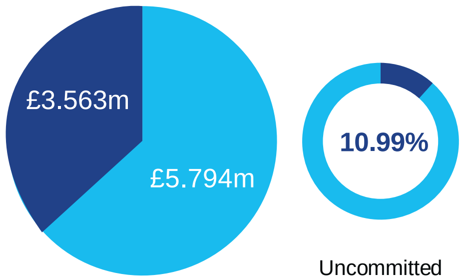


Total £11.597 million

Uncommitted funds as a percentage of annual budgeted expenditure

2018-19

Earmarked funds
Uncommitted funds



Total £9.357 million

Uncommitted funds as a percentage of annual budgeted expenditure

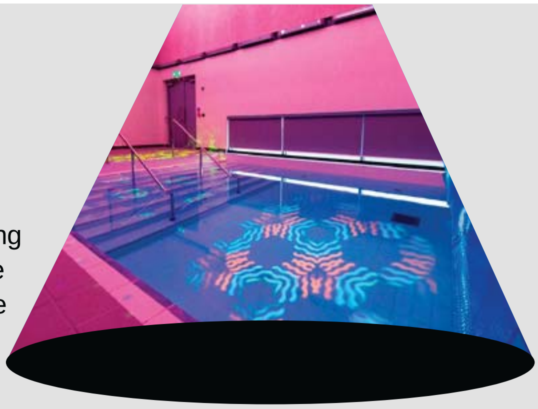
A significant proportion of the reserves held by the HRA are now committed to assist in future capital investment in the Council's housing stock.

Spotlight Capital Projects

Invergarven School

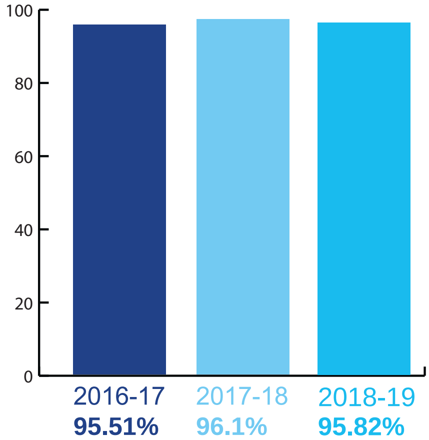
The new £4 million Invergarven School opened in August 2018 in the grounds of Girvan Academy – replacing the 1870 building on Henrietta Street.

The modern school building provides spaces for learning and teaching including a sensory room, life skills kitchen, multi-use hall, a rebound therapy trampoline room, hydrotherapy pool and external areas that support outdoor learning. The new school also increases capacity from 15 to 20 children and young people, who can now be taught at the same time and benefit from the fantastic new facilities available.



Council Tax Collections

In-year Collection Rate (%)



An in-year collection rate of **95.82%** was achieved in 2018-19

Actual Council Tax collected during 2018-2019. This equated to **21%** of the overall funding required to meet net expenditure for the year

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 2018-19 and spent in total £53.077 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.

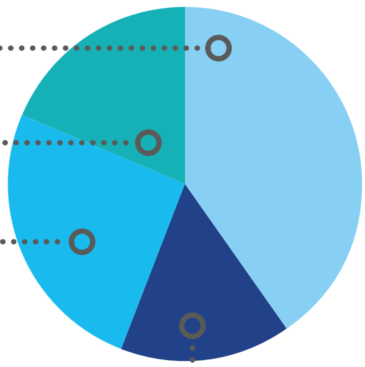
Expenditure

£21.491m
Housing

£9.792m
Children & Families

£13.580m
Communities

£8.214m
Other - Buildings, ICT etc.



Total: £53.077m

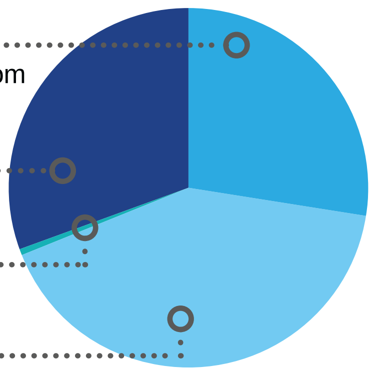
Income

£14.693m
Capital funded from current revenue

£16.142m
Borrowing

£0.339m
Capital Receipts

£21.903m
Government grant and other contributions



Total: £53.077m

Spotlight Capital Projects

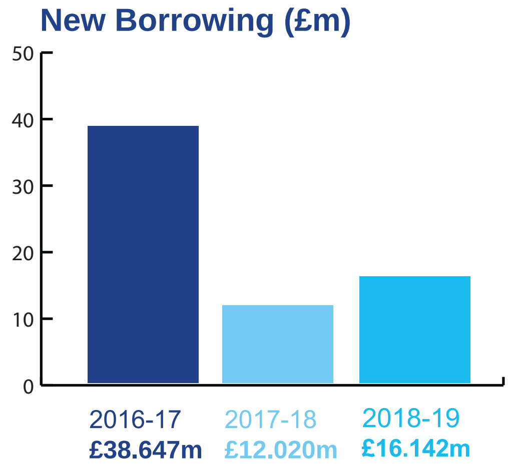
Belleisle Park visitor hub

Match-funding from the capital programme has delivered a brand-new £1.4 million visitor hub at Belleisle Park, in conjunction with the Heritage Lottery Fund.

The fully-accessible building features community space, an office for Park Rangers, public toilets, a changing facility and a café. It stands on the site of the park's former stable block, with much of the stone from the stables incorporated into the new build. Nestling alongside the golf clubhouse, the visitor hub brings the total investment in Belleisle Park to £4.3 million over the last five years.

New 2018-19 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.



Balance Sheet

The Balance Sheet on page 24 summarises the Council's assets and liabilities at 31 March 2019. Total assets have increased from £756.571 million at 31 March 2018 to £789.674 million. This is primarily due to an increase in short-term temporary investments and debtors held at the end of the year and an increase in the value of property, plant and equipment held by the Council following the latest revaluation of assets. Total liabilities have increased from £427.197 million to £525.087 million. This is primarily due to a significant increase in the pension fund liability following the latest valuation.

Financial Statements

The financial statements for 2018-19 and associated notes are set out on pages 21 to 62 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 6 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.

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 2018-19 having taken place on 31 March 2017. The Council's Balance Sheet shows a pension liability of £155.657 million at 31 March 2019 compared with £84.143 million at 31 March 2018. The significant increase is mainly due to changes in valuation assumptions made by the Council's actuary. 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.

Two employment tribunal cases were recently brought against the Government in relation to possible discrimination in the implementation of transitional protection following changes made to public service pension scheme legislation in 2014. In December 2018, the Court of Appeal ruled that the transitional protection gave risk to unlawful discrimination on the basis of age. The Council's actuary has provided updated results which included an allowance for the additional liability potentially arising as a result of this ruling. This updated information has been treated as an event after the Balance sheet date.

Spotlight Capital Projects

Multi-play tower fun

You don't always need to spend millions to make a difference. Capital funding of £260,000 provided a new multi-play tower at the Ayr seafront play area and has proved to be a massive hit.

The impressive structure – which features a mind boggling six slides, rope ramps, climbing wall, tunnels and colourful lookout towers – replaced the previous worn-out structure, which had become too dangerous for use. 2019 will be the new unit's first summer and it's certain to prove a popular attraction to local and visiting children alike.

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 £33.892 million (£37.393 million in 2017-18), representing the Council's share of the net assets in these entities.

Financial Outlook and Key Risks

Financial Outlook and Plans

The Scottish Government's first five-year financial strategy published in May 2018 suggested that difficult times lay ahead for local government finances. The national government's priority areas of health, early years, educational attainment, further education and policing suggested that funding for core local government services would, at best, remain at their current level in cash terms over the coming period.

The second five-year Scottish Government medium-term financial strategy, announced in May 2019, sets out the key financial challenges and opportunities that lie ahead and provides the context for the upcoming Spending Review and the Scottish Budget later in 2019. It is clear that the economic climate remains uncertain, which is compounded by the continuing uncertainty surrounding the UK's exit from the European Union and it is predicted that the funding available for public services will continue to be constrained over the coming years.

At the same time, the Council continues to face ongoing service and cost pressures arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures, particularly in the South Ayrshire Health and Social Care Partnership. The UK Government's welfare reform agenda continues with changes to the benefits system providing challenges for the Council in terms of demand for services and support.

As part of the budget process for 2019-20, Councillors agreed a revenue budget of £193.4 million – as well as a delegated budget of £74.2 million for the South Ayrshire Health and Social Care Partnership. They also approved a ten-year capital investment programme of £347.2 million for 2019-20 to 2028-29. To achieve a balanced budget for 2019-20, Councillors agreed the use of £1.8 million of uncommitted reserves for revenue spending.

The current working assumption for the 2020-21 financial year will see a budget gap of around £17 million, which will mean the Council will face tough choices ahead to balance the books.

The principles agreed in the Council's medium-term Financial Strategy continue to provide a framework to guide the strategic planning and management of the Council's financial resources. The Strategy recognises the continuing difficult economic climate and the need for tight fiscal constrain for the foreseeable future. The fundamental basis for the Financial Strategy is to support the Council's duty to set a prudent, sustainable budget and to maintain appropriate levels of service provision to the public, in line with the Council's legal obligations and agreed strategic objectives.

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 Leadership panel for approval. The register contains ten strategic risks broken down across three risk themes; Governance, Protection and Resources. The risk associated with Brexit has been recognised and a Member and Officer working group established to consider relevant issues and required mitigating actions.

The information opposite summarises the top strategic risk under each risk theme facing the Council alongside the mitigating actions.

Risk theme	Governance	Protection	Resources
Risk titile	External change	Child and Adult Protection	Financial contraints
Potential risk	External factors out with the Council's control may adversely impact on ability to fulfil objectives and deliver services	Council and HSCP fail to provide adequate protection of children and adults	Current, planned or expected levels of service cannot be delivered due to Government funding reductions
Potential effect	Requirement to re-allocate resources, failure to deliver services to an acceptable level or drive desired improvements. Restrictions on budget, reputational damage	Accident, incident or crime resulting in harm or abuse to child or adult. Legal prosecution/civil litigation. Reputational damage. Financial impact of any prosecution or claims	Failure to deliver key services or meet change in service demands
Mitigations	-Horizon scanning. -Watching brief on national environment. -Business Continuity plans. -Civil Emergency Response plans. -Dissemination of COSLA/Cipfa information. -Council reserves	-Governance by Adult Officers Group, Multi Agency Public Protection arrangements, Adult Protection and Child Protection Committees. -Pan Ayrshire training. -Management guidelines, protocols and paperwork. -Initial response team. -Ayrshire wide Social Work response team. -Internal and multi-agency audits and file review. -Adult Protection Practice Review Group.	-Annual budget setting aligned with priorities. -Medium term financial plan in place. -Level of reserves sufficient in the medium term. -Participation in COSLA groups. -High level of Member awareness.

A full copy of the Strategic Risk Register presented the Audit and Governance Panel in May 2019 can be found at: **https://ww20.south-ayrshire.gov.uk/ext/committee/committeepapers2019**

Conclusion and Acknowledgement

The Council's favourable financial position at 31 March 2019 reflects the collective efforts of elected members, service managers, directorate management teams and their staff, and Corporate Finance staff in maintaining sound financial management process during the year.

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 2019.

Eileen Howat
Chief Executive

Councillor Douglas Campbell
Leader of South Ayrshire Council

Tim Baulk BA Acc CPFA
Head of Finance & ICT

26th September 2019

Section 2: Statement of Responsibilities

This statement sets out the respective responsibilities of the Council and the Head of Finance and ICT, as the Council's Section 95 Officer, for the Annual Accounts.

The Council's responsibilities

The Council is required to:

- Make arrangements 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). In South Ayrshire Council that officer is the Head of Finance and ICT;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the Annual Accounts for signature.

The Head of Finance and ICT's responsibilities

The Head of Finance and ICT, as s95 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 Head of Finance and ICT 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 Head of Finance and ICT 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 2019.

Councillor Douglas Campbell
Leader of the Council

26 September 2019

Tim Baulk BA Acc CPFA
Head of Finance and ICT

26 September 2019

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 make arrangements 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. A copy of the Council's Framework is available on our website at www.south-ayrshire.gov.uk/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 2010".* The Council's Head of Finance & ICT (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 Public Sector requirement within Standard 1210 Proficiency, of the Public Sector Internal Audit Standards (PSIAS) 2013, "The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced*".* The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff.

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

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

This statement explains how the Council has complied with the Framework and also 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.

The 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 2019 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.

Any 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 (PSIAS) which came into force with effect from 1 April 2013 (and updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and takes into account 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. In May 2019 the Audit and Governance Panel received the annual assurance statement from the Chief Internal Auditor which covered the 2018-2019 financial year which stated "Internal Audit can provide reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place, and were operating throughout the Council in 2018-2019".

All Internal Audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate, or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and assumed the risk of not taking action. Matters arising from internal audit work are reported to all Members, Chief Executive, Depute Chief Executive and Director (People), Head of Finance and ICT (as Section 95 Officer), Head of Regulatory Services (as Monitoring Officer) and external audit.

Internal Audit use a system of categorisation to aid the reader of the report in understanding control weaknesses. 'Full assurance' is used where appropriate controls are in place and are operating effectively: 'Substantial assurance' is where the majority of controls are in place and working effectively; 'Limited assurance' is where controls are in place but more effective controls are required and 'No assurance' is where no effective controls are in place. Of the twenty investigations carried out by Internal Audit during 2018-2019, only one resulted in a 'No assurance' categorisation and eight resulted in a limited assurance categorisation being applied. Management have continued to react positively to all audit reports and have, in the main, implemented audit recommendations in order to enhance internal controls and to minimise the risks associated with audit findings.

With regard to 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 / Heads of Service. These assessments were scrutinised by the Audit and Governance Management Panel on 29 May 2019; the minutes of this meeting were put before full Council on 27 June 2019.

2018-19 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 eighteen aspects are assessed as 'Effective' and three are effective but have scope for improvement.

2018-2019 Governance Developments

The updated Performance Management Framework has afforded continued simplification of data collation and more effective reporting on the delivery of the 'Our People, Our Place' Council Plan for 2018-22. Reporting on the strategic objectives are now on a six monthly cyclical basis, scrutinised by the Service and Performance Panel and approved by Council. Greater use of qualitative narrative as well as the quantitative data is being utilised to highlight successes and areas for improvement.

The Council's political decision making structures continue to be refined. The fundamental review of the Council's management structure is now embedded with all chief officer positions now filled. Roles and responsibilities have been updated accordingly and Chief Officers work in conjunction with senior managers to refine responsibilities to focus on service delivery and enhancements, as well as achieving balanced budgets.

The values and behaviours identified through the South Ayrshire Way continue to be embedded into our recruitment and appraisal systems and incorporated into our Performance Development Review system. Additional leadership and management development activities have taken place to further enhance the performance improvement culture and vision, values and purpose of the Council relevant to the South Ayrshire Way framework.

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

The revised competency framework incorporating the values of the 'South Ayrshire Way' has been fully embedded. Corporate Workforce Planning has further embedded with additional information now being provided to Service Leads, representing the Council's commitment to fully align workforce planning with business and people strategies. All six locality planning groups continue to meet regularly and have been engaged in and involved with the development of a number of strategic and delivery plans as part of the updated Local Outcomes Improvement Plan for the Community Planning Partnership.

An infographic performance menu was developed as part of our public performance reporting, helping to tell the story behind what the Council had achieved along with simplified reporting on six strategic objectives of the 'Our People, Our Place Council Plan 2018-22. The first stage of the 'Let's Discuss Our Future' budget engagement activity generated 3,100 responses, which had a major influence on the decisions taken regarding the Council's budget for 2019-20. This conversation with our communities will be an ongoing process throughout the year.

During 2018-19, six Participatory Budgeting (Decision Days) were held, involving 119 community groups with 1,347 people voting. Decisions on £94,000 of grants were made. An annual report on the Local Outcomes Involvement Plan (LOIP) was approved by the Community Planning Board in April 2019 and work continues on the delivery of outcomes for the strategic themes.

During 2018-19, the Council's Delivering Good Governance Framework was updated in line with CIPFA recommendations following feedback from Service Leads and from Members. The supporting improvement actions form part of a rolling programme to address any recognised areas of weakness and emerging priorities. It is felt that the resulting framework is more robust.

An Ayrshire Growth deal was approved by the UK and Scottish Governments which will see significant investment in Ayrshire over the next 10 years to support the delivery of major infrastructure projects designed to help grow the economy. The three Ayrshire Councils agreed to establish an Ayrshire Regional Economic Joint committee and a sub-committee, the Ayrshire Regional Economic Partnership, to support sound governance.

2019-2020 Improvement Actions

A Behaving with integrity

No actions planned.

B Ensuring openness

- Enhanced tools to capture client satisfaction data to be added to the Council's Internet Site.
- Enhanced reporting of customer satisfaction data to flow through into reporting to members.
- Development of a new communications strategy.
- Review of governance arrangements for the Integrated Joint Board (IJB) and Ayrshire Roads Alliance.
- Development of a procedure to highlight the difference engagement has made – Engaging with Communities Strategy to be presented to Leadership Panel in August 2019. (Linked to E)
- Work underway to enhance the next SA1000 biennial questionnaire to reflect place making direction set by the Council in March 2019. A short life working group to review the effectiveness and relevance of our Equality Impact Scoping and Assessments and the wider policy landscape, to report to Panel by 31 December 2019.

C Defining outcomes

- A report will be taken to the Leadership Panel in August 2019 seeking approval for the implementation plan for the launch of "Vision and Values" work.
- Head of Terms for the Ayrshire Growth Deal were signed on 8 March 2019, business cases now to be developed to include details as to how projects will address inclusive growth.

D Determining the actions

- A report will be taken to Leadership Panel in August 2019 seeking approval to establish a Change Programme.
- HGIOC framework being refreshed in May 2019 to refocus the self-evaluation activity including those services that do not have other forms of self-evaluation evidence.

E Developing the Council's capacity

No actions planned.

F Managing risks and performance

No actions planned.

G Deliver effective accountability

- To update the Council's approach to Public Performance reporting for 2019-2020 to make best use of the new intranet/internet platform and address direction from Audit Scotland and the Accounts Commission.

Assurance

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2018-2019 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.

Eileen Howat
Chief Executive

26 September 2019

Councillor Douglas Campbell
Leader of the Council

26 September 2019

Section 4: Core Financial Statements

I) Movement in Reserves Statement for the year ended 31 March 2019

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 91 to 93.

2018-2019	**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 2018	27,774	11,597	3,813	1,722	-	**44,906**	**284,468**	**329,374**	37,393	**366,767**
Movement in reserves during 2018-2019										
Surplus or (deficit) on the provision of services	(27,820)	1,424	-	-	-	**(26,396)**	-	**(26,396)**	410	**(25,986)**
Other comprehensive income and expenditure	-	-	-	-	-	**-**	**(38,391)**	**(38,391)**	(3,911)	**(42,302)**
Total comprehensive income and expenditure	(27,820)	1,424	-	-	-	**(26,396)**	**(38,391)**	**(64,787)**	(3,501)	**(68,288)**
Adjustments between accounting basis and funding basis (Note 5)	22,970	(3,664)	(302)	(28)	-	**18,976**	**(18,976)**	**-**	-	**-**
Net increase/ (decrease) before transfers	(4,850)	(2,240)	(302)	(28)	-	**(7,420)**	**(57,367)**	**(64,787)**	(3,501)	**(68,288)**
Transfers to/from earmarked reserves (Note 6)	(4,382)	-	-	687	3,695	**-**	**-**	**-**	-	**-**
Increase/ (decrease) in 2018-2019	(9,232)	(2,240)	(302)	659	3,695	**(7,420)**	**(57,367)**	**(64,787)**	(3,501)	**(68,288)**
Balance at 31 March 2019	18,542	9,357	3,511	2,381	3,695	**37,486**	**227,101**	**264,587**	33,892	**298,479**

2017-2018	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 2017	28,967	13,773	2,478	2,979	-	**48,197**	**172,470**	**220,667**	28,545	**249,212**
Movement in reserves during 2017-2018										
Surplus or (deficit) on the provision of services	(13,352)	(1,848)	-	-	-	**(15,200)**	-	**(15,200)**	4,296	**(10,904)**
Other comprehensive income and expenditure	-	-	-	-	-	**-**	**123,907**	**123,907**	4,552	**128,459**
Total comprehensive income and expenditure	(13,352)	(1,848)	-	-	-	**(15,200)**	**123,907**	**108,707**	8,848	**117,555**
Adjustments between accounting basis and funding basis (Note 5)	11,000	(328)	1,335	(98)	-	**11,909**	**(11,909)**	**-**	-	**-**
Net increase/ (decrease) before transfers	(2,352)	(2,176)	1,335	(98)	-	**(3,291)**	**111,998**	**108,707**	8,848	**117,555**
Transfers to/from earmarked reserves (Note 6)	1,159	-	-	(1,159)	-	**-**	**-**	**-**	-	**-**
Increase/ (decrease) in 2017-2018	(1,193)	(2,176)	1,335	(1,257)	-	**(3,291)**	**111,998**	**108,707**	8,848	**117,555**
Balance at 31 March 2018	27,774	11,597	3,813	1,722	-	**44,906**	**284,468**	**329,374**	37,393	**366,767**

II) Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

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 Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017-2018					2018-2019			
Council			Group		Council			Group
Exp £000	**Inc £000**	**Net £000**	**Net £000**		**Exp £000**	**Inc £000**	**Net £000**	**Net £000**
61,220	38,131	23,089	23,125	Chief Executive's Strategic Office	57,706	34,736	22,970	23,006
127,086	15,598	111,488	111,275	People	136,799	18,369	118,430	118,217
60,656	9,974	50,682	50,432	Place	63,647	10,849	52,798	52,548
32,385	32,024	361	361	Housing Revenue Account	32,277	32,219	58	58
73,359	-	73,359	73,359	Social Care: Contribution to IJB	76,760	-	76,760	76,760
95,506	99,027	(3,521)	(3,521)	Social Care: Provision of Services	101,695	102,461	(766)	(766)
4,929	923	4,006	3,999	Miscellaneous Services	15,930	2,721	13,209	13,198
-	-	-	425	Common Good Fund	-	-	-	426
455,141	**195,677**	**259,464**	**259,455**	**Cost of services**	**484,814**	**201,355**	**283,459**	**283,447**
		247	247	*(Gain) or loss on the disposal of non-current assets*			(53)	(53)
				Financing and Investment Income and Expenditure				
		13,759	13,759	*Interest payable and similar charges*		Note 10	14,415	14,415
		(427)	(427)	*Interest and investment income*		Note 10	(558)	(558)
		5,152	5,152	*Net interest on the net defined benefit liability*		Note 30	2,593	2,593
		-	(4,287)	*Share of the (surplus) on the provision of services by associates*			-	(398)
		(262,995)	(262,995)	**Taxation and non-specific grant income**		Note 24	(273,460)	(273,460)
		15,200	**10,904**	**Deficit on the provision of services**			**26,396**	**25,986**
		1,159	1,159	(Surplus) or deficit on the revaluation of property, plant and equipment assets			(6,673)	(6,673)
		(32)	(32)	(Surplus) or deficit financial assets measured at fair value			33	33
		(125,034)	(125,034)	Actuarial (gains) or losses on pension fund assets and liabilities		Note 18	45,031	45,031
		-	(4,552)	Share of other comprehensive income and expenditure of associates			-	3,911
		(123,907)	**(128,459)**	**Other comprehensive (income) and expenditure**			**38,391**	**42,302**
		(108,707)	**(117,555)**	**Total comprehensive (income) and expenditure**			**64,787**	**68,288**

III) Balance Sheet as at 31 March 2019

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 of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes 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".

31 March 2018				**31 March 2019**	
Council	**Group**			**Council**	**Group**
£000	**£000**		Note	**£000**	**£000**
673,546	693,343	Property, plant and equipment	7	693,293	709,892
3,332	3,332	Heritage assets	8	3,332	3,332
2,658	2,658	Intangible assets	9	3,005	3,005
1,001	1,109	Long-term investments	10	968	1,015
1	1	Long-term debtors	10	-	-
680,538	**700,443**	**Long-term assets**		**700,598**	**717,244**
30,000	30,000	Short-term investments	10	36,000	36,000
64	64	Assets held for sale	14	64	64
438	440	Inventories	11	463	465
23,480	23,723	Short-term debtors	12	28,670	28,680
22,051	22,051	Cash and cash equivalents	13	23,879	23,879
76,033	**76,278**	**Current assets**		**89,076**	**89,088**
(52,636)	(52,636)	Short-term borrowing	10	(62,931)	(62,931)
(47,208)	(47,489)	Short-term creditors	15	(59,079)	(59,120)
(799)	(799)	Provisions	16	(453)	(453)
(7,339)	(6,326)	Other short-term liabilities	17	(7,327)	(6,213)
(107,982)	**(107,250)**	**Current liabilities**		**(129,790)**	**(128,717)**
(1,994)	(1,994)	Provisions	16	(2,127)	(2,127)
-	16,517	Investment in associates		-	16,192
(154,525)	(154,525)	Long-term borrowing	10	(162,022)	(162,022)
(3,400)	(3,400)	Other long-term liabilities (finance leases)	27	(3,190)	(3,190)
(84,143)	(84,149)	Other long-term liabilities (pensions)	30	(155,657)	(155,657)
(75,153)	(75,153)	Other long-term liabilities	10	(72,301)	(72,332)
(319,215)	**(302,704)**	**Long-term Liabilities**		**(395,297)**	**(379,136)**
329,374	**366,767**	**Net assets**		**264,587**	**298,479**
44,906	44,906	Usable reserves		37,486	37,486
284,468	284,468	Unusable reserves	18	227,101	227,101
-	37,393	Group reserves		-	33,892
329,374	**366,767**	**Total reserves**		**264,587**	**298,479**

The unaudited Annual Accounts were issued on 26 June 2019 and the audited annual accounts were authorised for issue on 26 September 2019.

Tim Baulk BA Acc CPFA
Head of Finance and ICT

26 September 2019

IV) Cash Flow Statement for the year ended 31 March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2017-2018				2018-2019	
Council	**Group**			**Council**	**Group**
£000	**£000**		Note	**£000**	**£000**
15,200	**10,904**	**Deficit on the provision of services**		**26,396**	**25,986**
		Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
(23,506)	(23,506)	Depreciation of Property Plant and Equipment	7	(24,840)	(24,840)
(9,399)	(9,399)	Impairment of Property Plant & Equipment		(14,220)	(14,220)
(259)	(259)	Amortisation of intangible assets	9	(310)	(310)
1,549	1,349	(Increase)/decrease in creditors		(10,240)	(10,279)
3,004	3,004	Increase in debtors		4,625	4,625
(12)	(12)	Increase/(decrease) in inventories	11	25	25
(16,834)	(16,834)	Increase in Pension liability	5	(26,483)	(26,483)
(1,405)	(1,405)	Carrying amount of non-current assets sold		(286)	(286)
(129)	(129)	Other non-cash items		220	220
(46,991)	(47,191)	**Adjustments to net surplus or deficit on the provision of services for non-cash movements**		(71,509)	(71,548)
15,882	20,169	Adjustment for items included in the net deficit on the provision of services that are investing or financing activities		21,911	22,309
(15,909)	(16,118)	**Net cash flows from operating activities**		(23,202)	(23,253)
38,459	38,668	Investing activities	20	36,496	36,547
(12,388)	(12,388)	Financing activities	21	(15,122)	(15,122)
10,162	10,162	**Net (increase) or decrease in cash and cash equivalents**		(1,828)	(1,828)
(32,213)	(32,213)	Cash and cash equivalents at the beginning of the reporting period		(22,051)	(22,051)
(22,051)	**(22,051)**	**Cash and cash equivalents at the end of the reporting period**	13	**(23,879)**	**(23,879)**

Section 5: 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.

2017-2018				2018-2019		
Net Expenditure Chargeable to the General Fund and HRA Balances	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund and HRA Balances**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
19,948	3,141	23,089	Chief Executive's Strategic Office	19,554	3,416	22,970
97,009	14,479	111,488	People	98,920	19,510	118,430
42,076	8,606	50,682	Place	42,561	10,237	52,798
(166)	527	361	Housing Revenue Account	18	40	58
73,359	-	73,359	Social Care: Contribution to IJB	76,760	-	76,760
(5,577)	2,056	(3,521)	Social Care: Provision of Services	(3,531)	2,765	(766)
12,316	(8,310)	4,006	Miscellaneous Services	10,424	2,785	13,209
238,965	**20,499**	**259,464**	**Net Cost of Services**	**244,706**	**38,753**	**283,459**
(234,439)	(9,825)	(244,264)	Other Income and Expenditure	(237,616)	(19,447)	(257,063)
4,526	**10,674**	**15,200**		**7,090**	**19,306**	**26,396**
42,740			**Opening General Fund and HRA balance**	**39,371**		
(4,528)			**Less/Plus Surplus or (Deficit) on General Fund and HRA balance in the year**	**(7,090)**		
1,159			**Transfer (to)/from earmarked reserves**	**(4,382)**		
39,371			**Closing General Fund and HRA balance as at 31 March**	**27,899**		

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.

2018-2019	Adjustments for capital purposes (Note 1)	Net changes for the pensions adjustment (Note 2)	Other differences (Note 3)	Total adjustments
	£000	£000	£000	£000
Chief Executive's Strategic Office	1,622	1,849	(55)	3,416
People	16,409	2,999	102	19,510
Place	7,520	2,808	(91)	10,237
Housing Revenue Account	(740)	794	(14)	40
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	2,460	305	2,765
Miscellaneous Services	(10,195)	12,980	-	2,785
Net cost of services	**14,616**	**23,890**	**247**	**38,753**
Other Income and Expenditure from the Expenditure and funding analysis	(21,624)	2,593	(416)	(19,447)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	**(7,008)**	**26,483**	**(169)**	**19,306**

2017-2018	Adjustments for capital purposes (Note 1)	Net changes for the pensions adjustment (Note 2)	Other differences (Note 3)	Total adjustments
	£000	£000	£000	£000
Chief Executive's Strategic Office	-	156	(17)	139
Educational Services	9,569	1,795	(92)	11,272
Economy, Neighbourhood & Environment	5,292	3,342	(338)	8,296
Housing Revenue Account	178	384	(35)	527
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	2,292	(236)	2,056
Resources, Governance & Organisation	4,267	2,270	(181)	6,356
Miscellaneous Services	(9,590)	1,441	-	(8,149)
Net Cost of services	**9,716**	**11,680**	**(899)**	**20,497**
Other Income and Expenditure from the Expenditure and funding analysis	(14,563)	5,154	(416)	(9,825)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	**(4,847)**	**16,834**	**(1,315)**	**10,672**

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 those receivable in the year to those receivable 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* pension 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 is analysed as follows:

	2018-2019	2017-2018
	£000	**£000**
Expenditure		
Employee benefit expenses	192,449	174,089
Other service expenses	255,588	273,231
Depreciation, amortisation and impairment	39,370	33,164
Interest payments	14,415	13,759
(Gain)/loss on the disposal of assets	(53)	247
Total Expenditure	**501,769**	**494,490**
Income		
Fees, charges and other service income	(201,355)	(215,868)
Interest & investment income	(558)	(427)
Income from Council Tax, non-domestic rates	(92,854)	(91,795)
Government grants and contributions	(180,606)	(171,200)
Total Income	**(475,373)**	**(479,290)**
Deficit in the provision of services	**26,396**	**15,200**

Note 2: Prior period adjustment

The Significant Accounting Policies provided in Note 1 of Section 6 to these accounts on pages 63 to 74 state that prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Note 3: Material items of income and expense

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES), *The Code* requires a disclosure of the nature and amount of material items. In 2018-2019 there were no material items of income and expense requiring additional disclosure.

Note 4: Events after the Balance Sheet date

The Annual Accounts were signed by the Head of Finance and ICT on 26 September 2019. Where events which took place before this date provided information about conditions which existed at 31 March 2019, the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

McCloud

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £9.315m for South Ayrshire Council.

GMP

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation is to increase the total liabilities by approximately £2.183m for South Ayrshire Council.

Note 5: 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.

2018-2019

	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Repairs & renewals 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	-	-	952	28	**(980)**
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(25,391)	(13,669)	-	-	**39,060**
Amortisation of intangible assets	(310)	-	-	-	**310**
Capital grants and contributions applied	17,885	3,686	(650)	-	**(20,921)**
Revenue expenditure funded from capital under statute	-	-	-	-	**-**
Net gain or (loss) on sale of non-current assets	60	(7)	-	-	**(53)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	9,599	1,098	-	-	**(10,697)**
Capital expenditure charged against the general fund and HRA balances	747	13,310	-	-	**(14,057)**
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	304	112	-	-	**(416)**
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	(261)	14	-	-	**247**
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 30)	(25,603)	(880)	-	-	**26,483**
Total adjustments	**(22,970)**	**3,664**	**302**	**28**	**18,976**

Figures for 2017-2018 are provided in an additional table below for the purposes of comparison.

2017-2018	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Repairs & renewals 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	-	-	28	98	**(126)**
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(19,432)	(13,473)	-	-	**32,905**
Amortisation of intangible assets	(259)	-	-	-	**259**
Capital grants and contributions applied	13,881	929	(1,363)	-	**(13,447)**
Revenue expenditure funded from capital under statute	-	-	-	-	**-**
Net gain or (loss) on sale of non-current assets	(225)	(22)	-	-	**247**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	9,429	1,193	-	-	**(10,622)**
Capital expenditure charged against the general fund and HRA balances	723	12,103	-	-	**(12,826)**
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	299	117	-	-	**(416)**
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	864	35	-	-	**(899)**
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 30)	(16,280)	(554)	-	-	**16,834**
Total adjustments	**(11,000)**	**328**	**(1,335)**	**98**	**11,909**

Note 6: Transfers 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 2018-2019. Figures for 2017-2018 are provided in an additional table below for the purposes of comparison.

2018-2019	General Fund Balance	Repairs and Renewals Fund	Capital Fund
	£000	**£000**	**£000**
Contribution to Repair and Renewal Fund from General Fund	(687)	687	-
Contribution to Capital Fund from General Fund	(3,695)	-	3,695
Total adjustments	**(4,382)**	**687**	**3,695**

2017-2018 comparative information	General Fund Balance	Repair and Renewals Fund	Capital Fund
	£000	**£000**	**£000**
Contribution from Repair and Renewal Fund to General Fund	1,159	(1,159)	-
Contribution to Capital Fund from General Fund	-	-	-
Total adjustments	**1,159**	**(1,159)**	**-**

Note 7: Property, plant and equipment

Movement on balances

The movement on balances for Property, plant and equipment are shown in the following table.

2018-2019	**Council Dwellings**	**Other Land & Buildings**	**Schools PPP Assets**	**Vehicles, Plant & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets not for Sale**	**Assets Under Construction**	**Total PPE**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation									
At 1 April 2018	284,110	271,463	99,862	25,421	70,520	540	6,831	8,099	**766,846**
Additions in year	12,173	1,337	636	3,577	7,128	-	-	24,690	**49,541**
Disposals in year	(211)	(106)	-	(15)	-	-	-	-	**(332)**
Revaluation adjustments to revaluation reserve	33	756	(905)	-	-	65	(80)	-	**(131)**
Revaluation adjustments to CIES	-	(12,070)	(2,990)	-	-	-	(876)	(5)	**(15,941)**
Other reclassifications	1,030	8,922	-	-	-	-	-	(10,217)	**(265)**
At 31 March 2019	**297,135**	**270,302**	**96,603**	**28,983**	**77,648**	**605**	**5,875**	**22,567**	**799,718**
Depreciation and impairment									
At 1 April 2018	12,316	28,997	7,143	19,984	22,808	-	2,052	-	**93,300**
Depreciation charge for the year	12,835	6,658	1,612	1,302	1,762	-	671	-	**24,840**
Depreciation/Impairment written to revaluation reserve	98	(1,912)	(3,468)	-	-	-	(7)	-	**(5,289)**
Impairment losses to CIES	-	(1,626)	(4,751)	-	-	-	(1)	-	**(6,378)**
On disposals	-	(36)	-	(12)	-	-	-	-	**(48)**
Other reclassifications	-	-	-	-	-	-	-	-	**-**
At 31 March 2019	**25,249**	**32,081**	**536**	**21,274**	**24,570**	**-**	**2,715**	**-**	**106,425**
Balance Sheet amount at 31 March 2019	**271,886**	**238,221**	**96,067**	**7,709**	**53,078**	**605**	**3,160**	**22,567**	**693,293***
Nature of asset holding									
Owned	271,886	235,023	-	7,488	53,078	605	3,160	22,567	**593,807**
Finance lease	-	3,198	-	221	-	-	-	-	**3,419**
PPP	-	-	96,067	-	-	-	-	-	**96,067**
	271,886	**238,221**	**96,067**	**7,709**	**53,078**	**605**	**3,160**	**22,567**	**693,293***

*£16.599m of Group PPE totalling £709.892m relates to subsidiaries on consolidation that are not included in the above balances. Please refer to the Group Accounts on pages 89 to 91.

2017-2018

comparative movements

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2017	270,478	272,982	74,386	24,593	67,926	541	2,367	6,092	**719,365**
Additions in year	12,300	12,336	25,388	873	2,594	-	-	6,513	**60,004**
Disposals in year	(938)	(485)	-	-	-	-	-	-	**(1,423)**
Revaluation adjustments to revaluation reserve	-	(6,013)	-	-	-	-	651	-	**(5,362)**
Revaluation adjustments to CIES	-	(5,260)	(374)	-	-	(1)	(75)	-	**(5,710)**
Other reclassifications	2,270	(2,097)	462	(45)	-	-	3,888	(4,506)	**(28)**
At 31 March 2018	**284,110**	**271,463**	**99,862**	**25,421**	**70,520**	**540**	**6,831**	**8,099**	**766,846**
Depreciation and impairment									
At 1 April 2017	-	31,325	5,574	18,805	21,112	-	36	-	**76,852**
Depreciation charge for the year	12,294	6,758	1,569	1,184	1,696	-	5	-	**23,506**
Impairment losses to revaluation reserve	22	(4,212)	-	-	-	-	(14)	-	**(4,204)**
Impairment losses to CIES	-	(2,771)	-	-	-	-	(50)	-	**(2,821)**
On disposals	-	(33)	-	-	-	-	-	-	**(33)**
Other reclassifications	-	(2,070)	-	(5)	-	-	2,075	-	**-**
At 31 March 2018	**12,316**	**28,997**	**7,143**	**19,984**	**22,808**	**-**	**2,052**	**-**	**93,300**
Balance Sheet amount at 31 March 2018	**271,794**	**242,466**	**92,719**	**5,437**	**47,712**	**540**	**4,779**	**8,099**	**673,546**
Nature of asset holding									
Owned	271,794	239,228	-	5,106	47,712	540	4,779	8,099	**577,258**
Finance lease	-	3,238	-	331	-	-	-	-	**3,569**
PPP	-	-	92,719	-	-	-	-	-	**92,719**
	271,794	**242,466**	**92,719**	**5,437**	**47,712**	**540**	**4,779**	**8,099**	**673,546**

Depreciation

As highlighted in Significant Accounting Policies, Note 1 Section 6 to these accounts on pages 63 to 74 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 full valuation***
Schools PPP assets	~	40	Estates Co-ordinator	Current Value	31-Mar-19
Other land and buildings	Buildings	5 to 40	Estates Co-ordinator	Current Value / Fair Value / Historic Cost	31-Mar-19
	Land	Up to 999	Estates Co-ordinator	Current Value / Fair Value / Historic Cost	31-Mar-19
	Specialised buildings	10 to 40	Estates Co-ordinator	Current Value	31-Mar-16
Council dwellings	~	19-23	DVS Property Specialists	Existing Use Value – Social Housing 'Beacon Principle' (EUVSH)	31-Mar-17
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

Effect of changes in estimates

The Council made no material changes to its accounting estimates for property, plant and equipment during the year.

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 1 Section 6 to these accounts on pages 63 to 74 under "Property, plant and equipment".

Commitments under capital contracts

The Council approved capital investment programmes for General Services and Housing for 2019-2020 for construction or enhancement of property, plant and equipment, as outlined in the table below.

	General Services	**Housing**	**Total**
Expenditure	**£000**	**£000**	**£000**
Capital investment	72,037	32,636	**104,673**
	72,037	**32,636**	**104,673**
Sources of finance			
Prudential borrowing	49,688	21,462	**71,150**
Capital grants, contributions and other receipts	22,349	4,423	**26,772**
Capital funded from current revenue	-	6,751	**6,751**
	72,037	**32,636**	**104,673**

Note 8: Heritage assets

Valuation	Fine Arts	Other Heritage Assets	Civic Regalia	Total Heritage Assets
	£000	**£000**	**£000**	**£000**
1 April 2018	2,115	1,066	151	3,332
31 March 2019	**2,115**	**1,066**	**151**	**3,332**
1 April 2017	2,115	1,066	151	3,332
31 March 2018	**2,115**	**1,066**	**151**	**3,332**

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 Turnball 2016

Civic regalia and other civil effects

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

Lyon and Turnball 2016

Note 9: Intangible assets

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

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

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

	31 March 2019	31 March 2018
	£000	**£000**
Balance at start of year:		
Gross carrying amounts	4,113	3,903
Accumulated amortisation	(1,455)	(1,196)
Net carrying amount at start of year	2,658	2,707
Additions:		
Purchases	392	182
Reclassifications	265	28
Amortisation for the period	(310)	(259)
Net carrying amount at end of the year	**3,005**	**2,658**
Comprising:		
Gross carrying amounts	4,770	4,113
Accumulated amortisation	(1,765)	(1,455)
	3,005	**2,658**

Note 10: 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 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Amortised Cost	234	234	-	1	36,000	30,000	28,670	23,480
Fair value through other comprehensive income - other	734	767	-	-	-	-	-	-
Total financial assets	968	1,001	-	1	36,000	30,000	28,670	23,480
Non-financial assets	-	-	-	-	-	-	-	-
Total	**968**	**1,001**	**-**	**1**	**36,000**	**30,000**	**28,670**	**23,480**

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019 £000s	31 March 2018 £000s	31 March 2019 £000s	31 March 2018 £000s	31 March 2019 £000s	31 March 2018 £000s	31 March 2019 £000s	31 March 2018 £000s
Amortised Cost *Note 1**	(162,022)	(154,525)	-	-	(62,931)	(52,636)	(59,079)	(47,208)
Total financial liabilities	(162,022)	(154,525)	-	-	(62,931)	(52,636)	(59,079)	(47,208)
Finance lease liabilities	(3,190)	(3,400)	-	-	(211)	(205)	-	-
PPP	(72,301)	(75,153)	-	-	(4,810)	(4,846)	-	-
Total Non-financial liabilities	(75,491)	(78,553)	-	-	(5,021)	(5,051)	-	-
Total	**(237,513)**	**(233,078)**	**-**	**-**	**(67,952)**	**(57,687)**	**(59,079)**	**(47,208)**

**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:

	2018/19		2017/18	
	(Surplus)/deficit on the provision of services	**Other comprehensive income and expenditure**	**(Surplus)/deficit on the provision of services**	**Other comprehensive income and expenditure**
	£000s	**£000s**	**£000s**	**£000s**
Net gains/losses on:				
Financial assets measured at amortised cost	(558)	-	(427)	-
Financial assets measured at fair value through other comprehensive income	-	33	-	(32)
Financial liabilities measured at amortised cost	14,415	-	13,759	-
Total net (gains)/losses	**13,857**	**33**	**13,332**	**(32)**
Interest revenue:				
Financial assets measured at amortised cost	(558)	-	(427)	-
Financial assets measured at fair value through other comprehensive income	-	33	-	(32)
	(558)	**33**	**(427)**	**(32)**
Interest expense	**14,415**	**-**	**13,759**	**-**

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.
- No early repayment or impairment is recognised.
- 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 at 31 March 2019, the fair values of financial assets and financial liabilities are calculated as follows:

Table 1	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	**£000s**	**£000s**	**£000s**	**£000s**
PWLB	117,893	167,597	110,088	157,170
LOBO (Option)	36,200	55,012	36,200	54,230
Market Debt	20,000	22,985	10,005	12,744
Short Term Borrowing	50,000	50,201	50,000	50,068
Sub Total Borrowing	**224,093**	**295,795**	**206,293**	**274,212**
PPP Liability	77,110	109,678	79,999	110,457
Short Term Finance Lease Liability	211	211	118	118
Long Term Finance Lease Liability	3,190	3,190	1,927	1,927
Short Term Creditors	59,079	59,079	47,208	47,208
	139,590	**172,158**	**129,252**	**159,710**
Total Liabilities	**363,683**	**467,953**	**335,545**	**433,922**

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

Table 2	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	**£000s**	**£000s**	**£000s**	**£000s**
PWLB	117,893	197,621	110,088	183,909
LOBO (Option)	36,200	67,053	36,200	66,293
Market Debt	20,000	25,750	10,005	15,423
Short Term Borrowing	50,000	50,212	50,000	50,068
Sub Total Borrowing	**224,093**	**340,636**	**206,293**	**315,693**
PPP Liability	77,110	109,678	79,999	122,166
Short Term Finance Lease Liability	211	211	118	118
Long Term Finance Lease Liability	3,190	3,190	1,927	1,927
Short Term Creditors	59,079	59,079	47,208	47,208
	139,590	**172,158**	**129,252**	**171,419**
Total Liabilities	**363,683**	**512,794**	**335,545**	**487,112**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £167.597m (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 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	**£000s**	**£000s**	**£000s**	**£000s**
Long term investments	967	1,305	1,001	1,318
Investments	36,000	36,185	30,000	30,044
Long term debtors	-	-	1	1
Current asset debtors	28,670	28,670	23,480	23,480
	65,637	**66,160**	**54,482**	**54,843**

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate investments where the interest rate payable is higher than the prevailing rates in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2019) arising from a commitment to receive interest from lenders above current market rates.

Note 11: Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
As at 31 March	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**	**2019 £000**	**2018 £000**
Balance outstanding at start of year	107	128	253	258	13	-	65	64	438	450
Purchases	1,116	938	1,120	1,110	(13)	37	1,580	1,500	3,803	3,585
Recognised as an expense in year	(1,074)	(947)	(1,110)	(1,118)	-	(24)	(1,597)	(1,499)	(3,781)	(3,588)
Written off balances	-	(12)	2	(17)	-	-	1	-	3	(29)
Reversals of write-offs in previous years	-	-	-	20	-	-	-	-	-	20
Balance outstanding at year end	**149**	**107**	**265**	**253**	**-**	**13**	**49**	**65**	**463**	**438**

Note 12: Debtors

	2018-2019	2017-2018
	£000	**£000**
Trade receivables	13,904	6,157
Prepayments	3,336	3,270
Other receivable amounts	11,430	14,053
Total	**28,670**	**23,480**

Note 13: Cash and cash equivalents

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

	2018-2019	**2017-2018**
Cash held by the authority	**£000**	**£000**
Bank current accounts	45	45
Short term/Callable deposits held with UK banks	(1,266)	(5,092)
Callable deposits held in Money Market Funds	25,100	14,598
Short term deposit held with Local Authorities	-	7,500
Total cash and cash equivalents	-	5,000
	23,879	**22,051**

Note 14: Assets held for sale

	2018-2019	**2017-2018**
	£000	**£000**
Balance outstanding at start of year	**64**	**78**
Assets declassified/disposed	-	(13)
Revaluation increase/(losses)	-	(1)
Balance outstanding at year end	**64**	**64**

Note 15: Creditors

	2018-2019	**2017-2018**
	£000	**£000**
Trade Creditors	50,567	41,516
Other payable amounts	8,512	5,692
Total	**59,079**	**47,208**

Note 16: Provisions

	Short	**Long**	**Total**
	£000	**£000**	**£000**
Balance as at 1 April 2018	**799**	**1,994**	**2,793**
Additional provisions made in 2018-2019	191	140	331
Amounts used in 2018-2019	(537)	(7)	(544)
Balance as at 31 March 2019	**453**	**2,127**	**2,580**

The Council has made a provision in respect of a number of employee related potential claims outstanding at 31 March 2019. Provisions are also held in relation to outstanding payments for enterprise grants and grants to voluntary organisations.

Other provisions are also held relating to 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. Payments in relation to provisions are expected over the next 12 - 24 months.

Note 17: Other short term liabilities

	31 March 2019 £000	31 March 2018 £000
Public Private Partnership (PPP)	4,810	4,846
Amounts owed to Common Good	1,114	1,013
Amounts owed to Trusts and others	1,192	1,275
Finance Lease	211	205
	7,327	**7,339**

Note 18: Unusable reserves

Summary of year-end balances

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

	2018-2019 £000	2017-2018 £000
Revaluation reserve	161,507	161,165
Capital adjustment account	236,594	222,924
Financial Instrument adjustment account	(11,816)	(12,232)
Financial instruments measured at fair value reserve	693	727
Pension reserve	(155,657)	(84,143)
Employee statutory mitigation account	(4,220)	(3,973)
	227,101	**284,468**

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.

	2018-2019 £000	2017-2018 £000
Balance at 1 April	**161,165**	**169,158**
Upward revaluation of assets	9,583	7,267
Downward valuation of assets and impairment losses not charged to the surplus/(deficit) on the Provision of Services	(2,910)	(8,426)
Surplus or (deficit) on revaluation of non-current assets not posted to the surplus or (deficit) on the Provision of Services	**6,673**	**(1,159)**
Difference between fair value depreciation and historical cost depreciation	(6,185)	(6,326)
Accumulated gains on assets sold or scrapped	(146)	(508)
Amount written off to the Capital Adjustment Account	**(6,331)**	**(6,834)**
Balance at 31 March	**161,507**	**161,165**

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 5 on page 30 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2018-2019 £000	2017-2018 £000
Balance at 1 April	**222,924**	**212,481**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(39,060)	(32,905)
Amortisation of intangible assets	(310)	(259)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	53	(247)
	(39,317)	(33,411)
Adjusting amounts written out of the revaluation reserve	6,331	6,832
Net written out amount of the cost of non-current assets consumed in the year	(32,986)	(26,579)
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,922	13,447
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	980	126
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	10,697	10,623
Capital expenditure charged against the general fund and HRA balances	14,057	12,826
Balance at 31 March	**236,594**	**222,924**

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.

	2018-2019 £000	2017-2018 £000
Balance at 1 April	**(12,232)**	**(12,648)**
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	9	8
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	**416**	**416**
Balance at 31 March	**(11,816)**	**(12,232)**

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

	2018-2019 £000	2017-2018 £000
Balance at 1 April	**727**	**694**
Upward/(downward) revaluation of investments	(34)	33
Balance at 31 March	**693**	**727**

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. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding has been set aside by the time the benefits are paid.

	2018-2019 £000	2017-2018 £000
Balance at 1 April	**(84,143)**	**(192,343)**
Re-measurement of the net defined benefit asset	(45,031)	125,034
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(44,315)	(32,704)
Employer's pension contributions and direct payments	17,832	15,870
Balance at 31 March	**(155,657)**	**(84,143)**

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 at 31 March.

	2018-2019 £000	2017-2018 £000
Balance at 1 April	**(3,973)**	**(4,872)**
Settlement or cancellation of accrual made at the end of the preceding year	3,973	4,872
Amounts accrued at the end of the current year	(4,220)	(3,973)
Balance at 31 March	**(4,220)**	**(3,973)**

Note 19: Cash Flow Statement – operating activities

The cash flows from operating activities included the following items:

	2018-2019 £000	2017-2018 £000
Interest received	(405)	(415)
Interest paid	14,239	13,586
Net cash flows used in operating activities	**13,834**	**13,171**

Note 20: Cash Flow Statement – investing activities

	2018-2019 £000	2017-2018 £000
Property, plant and equipment, investment property and intangible assets	51,843	39,662
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(339)	(1,158)
Purchase (proceeds) from short-term investments	6,000	15,000
Purchase from long-term investments	-	234
Other receipts from investing activities	(21,008)	(15,279)
Net cash flows used in investing activities	**36,496**	**38,459**

Note 21: Cash Flow Statement – financing activities

	2018-2019 £000	2017-2018 £000
Cash receipts from short-term and long-term borrowing	(17,799)	(17,364)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,092	2,786
Repayments of short and long term borrowing	-	1,780
Other payments for financing activities	(415)	410
Net cash flows used in financing activities	**(15,122)**	**(12,388)**

Note 22: Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2018-2019 the Council collected £19.598m and paid over £19.193m and received £0.405m for providing this service. The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2018-2019 the Council billed £44.442m on their behalf and received £38.299m in income from the Non-Domestic Rates Pool.

Note 23: External audit cost

The Council has incurred costs of £0.272m in 2018-2019 in respect of fees payable with regard to external audit services carried out under The Code of Practice (£0.270m 2017-2018).

Note 24: Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-2019:

Credited to taxation and non-specific grant income	31 March 2019 £000	31 March 2018 £000
General revenue grant	159,035	156,390
Receipted capital income	21,571	14,810
Non-domestic rates income	38,299	39,756
Council tax income	54,555	52,039
Total	**273,460**	**262,995**

Credited to services	31 March 2019 £000	31 March 2018 £000
Burns Festival	25	25
Department of Work and Pensions	31,420	34,881
Education	7,835	5,781
Education Maintenance Allowance	25	25
Health Authorities	95	81
Leader	918	910
Modern Apprentices	125	194
NHS Alcohol & Drug Misuse	-	18
Other Grants and Contributions	415	434
Police	30	30
School Milk	30	52
Social Work	2,952	3,591
Townscape Heritage Initiative	361	121
Zero Waste	676	1,687
Total	**44,907**	**47,830**

Note 25: 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).

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 2018-2019 are shown in the Remuneration Report. During 2018-2019 works and services to the value of £3.410m were commissioned from organisations in which one member had an interest. Contracts were entered into in full compliance with the Council's Standing Orders. During 2018-2019 there were no grants paid to voluntary organisations wherein Members of the Council had an interest. Details of the transactions during 2018-2019 are available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours. No material balances were outstanding on these contracts as at 31 March 2019.

Officers of the Council – During 2018-2019 Donald Gillies, Director – Place and Jim Johnstone, Service Lead – Economic Development declared an interest in Freeport Scotland Ltd as directors. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. Donald Gillies and Jim Johnstone were appointed by The Council as directors of the company and the Council has a 37% share in the company. The Council received £0.055m in lease income during 2018-19. There was no management fee received during 2018-2019. No material balances were outstanding on these contracts as at 31 March 2019.

South Ayrshire Integration Joint Board – The South Ayrshire Integration Joint Board was established on 1st 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 2018-2019 the following South Ayrshire Council financial transactions were made with South Ayrshire Integration Joint Board relating to the integrated and social care functions:

	£000
Contribution made to South Ayrshire Integration Joint Board	75,794
Commissioning income received from South Ayrshire Integration Joint Board	97,071

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 £21.247m during 2018-2019.

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 at 31 March 2019.

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. Following the resignations of four private sector board members during September 2018, from 14 February 2019 a variation of the LLP Agreement for Ayr Renaissance LLP has resulted in the membership of the LLP board consisting of four South Ayrshire councillors and the Council's Chief Executive. The organisations' running costs were met by way of a contribution of £0.255m. No material balances were outstanding as at 31 March 2019. The organisation is in the process of being wound up, which is expected to be concluded during 2019/20.

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 26: 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 2019 £000	31 March 2018 £000
Opening capital financing requirement	**295,511**	**266,993**
Capital investment		
Property, plant and equipment	52,685	39,992
Intangible assets	392	182
PPP/Finance lease	-	24,877
	53,077	65,051
Sources of finance		
Capital Receipts	(339)	(1,158)
Government grant and other contributions	(21,903)	(13,571)
Capital funded from current revenue	(14,693)	(13,425)
Repayment of PPP/finance lease	(3,092)	(1,141)
Loans fund principal repayments	(6,968)	(7,238)
Closing capital financing requirement	**301,593**	**295,511**
Explanation of movements during the year		
Increase in the underlying need to borrow	9,175	4,782
Increase/(decrease) in finance lease obligations	(205)	1,446
Increase/(decrease) in PPP finance lease creditor	(2,888)	22,290
Increase/(decrease) in capital financing requirement	**6,082**	**28,518**

Note 27: 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 2019 £000	31 March 2018 £000
Property, plant and equipment	**3,419**	**3,569**

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 2019 £000	31 March 2018 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	211	205
Non-Current	3,190	3,400
Finance costs payable in future years	948	1,033
Minimum lease payments	**4,349**	**4,638**

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
No later than one year	289	289	211	205
Later than one year and not later than five years	975	1,064	724	790
Later than five years	3,085	3,285	2,466	2,611
	4,349	**4,638**	**3,401**	**3,606**

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 2019	**31 March 2018**
	£000	**£000**
No later than one year	1,618	1,560
Later than one year and not later than five years	2,353	3,126
Later than five years	-	-
	3,971	**4,686**

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 2019	**31 March 2018**
	£000	**£000**
Minimum lease payments	1,480	1,360
	1,480	**1,360**

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 2019	**31 March 2018**
	£000	**£000**
No later than one year	820	810
Later than one year and not later than five years	1,235	1,013
Later than five years	10,977	10,887
	13,032	**12,710**

Note 28: 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 the Council took occupation of the New Ayr Academy, which was 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, at which time 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 7 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 and the new Ayr Academy contract at 31 March 2019 (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	4,793	2,997	6,017	**13,807**
Payable within two to five years	22,747	11,356	23,437	**57,540**
Payable within six to ten years	33,575	15,554	28,334	**77,463**
Payable within eleven to fifteen years	41,177	16,694	26,317	**84,188**
Payable within sixteen to twenty years	41,460	23,356	26,769	**91,585**
Payable within twenty-one to twenty-five years	6,235	7,154	2,912	**16,301**
Total	**149,987**	**77,111**	**113,786**	**340,884**

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:

	2018-2019	**2017-2018**
	£000	**£000**
Balance outstanding at start of year	**79,999**	**57,709**
New liability (Ayr Academy)	-	24,877
Increases/(reductions) during the year	(2,888)	(2,587)
Balance outstanding at year end	**77,111**	**79,999**

Note 29: Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2018-19, incurring liabilities of £2.565m (£2.178m 2017-18). The total is payable to 77 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 82.

Number	Directorate
35	Chief Executive's Strategic Office
17	Place
13	People
12	Health and Social Care

Note 30: 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.

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 2018-2019 and the prior year 2017-2018.

Comprehensive Income and Expenditure Statement (CIES)	**2018-2019 £000**	**2017-2018 £000**
Cost of Services:		
Service cost comprising:		
Current service cost	28,946	26,705
Past service cost (including curtailments)	12,776	847
Financing and investment income and expenditure:		
Net interest expense/ (income)	2,593	5,152
Total post-employment benefit charged to the surplus or deficit on the provision of services	**44,315**	**32,704**
Other post-employment benefits charged to the CIES:		
Re-measurement of the net defined benefit liability comprising:		
Return on the plan assets	(24,761)	3,240
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(1,676)
Actuarial (gains) and losses arising on changes in financial assumptions	68,186	(40,210)
Other	1,606	(79,908)
Total post-employment benefit charged to the CIES	**89,346**	**(85,850)**
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	**(71,514)**	**101,720**
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contribution payable to the scheme	**17,832**	**15,870**

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:

	2018-2019 £000	**2017-2018 £000**
Present value of the defined benefit obligation: funded	(926,993)	(812,216)
Present value of the defined benefit obligation: unfunded	(37,479)	(35,703)
Fair value of pension fund assets	808,815	763,776
Net Liability arising from defined benefit obligations	**(155,657)**	**(84,143)**

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

	2018-2019 £000	2017-2018 £000
Opening balance at 1 April	**847,919**	**936,025**
Current service cost	28,946	26,705
Past service cost	12,776	847
Interest cost	23,210	24,456
Contributions by scheme participants	4,400	4,151
Re-measurement gains and (losses):		
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(1,676)
Actuarial (gains) and losses arising from changes in financial assumptions	68,186	(40,210)
Other losses/ (gains)	1,606	(79,908)
Benefits paid	(20,667)	(20,619)
Unfunded benefits paid	(1,904)	(1,852)
Closing balance at 31 March	**964,472**	**847,919**

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

	2018-2019 £000	2017-2018 £000
Opening fair value of the scheme assets	**763,776**	**743,682**
Interest income	20,617	19,304
Re-measurement gains and (losses):		
Return on the plan assets	24,761	3,240
Contributions from employers	15,928	14,018
Contributions from employees in the scheme	4,400	4,151
Benefits paid	(20,667)	(20,619)
Closing fair value of the scheme assets	**808,815**	**763,776**

Analysis of pension fund assets

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

At 31 March 2019

Asset category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2018-2019 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	51,795	147	51,942
Manufacturing	41,966	127	42,093
Energy and Utilities	10,812	-	10,812
Financial Institutions	34,868	-	34,868
Health and Care	20,479	209	20,688
Information Technology	26,656	6	26,662
Sub-total equity	**186,576**	**489**	**187,065**
Debt securities (corporate bonds non-investment grade)	**25,378**	**-**	**25,378**
Private equity	**-**	**96,650**	**96,650**
Real estate (UK property)	**-**	**73,230**	**73,230**
Investment funds and unit trusts:			
Equities	229,713	19,912	249,625
Bonds	35,371	58,272	93,643
Commodities	405	-	405
Other	-	1,037	1,037
Sub-total investment funds and unit trusts	**477,443**	**249,590**	**727,033**
Derivatives – other	**17**	**-**	**17**
Cash and cash equivalents (all)	**41,637**	**40,128**	**81,765**
Totals	**519,097**	**289,718**	**808,815**

At 31 March 2018

Asset category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2017-2018 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	48,911	139	49,050
Manufacturing	39,629	120	39,749
Energy and utilities	10,210	-	10,210
Financial institutions	32,926	-	32,926
Health and Care	19,338	198	19,536
Information technology	25,171	6	25,177
Sub-total equity	**176,185**	**463**	**176,648**
Debt securities (corporate bonds non-investment grade)	**23,964**	**1**	**23,965**
Private equity	**-**	**91,268**	**91,268**
Real estate (UK property)	**-**	**69,153**	**69,153**
Investment funds and unit trusts:			
Equities	216,922	18,803	235,725
Bonds	33,401	55,027	88,428
Commodities	383	-	383
Other	-	979	979
Sub-total investment funds and unit trusts	**450,855**	**235,694**	**686,549**
Derivatives (other)	**16**	**-**	**16**
Cash and cash equivalents (all)	**39,319**	**37,892**	**77,211**
Totals	**490,190**	**273,586**	**763,776**

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 full valuation of the Fund at 31 March 2019. The significant assumptions used by the actuary have been:

Mortality assumptions:	**2018-2019**	**2017-2018**
Longevity at 65 for current pensioners		
Male	21.4	21.4
Female	23.7	23.7
Longevity at 65 for future pensioners		
Male	23.4	23.4
Female	25.8	25.8
Financial assumptions:		
Rate of inflation/pension increase rate	2.50%	2.40%
Rate of increase in salaries	3.70%	3.60%
Rate for discounting scheme liabilities	2.40%	2.70%

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 at 31 March 2019	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in real discount rate	9%	90,600
0.5% increase in the salary increase rate	2%	16,491
0.5% increase in the pension increase rate	7%	72,167

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 equities [65%] and bonds [15%]. The comparative year's figures are 65% and 15%. The scheme also invests in properties [9%], in cash [10%] and in other investment funds and unit trusts [1%]. 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 2018-2019 based on the last triennial valuation completed on 31 March 2018.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2020 is £14.001m.The weighted average duration of the defined benefit obligation for Fund members is 18 years (This is different from the mortality assumptions quoted in the table above in "*Basis for estimating assets and liabilities")*.

Note 31: Pensions schemes accounted for as defined contribution schemes

Teachers employed by the Council are members of the Teachers Superannuation Scheme, administered by the Scottish Public Pension Agency. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is not able to identify each individual body's share of the underlying liabilities on a consistent and reasonable basis and as such this is accounted for as if it were a defined contribution scheme with service revenue accounts charged with contributions payable in the year by the Council.

- 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 at 31 March 2016, which set contribution rates from 1 April 2019 until 31 August 2019 at 17.2% and then to increase to 23% from 1 September 2019 until 31 March 2023. The next valuation will be as at 31 March 2020.
- The Council has no liability for other employer's 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 from 1 April 2015 was 14.9% of pensionable pay. This was increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.
  iv) At the last valuation a shortfall of £1.3billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employer's contribution rate.
  v) Contributions collected in the year to 31 March 2019 will be published in November 2019.

The Council paid £7.349m (£7.242m 2017-2018) for employer's contributions. As a proportion of the total contributions into the Teachers Superannuation Scheme during the year ended 31 March 2018 (£417.5m), the Council's own contributions paid for the period ending 31 March 2018 equates to approximately 1.76%.

Note 32: Contingent assets and liabilities

The Council has received notice of several potential insurance and other claims. It is recognised that the Council has a potential liability which may require to be met if the claims are successful and as such has agreed to meet any liability beyond any provisions made in the financial statements from uncommitted reserves if required.

In addition to the provision made in the financial statements for employee related claims, the Council recognises a contingent liability in relation to other employee related grievances and the potential costs that may arise as a result of further claims being pursued against the Council. The position in respect of these potential claims is still subject to a high degree of uncertainty and it is not clear that either an obligation or their value can be reliably established at this time.

Note 33: 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 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 maximum and minimum exposures to the maturity profile of its debt
  - (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 also reported following each year as an Annual Report and is also monitored throughout the year with a mid-year update.

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 Asset Services. 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 Investment Strategy for 2018-2019 was approved by Council on 1 March 2018 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 £61.100m 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 at 31 March 2019 that this was likely to crystallise.

The Expected Credit Loss calculation under IFRS9 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.

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 Council's gross debtor (excluding council tax and non-domestic rate income) was £29.045m against which a provision of £6.742m 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-collection.

The Council does not generally allow credit for customers, such that £5.133m of the £29.045m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2018-2019	**2017-2018**
	£000	**£000**
Less than three months	904	741
Three to six months	213	382
Six months to one year	1,699	1,539
More than one year	2,317	1,123
Total	**5,133**	**3,785**

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 treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA 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 not 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 of 28% (within one year) is 3% above the maturity limit indicator due to the strategy in 2018/19 of borrowing in the short term markets.

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

	Maturity limit %	**Maturing debt Maturing in period %**	**Actual 2018-2019 £000**	**Actual 2017-2018 £000**
Less than one year	25	28	62,931	52,636
Between one and two years	25	3	6,004	7,489
Between two and five years	50	4	8,499	3,778
Between five and ten years	75	5	12,482	12,204
More than ten years	90	60	134,177	130,186
Principal element of borrowing		**100**	**224,093**	**206,293**

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 a number of 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, at 31 March 2019, 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 2018-2019 £000**	**Actual 2017-2018 £000**
Increase in interest payable on variable rate borrowings	767	687
Increase in interest receivable on variable rate investments	(369)	(441)
	398	**246**

Other presentational changes	**Actual 2018-2019 £000**	**Actual 2017-2018 £000**
Decrease in "fair value" of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	**36,575**	**33,851**

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 use in Note 10 – 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 £0.733m 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 share-holding 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 6: Policies, Judgements and Assumption

Note 1: Significant accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2018/2019 financial year and its financial position at the year end of 31 March 2019. 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 2018/2019* 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.

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 as a result 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 of 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 benefits" 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 as a result 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 as a result 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, taking into account any changes in the net defined liability (asset) during the period as a result 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 as a result 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 with 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.

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.

A change in the 2018/19 Code of Practice has resulted in a change in the treatment of internal transactions. The Code no longer permits internal transactions to be included in the Comprehensive income and Expenditure Statement (CIES) as the service segments in the CIES are not intended to cover the reporting requirements for IFRS 8 (segmental reporting) and as a result, transactions between segments are not permitted in the service analysis section of the Statement. Previously the Council has included transactions between services within the CIES. As a result of this change, the 2017/18 comparative figures within the CIES and Expenditure and Funding Analysis have been restated. This has resulted in a reduction of £31.095m in both the gross expenditure and gross income reported in the CIES. The overall net impact is nil.

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 accruals basis, provided that 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.

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.

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 charged in the year of acquisition but no depreciation is charged in the year of disposal. The periods of depreciation and categories of assets are detailed within Note 7 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 and the new Ayr Academy opened in 2017-18, under the contract 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.

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, taking into account 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 so as 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 Insurance Fund is earmarked for insurance purposes. 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 to manage 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 at 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 excludes 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, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account 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 2: Accounting standards issued not adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019-2020 Code:

- Amendments *to IAS 40 Investment Property: Transfer of Investment Property*
- Annual improvements to IFRS standards 2014 – 2016 Cycle
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation*
- *IFRS 16 Leases – implementation deferred by CIPFA/LASSAC until 1 April 2020*

With the exception of IFRs 16, The Code requires implementation from 1 April 2019 however based on an assessment of the accounting standards, there is no impact on the 2018-19 financial statements.

Note 3: Critical judgements in applying accounting policies

In applying the Significant Accounting Policies set out in Note 1 Section 6 to these accounts on pages 63 to 74, 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:

- There is 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 provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4: 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 taking into account 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 at 31 March 2019, 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 liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate would result in an increase of £89.973m in the pension liability.

Property, plant and equipment

Uncertainties: 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. The current economic climate may create uncertainty around the valuations of the assets and their existing lives.

Effect if results differ from assumptions: 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 £1.533m if useful lives were reduced by 1 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 £17.246m in unitary charge payments over the remaining term of the arrangements.

Section 7: 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 (Scotland) Amendment Regulations 2011). 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 Deloitte. All other sections of the Remuneration Report will be reviewed by Deloitte 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 2017 and came in to force on 4 May 2017. 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 2018-2019 South Ayrshire Council had 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 2018-2019, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 1 March 2018. All allowances and expenses paid to elected members follow policies and procedures and are reviewed regularly to ensure continued relevance and compliance with legislation.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committees (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/148 sets the amount of salary for the Chief Executive of South Ayrshire Council for the period. South Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS).

Remuneration

The following tables provide details of the remuneration of the Council's Senior Councillors, senior employees and the remuneration to the Managing Director of Ayr Renaissance LLP which is a subsidiary body. A subsidiary body is an entity, including an incorporated body such as a partnership that is controlled by the Council.

The term *remuneration* means gross salary, fees & allowances, taxable expenses and compensation for loss of employment. Amounts presented are on an accruals 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 2018-2019 is available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours and is also available on the Council's website by following the link: http://www.south-ayrshire.gov.uk/councillors/expenses/

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

Name	Post title	Gross salary & allowances	**2018-2019 Total remuneration**	**2017-2018 Total remuneration**
		£	**£**	**£**
*D Campbell	Leader of the Council	34,391	**34,391**	**31,678**
**H Moonie	Provost	25,506	**25,506**	**25,086**
*I Cochrane	Senior Councillor (2)	22,851	**22,851**	**21,999**
*P Henderson	Senior Councillor (2)	22,851	**22,851**	**20,432**
" W Grant	Senior Councillor (2)/Depute Provost	26,636	**26,636**	**20,039**
*J Dettbarn	Senior Councillor (2)	20,541	**20,541**	**20,432**
**P Saxton	Senior Councillor (2)	23,999	**23,999**	**22,507**
*A Clark	Senior Councillor (1)	22,828	**22,828**	**20,039**
*B Connolly	Senior Councillor (1)	21,676	**21,676**	**20,039**
*H Hunter	Senior Councillor (1)	21,167	**21,167**	**20,039**
***C MacKay	Senior Councillor (1)	20,591	**20,591**	**18,212**
**I Cavana	Senior Councillor (1)	20,972	**20,972**	**20,344**
**P Convery	Senior Councillor (1)	22,098	**22,098**	**20,344**
**M Kilpatrick	Senior Councillor (1)/Depute Provost	17,078	**17,078**	**17,230**
**B McGinley	Senior Councillor (2)	22,851	**22,851**	**22,304**
		346,036	**346,036**	**320,724**

There were no non-cash expenses & benefits-in-kind paid during 2018-19.

**denotes now holds the post of Leader of the Council, Depute Provost, Senior Councillor (2) and Senior Councillor (1) following the local election in May 2017*

***denotes part year the post held as Councillor from 04/05/17-18/05/17 following the local election May 2017*

****C MacKay- start date 04/05/17 following the local election May 2017*

(i) –Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2018-2019 Annual Return which is available on the Council's website.

(ii) –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 accruals 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.

	2018-2019	2017-2018
	£	£
Salaries	561,041	556,112
Expenses	17,930	24,090
	578,971	**580,202**

The annual return of councillors' salaries and expenses for 2018-2019 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)

	Year ended 31 March 2019		2017-2018
Name & post	Gross salary & allowances	**Total Remuneration**	**Total Remuneration**
	£	**£**	**£**
E Howat – Chief Executive	130,089	**130,089**	**130,422**
T Eltringham - Director of Health & Social Care Partnership	112,214	**112,214**	**110,547**
D Hutchison - Director of People	112,078	**112,078**	**98,453**
D Gillies – Director of Place	100,583	**100,583**	**82,809**
T Baulk – Head of Finance & ICT	82,550	**82,550**	**79,708**
K O'Hagan – Head of Employee & Customer Services	80,815	**80,815**	**77,218**
C Caves – Head of Regulatory Services (i)	66,608 (full year equivalent £79,708)	**66,608**	**-**
	684,937	**684,937**	**579,157**

(i) C Caves – Head of Regulatory Services employment commenced 11 June 2018

Total remuneration is presented on an accruals 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 2018-19. There were also no compensation for loss of office payments associated with the senior employees of the Council**.**

d) Remuneration of the Council's subsidiary/associate body (subject to audit)

This table sets out the total remuneration paid to the Managing Director of the Council's subsidiary/associate body.

Name & post	**2018-2019**	**2017-2018**
	£	**£**
D Bell - Managing Director of Ayr Renaissance LLP	**82,378**	**79,708**

Total remuneration represents gross salary. There are no allowances, taxable expenses, non-cash expenses, benefits in kind or compensation for loss of office payments associated with the above post.

e) Officers' remuneration (subject to audit)

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

Remuneration Bands	Number of Employees 2018-2019	Number of Employees 2017-2018
£50,000 - £54,999	44	46
£55,000 - £59,999	33	38
£60,000 - £64,999	5	6
£65,000 - £69,999	6	3
£70,000 - £74,999	1	1
£75,000 - £79,999	2	10
£80,000 - £84,999	7	1
£85,000 - £89,999	-	1
£90,000 - £94,999	-	1
£95,000 - £99,999	1	-
£100,000 - £104,999	1	1
£105,000 - £109,999	-	2
£110,000 - £114,999	2	-
£120,000 - £124,999	-	1
£125,000 - £129,999	-	1
£130,000 - £134,999	1	-
	103	**112**

Pension benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The term *pension benefits* covers 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 is 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 2018-19 were as follows:

Full time pay	Contribution rate 2018-2019
On earnings up to £21,300	5.50%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.50%
On earnings above £35,700 and up to £47,600	9.50%
On earnings above £47,600	12.00%

Full time pay	Contribution rate 2017-2018
On earnings up to £20,700	5.50%
On earnings above £20,700 and up to £25,300	7.25%
On earnings above £25,300 and up to £34,700	8.50%
On earnings above £34,700 and up to £46,300	9.50%
On earnings above £46,300	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.

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.

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

The pension entitlements for senior councillors for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

		In-year pension contributions			Accrued pension benefits	
Name	**Post title**	**For year to 31 March 2019**	**For year to 31 March 2018**		**As at 31 March 2019**	**Difference from 31 March 2018**
		£	**£**		**£**	**£**
*D Campbell	Leader of the Council	6,563	6,114	Pension	5,081	935
				Lump sum	1,720	88
***H Moonie	Provost	4,923	4,842	Pension	5,003	649
				Lump sum	1,745	47
*I Cochrane	Senior Councillor (2)	4,410	4,246	Pension	2,800	590
				Lump sum	-	-
*W Grant	Senior Councillor (2)/ Depute Provost	4,787	3,867	Pension	2,734	536
				Lump sum	-	-
*P Henderson	Senior Councillor (2)	4,410	3,943	Pension	895	498
				Lump sum	-	-
***B McGinley	Senior Councillor (2)	4,410	4,305	Pension	2,821	535
				Lump sum	-	-
***P Saxton	Senior Councillor (2)	4,410	4,344	Pension	4,471	585
				Lump sum	1,539	44
***I Cavana	Senior Councillor (1)	3,974	3,926	Pension	2,218	(1,669)
				Lump sum	248	(1,255)
*A Clark	Senior Councillor (1)	3,974	3,867	Pension	2,572	525
				Lump sum	-	-
*B Connolly	Senior Councillor (1)	3,974	3,867	Pension	2,588	541
				Lump sum	-	-
*J Dettbarn	Senior Councillor (1)	3,964	3,943	Pension	847	450
				Lump sum	-	-
*H Hunter	Senior Councillor (1)	3,974	3,867	Pension	4,591	483
				Lump sum	1,736	201
**M Kilpatrick	Senior Councillor (1)	3,281	3,325	Pension	4,374	401
				Lump sum	1,575	9
****C MacKay	Senior Councillor (1)	3,974	3,514	Pension	466	(70)
				Lump sum	-	-
		61,028	**57,970**		**50,024**	**4,123**

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

**denotes now holds the post of Leader of the Council, Depute Provost, Senior Councillor (2) or Senior Councillor (1) following the local election May 2017*

***denotes no longer holds the post of Leader of the Council Depute Provost, Senior Councillor (2) or Senior Councillor (1) following the local election May 2017*

****denotes part year the post held as Councillor from 04/05/17 – 18/05/17 following the local election May 2017*

*****C MacKay – start date 04/05/17 as Councillor, Senior Councillor (1) from 14/06/17*

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 employee (subject to audit)

The pension entitlements of senior employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contributions			Accrued pension benefits	
Name & Post	**For year to 31 March 2019**	**For year to 31 March 2018**		**As at 31 March 2019**	**Difference from 31 March 2018**
	£	**£**		**£**	**£**
E Howat – Chief Executive	25,100	25,171	Pension	64,188	3,401
			Lump Sum	120,602	1,420
T Eltringham - Director of Health & Social Care Partnership	21,631	21,336	Pension	54,747	3,128
			Lump Sum	102,263	1,396
D Hutchison - Director of People	21,631	19,001	Pension	11,933	2,918
			Lump Sum	-	-
D Gillies – Director of Place	19,527	16,026	Pension	33,174	7,106
			Lump Sum	47,288	8,899
T Baulk – Head of Finance & ICT	15,932	15,383	Pension	34,212	2,728
			Lump Sum	57,382	1,860
K O'Hagan – Head of Customer & Employee Services	15,597	14,903	Pension	34,147	2,703
			Lump Sum	57,602	1,891
C Caves – Head of Regulatory Services	12,856 (full year equivalent £15,383)	-	Pension	1,316	1,316
			Lump Sum	-	-
	132,274	**111,820**		**618,854**	**38,766**

(i) C Caves – Head of Regulatory Services employment commenced 11 June 2018

c) Pension benefits of the Council's subsidiary bodies (subject to audit)

	In-year pension contributions			Accrued pension benefits	
Name & Post	**For year to 31 March 2019**	**For year to 31 March 2018**		**As at 31 March 2019**	**Difference from 31 March 2018**
	£	**£**		**£**	**£**
D Bell - Managing Director of Ayr Renaissance LLP	15,899	17,595	Pension	15,209	2,112
			Lump Sum	372	12
	15,899	**17,595**		**15,581**	**2,124**

Exit packages of employees (subject to audit)

The table below sets out the number and costs of exit packages for both 2018-2019 and 2017-2018 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)	2018-2019 Number of exit packages	2018-2019 Cost £	2018-2019 Notional CAY cost £	2017-2018 Number of exit packages	2017-2018 Cost £	2017-2018 Notional CAY cost £
£0 - £20,000	41	341,961	66,791	51	198,327	-
£20,001 - £40,000	14	398,477	14,992	4	122,160	-
£40,001 - £60,000	9	424,031	4,747	4	170,994	32,085
£60,001 - £80,000	3	211,823	4,747	5	299,706	65,015
£80,001 - £100,000	4	347,902	8,433	3	216,288	50,387
£100,001 - £150,000	5	627,451	5,116	3	268,918	86,514
£150,001 - £200,000	1	213,288	-	1	122,413	44,826
£300,001 - £350,000	-	-	-	1	202,684	126,541
£350,001 - £400,000	-	-	-	2	576,171	128,574
Total	**77**	**2,564,933**	**104,826**	**74**	**2,177,661**	**533,942**

There were no compulsory redundancies during 2018-2019 or 2017-2018.

Trade union facility time

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

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

Percentage of working hours spent on Trade Union facility time	No	FTE
0%	-	-
1 – 50%	47	45.1
51 – 99%	-	-
100%	-	-
	47	**45.1**

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

Based on the above information, the percentage of the Council's total pay spent on Trade Union facility time is estimated at 0.2%. Approximately 25% 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.

Eileen Howat
Chief Executive

26 September 2019

Councillor Douglas Campbell
Leader of the Council

26 September 2019

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 2019

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.

2017-18 £000	Expenditure	2018-19 £000	2018-19 £000
11,134	Repairs and maintenance	10,588	
6,197	Supervision and management	6,298	
13,473	Depreciation and impairment of fixed assets	13,669	
1,428	Other expenditure	1,326	
257	Increase in bad debt provision	281	
32,489	**Total expenditure**		**32,162**
	Income		
(30,819)	Dwelling rents	(30,666)	
(409)	Non dwelling rents	(409)	
(1,015)	Other income	(1,144)	
(32,243)	**Total income**		**(32,219)**
115	HRA share of Corporate and Democratic Core		115
361	**Net (income)/expenditure from HRA service as included in the Council Comprehensive Income and Expenditure statement**		**58**
	Other Operating Expenditure		
22	(Gain) or loss on sale of HRA non-current assets		7
2,340	Interest payable and similar charges		2,245
(115)	Interest and investment income		(134)
169	Net interest on the net defined benefit liability		86
(929)	Non-specific grant income		(3,686)
1,848	**(Surplus)/Deficit for the year on HRA services**		**(1,424)**

II) Movement on the HRA Statement for the year ended 31 March 2019

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.

2017-2018 £000		2018-2019 £000
(13,773)	**Balance on the HRA at the end of the previous year**	**(11,597)**
1,848	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(1,424)
328	Adjustments between accounting basis and funding basis under statute*	3,664
2,176	**Net decrease in HRA balance**	**2,240**
(11,597)	**Balance on the HRA at the end of the current year**	**(9,357)**

*Represents net movement of all adjustments

Note 1: Provisions

A provision of £0.655m (2017-2018: £0.540m) is included in the Balance Sheet for doubtful debts in respect of mainstream housing rents. During 2018-2019, a total of £0.165m was written off in respect of housing rent arrears. A further provision of £0.222m (2017-2018: £0.265m) is included in the Balance Sheet for doubtful debts in respect of homeless arrears. During the year, a total of £0.209m was written off in respect of homeless arrears.

Note 2: Accommodation

At 31 March 2019, the Council held various types of accommodation and had the following number and types of houses:

	2018-2019	2017-2018
Type of accommodation		
One and two apartment	2,498	2,492
Three apartment	3,464	3,448
Four apartment	1,975	1,972
Five or more apartment	168	170
	8,105	**8,082**

Note 3: Rent arrears & void property lost rent

At 31 March 2019, rent arrears amounted to £1.127m (2017-2018 £1.044m), being 3.60% (2017-2018 3.22%) of gross rent collectable. The rental income lost due to void properties amounted to £0.466m in 2018-201 (2017-2018 £0.494m).

Note 4: HRA surplus/ (deficit)

The deficit for the year of £2.240m, when combined with the accumulated surplus brought forward from 2017-2018 of £11.597m, results in a final 2018-19 accumulated surplus of £9.357m at 31 March 2019. £5.794m is required to fund specific capital and revenue projects in future years leaving an uncommitted balance of £3.563m to be held as contingency for future unexpected or emergency situations.

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 authority.

Council Tax Income Account

2017-2018 £000		2018-2019 £000
69,738	Gross council tax levied and contributions in lieu	72,229
	Deduct :	
(8,144)	Council tax benefits/reduction (net of government grants)	(8,059)
(8,369)	Other discounts and reductions	(8,473)
(1,473)	Write off of uncollectable debts and allowances for impairment	(1,562)
51,752	**In year council tax income**	**54,135**
287	Adjustment to prior years' council tax	420
52,039	Transfer to General Fund	**54,555**

Note 1: Council tax income

Council tax is based on the value of a domestic property, together with a personal element which takes into account 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 value as at 1 April 1993. The council tax charge levied for each property is calculated in proportion to the council tax charge for a Band D property by applying fractions. A discount of 25 per cent on the council tax charge is made where there are fewer than two residents of a property. 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.

The valuation bands used in calculating the council tax payable for each valuation band are set out in the adjacent table.

Valuation band	2018-19 Charge per band £
A	816.15
B	952.18
C	1,088.20
D	1,224.23
E	1,608.50
F	1,989.37
G	2,397.45
H	2,999.36

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 2018 owners will pay 150% 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 £1.662m is included within the general fund and earmarked for use in relation to the affordable homes strategy.

Note 2: Calculation of the Council tax charge base 2018-2019

	Valuation band								
Council tax band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Total number of properties	7,304	12,672	8,872	8,379	9,616	4,987	3,130	292	**55,252**
Less exemptions/deductions	326	452	294	194	182	67	29	6	**1,550**
Less adjustment for single discount	1,032	1,364	877	701	676	265	130	6	**5,051**
Less adjustment for double discount	93	133	116	97	100	57	27	5	**628**
Reduction in tax base due to Council Tax Reduction	2,650	3,076	1,530	668	391	101	28	1	**8,445**
Effective number of properties	**3,203**	**7,647**	**6,055**	**6,719**	**8,267**	**4,497**	**2,916**	**274**	**39,578**
Band D equivalent factor (D)	**240**	**280**	**320**	**360**	**473**	**585**	**705**	**882**	
Band D equivalent number of properties	2,135	5,947	5,383	6,719	10,862	7,307	5,711	671	**44,735**
Class 17 & 24 dwellings	-	-	-	7	-	-	-	-	**7**
Total	**2,135**	**5,947**	**5,383**	**6,726**	**10,862**	**7,307**	**5,711**	**671**	**44,742**
Less provision for non-collection 2.75 per cent (adjusted for impact of Council Tax Reduction)									1,265
Council tax base 2018-2019									**43,477**

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.

2017-2018 £000		2018-2019 £000
57,500	Gross rates levied and contributions in lieu	59,695
	Deduct :	
(13,632)	Reliefs and other deductions	(14,077)
(877)	Write-off of uncollectable debts and allowance for impairment	(912)
42,991	**Net non-domestic rate income**	**44,706**
(1,493)	Adjustment to previous years' national non-domestic rates	(264)
41,498	**Total non-domestic rate income**	**44,442**
	National non-domestic rate pool:	
39,756	Non-domestic rate income retained by the authority	38,299
(41,498)	Contribution (to)/ from national non-domestic rate pool	(44,442)
(1,742)		**(6,143)**

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 2018-2019

Commercial subjects	**Number**	**Rateable Value £000**
Shops	1,397	35,518
Public houses	115	3,833
Offices (Including banks)	784	9,150
Hotels, boarding houses, etc.	86	6,108
Industrial and freight transport subjects	952	20,919
Leisure, entertainment, caravans and holiday sites	544	6,966
Garages and petrol stations	94	1,444
Cultural	30	750
Sporting subjects	555	1,142
Education and training	73	10,155
Public service subjects	179	6,794
Communications (non-formula)	19	2,492
Quarries, mines etc.	8	382
Petrochemical	4	108
Religious	90	1,030
Health medical	89	4,503
Other	180	1,161
Care facilities	57	3,003
Advertising	36	80
Undertaking	21	3,026
Total all subjects	**5,313**	**118,564**

Rate levied 2018-2019: Rateable value greater than £51,000 – 50.60p, less than or equal to £51,000 – 48.00p

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 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 details of each entity are detailed in the notes to the Group Accounts on pages 90 to 91. The subsidiary, associate and joint venture entities share a common accounting period ending 31 March 2019.

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 operated by an independent board whose function is to deliver the Council's regeneration strategy for Ayr Town Centre. The board consists of nine members in total; four Council members and five private sector members. Currently the Council members are the Chief Executive and three councillors.

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.

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 subsidiary and associate entities in the group Balance Sheet increases both the reserves and net assets by £33.892m, representing the Council's share of the net assets or liabilities of the entities. 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 21 to 25.

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 26 to 75. The following notes provide additional information in relation to other combining entities.

Note 1: Accounting policies

The Group financial statements are prepared in accordance with the policies set out in the Significant Accounting Policies, Note 1 Section 6 to these accounts on pages 63 to 74.

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 21 to 26, 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. All required disclosures are detailed on pages 92 to 93 of these Accounts.

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 2018-2019, South Ayrshire Council contributed £1.727m or 4.82% of the Board's estimated running costs. Its share of the year-end net asset of £15.971m (2017-2018 £15.849m) 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 2018-2019, South Ayrshire Council contributed £0.259m or 6.21% of the Board's estimated running costs. Its share of the year-end net asset of £0.078m (2017-2018 £0.097m) 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 2018-2019, South Ayrshire Council contributed £0.697m or 33.33% of the Board's estimated running costs and a £0.024m capital grant. Its share of the year-end net asset of £0.143m (2017-2018 £0.571m) 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 organisation's running costs were met by South Ayrshire Council by way of an annual revenue contribution. South Ayrshire Council contributed £0.255m for running costs and £0.250m as a capital grant during 2018-2019. Following a Council re-structure a company winding-up process commenced during 2018-2019.

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 delegated resources of £76.760m or 34.1% of the Boards income in 2018-2019.

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 2018-2019

	Common Good fund	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	17,067	20,633	132	382	705	-
Share of liabilities	(62)	(4,662)	(54)	(239)	(10)	-
Share of revenues	(736)	(123)	(254)	(771)	(255)	76,760
Share of (surplus)/deficit	(12)	(592)	18	176	-	-

Share of Subsidiary and Associate - Assets and Liabilities 2017-2018

	Common Good fund	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	16,610	18,700	153	613	4,553	-
Share of liabilities	(64)	(2,851)	(56)	(42)	(223)	-
Share of revenues	(665)	(6,798)	(259)	(748)	(224)	73,359
Share of (surplus)/deficit	(9)	(4,402)	8	107	-	(484)

Note 4: Contingent liabilities

At 31 March 2019 the Council had no share of contingent liabilities in any of its associate entities.

Section 12: Common Good Fund

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) Movement in Common Good Reserves Statement for the year ended 31 March 2019

2018-2019	Revenue reserve	Capital receipts reserve	**Total usable reserve**	Revaluation reserve	**Total unusable reserve**	**Total reserves**
	£000	£000	**£000**	£000	**£000**	**£000**
Balance at 31 March 2018	366	920	**1,286**	15,260	**15,260**	**16,546**
Movement in reserves during 2018-2019						
Surplus or (deficit) on the provision of services	12	-	**12**	-	**-**	**12**
Other comprehensive income and expenditure	-	10	**10**	437	**437**	**447**
Increase/(decrease) in 2018-2019	12	10	**22**	437	**437**	**459**
Balance at 31 March 2019	378	930	**1,308**	15,697	**15,697**	**17,005**

2017-2018	Revenue reserve	Capital receipts reserve	**Total usable reserve**	Revaluation reserve	**Total Unusable reserve**	**Total reserves**
	£000	£000	**£000**	£000	**£000**	**£000**
Balance at 31 March 2017	357	1,071	**1,428**	15,128	**15,128**	**16,556**
Movement in reserves during 2017-2018						
Surplus or (deficit) on the provision of services	9	-	**9**	-	**-**	**9**
Other comprehensive income and expenditure	-	(151)	**(151)**	132	**132**	**(19)**
Increase/(decrease) in 2017-2018	9	(151)	**(142)**	132	**132**	**(10)**
Balance at 31 March 2018	366	920	**1,286**	15,260	**15,260**	**16,546**

II) Common Good Income and Expenditure Account for the year ended 31 March 2019

2017-2018		**Ayr**	**Troon**	**Prestwick**	**Maybole**	**Girvan**	**2018-2019**
£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	Expenditure						
619	Property costs	583	-	33	-	51	**667**
1	Donations and contributions	-	-	1	-	-	**1**
36	Other expenditure	57	-	-	-	-	**57**
656		**640**	**-**	**34**	**-**	**51**	**725**
	Income						
658	Rents and other income	646	-	29	-	51	**726**
7	Interest on loans	9	-	2	-	-	**11**
665		**655**	**-**	**31**	**-**	**51**	**737**
9	**Surplus/(deficit) for year**	**15**	**-**	**(3)**	**-**	**-**	**12**
357	Surplus brought forward	62	33	260	2	9	**366**
366	**Accumulated surplus**	**77**	**33**	**257**	**2**	**9**	**378**

III) Common Good Balance Sheet as at 31 March 2019

31 March 2018		31 March 2019
£000		£000
15,467	Property, Plant and Equipment	15,904
108	Long term investments	47
15,575	**Non-current assets**	**15,951**
2	Inventory	2
20	Debtors and prepayments	-
1,013	Loans fund investment	1,114
1,035	**Current assets**	**1,116**
(64)	Creditors	(31)
-	Deferred income	(31)
(64)	**Current liabilities**	**(62)**
16,546	**Net assets**	**17,005**
1,286	Usable Reserves - Revenue and Capital reserves	1,308
15,260	Unusable Reserve - Revaluation Reserve	15,697
16,546	**Net reserves**	**17,005**

Note 1: Valuation of Property, Plant and Equipment

Property valuations were carried out by RICS professional staff within the Council's Directorate of Place and are at valuation dates between 2013-2014 and 2018-2019, dependent on the category of asset.

Note 2: Movement in Property, Plant and Equipment

2018-2019 Movements	Ayr	Prestwick	Troon	Girvan	Total
	£000	£000	£000	£000	£000
Value as 1 April 2018	**14,731**	**694**	**31**	**11**	**15,467**
Revaluations and impairments	437	-	-	-	437
Value as at 31 March 2019	**15,168**	**694**	**31**	**11**	**15,904**

In accordance with the Council's accounting policies, no depreciation is charged on Common Good assets as they comprise land, investment buildings and community assets.

Note 3: Usable capital receipts reserve

This reserve represents the proceeds of disposals of Common Good assets less any capital expenditure.

Note 4: Revaluation reserve

This represents the difference between the costs of Property, Plant and Equipment and the valuations adjusted for disposals.

Section 13: Trust Funds

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 2019 was 56; 51 of which are under the control of South Ayrshire Councillors (ex-officio) and 5 which are controlled in part by external trustees. The following tables summarise the trusts which are controlled only by South Ayrshire Councillors:

2017-2018		Registered charitable trusts	Other trusts	2018-2019
£000	**Revenue accounts**	**£000**	**£000**	**£000**
882	Opening balance	505	253	758
8	Income for year	4	5	9
(132)	Expenditure during year	(103)	(8)	(111)
758	**Closing balance**	**406**	**250**	**656**
	Balance Sheet as at 31 March			
	Assets			
96	Investments	18	83	101
797	Current assets	410	285	695
893	**Total assets**	**428**	**368**	**796**
	Reserves			
758	Revenue	406	250	656
42	Available for sale financial instrument reserve	2	45	47
93	Capital reserve	20	73	93
893	**Total reserves**	**428**	**368**	**796**

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2019, split between those trusts with charitable status and those without.

Charitable Trusts

Name	Original Purpose	Loans Fund Investment	External Investment	Total
		£000	**£000**	**£000**
New SACT (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.	368	15	383
South Ayrshire Council Charitable Trust (SC025088)	Various educational purposes; prizes/bursaries; social purposes; war memorial maintenance.	38	-	38
McKechnie Trust (SC012759)	Founding and operation of a 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	4	2	6
Total charitable trusts		**410**	**17**	**427**

Non-charitable Trusts

Name	Original Purpose	Loans Fund Investment £000	External Investment £000	Total £000
John McMaster Bursary Fund	Bursaries for pupils of Girvan Academy to attend Glasgow or Edinburgh University for three to five years per conditions of scheme.	169	82	251
Sundry Mortifications	Maintenance of lairs in perpetuity.	47	-	47
Various	Non-Charitable Trusts with closing balances of less than £25,000.	69	1	70
Total non-charitable trusts		**285**	**83**	**368**
Total trusts		**695**	**100**	**795**

The table below provides a reconciliation of the movement on investments held by trusts, analysed between those trusts with charitable status and those without.

Charitable Trusts

Capital and Revenue	31 March 2018 £000 Capital	£000 Revenue	Income £000 Capital	£000 Revenue	Expenditure £000 Capital	£000 Revenue	31 March 2019 £000 Capital	£000 Revenue	£000 Total
New SACT (SC045677)	16	467	-	4	1	103	15	368	383
South Ayrshire Council Charitable Trusts (SC025088)	4	34	-	-	-	-	4	34	38
McKechnie Trust (SC012759)	3	4	-	-	- 3	-		4	7
Total charitable trusts	**23**	**505**	**-**	**4**	**1**	**103**	**22**	**406**	**428**

Non-charitable Trusts

Capital and Revenue	31 March 2018 £000 Capital	£000 Revenue	Income £000 Capital	£000 Revenue	Expenditure £000 Capital	£000 Revenue	31 March 2019 £000 Capital	£000 Revenue	£000 Total
John McMaster Bursary Fund	76	174	6	4	-	8	82	170	252
Sundry Mortifications	20	26	-	-	-	-	20	26	46
Non-charitable trusts with a closing balance of less than £25,000	16	53	- -	1		-	16	54	70
Total non-charitable	**112**	**253**	**6**	**5**	**-**	**8**	**118**	**250**	**368**
Total	**135**	**758**	**6**	**9**	**1**	**111**	**140**	**656**	**796**

Other trusts and bequests

The Council also administers the funds of a further five trusts or bequests which are controlled in part by external trustees. The value held in these funds at 31 March 2019 amounts to £0.815m. These trusts or bequests are not included in the foregoing accounts and are not covered by the external audit certificate.

Section 14: Independent Auditor's Report

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of South Ayrshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure 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, the Movement in Common Good Reserves Statement, the Common Good Income and Expenditure Account, the Common Good Balance Sheet, the Trust Funds Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and ICT has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Head of Finance and ICT and South Ayrshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance and ICT 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 Head of Finance and ICT 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 Head of Finance and ICT is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The South Ayrshire Council is responsible for overseeing the financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our 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 our 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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 our auditor’s report.

Other information in the annual accounts

The Head of Finance and ICT is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our 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 we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our 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 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

26 September 2019

Section 15: Glossary of Terms

While the terminology used in this report is intended to be self-explanatory, it may be useful 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 is able to 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 of time.

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 are 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.

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 below its 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 of time.

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 non domestic 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 as a result 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.

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Comhairle Siorrachd Àir a Deas