Fair and Effective Leadership

Commitment 1

Leadership that promotes fairness

Annual Accounts 2020-21

south-ayrshire.gov.uk

south AYRSHIRE COUNCIL
Comhairle Siorrachd Àir a Deas
Making a Difference Every Day

South Ayrshire Council 2020-21 Annual Accounts

Contents

Section 1: Management Commentary

Welcome to South Ayrshire Council's Annual Accounts for the financial year ended 31 March 2021.

The accounts provide you with important and useful information about our administration, and our financial management and performance in the financial year 2020-21.

In this section you'll find a summary of our key achievements over the last 12 months.

Thanks to the hard work and dedication of our staff, we have incorporated new and innovative ways of working, in what has been an extremely challenging year for everyone, to ensure we continue to serve South Ayrshire every day.

Despite the unprecedented challenges the last year has brought, we managed to deliver a balanced Budget for 2021-22. The COVID-19 pandemic has highlighted how important our communities are, and they remain at the heart of everything we set out to achieve.

As we emerge from COVID-19, we are committed to a green recovery. This means that many of our employees may work differently and we will look to deliver services in a sustainable and efficient way to meet the needs of the people of South Ayrshire. We will target our resources accordingly to make sure our residents can continue to access a wide range of services with ease.

You can read more about our council plan at **Our People, Our Place - Council Plan 2018-22**

Councillor Peter Henderson, Leader of South Ayrshire Council.

COVID-19

As a Council we are proud that we continued to deliver critical and other services during the pandemic. We introduced new and innovative ways of working to ensure our staff could continue to carry out their roles efficiently and effectively, and communities were well looked after. Here are just some of the things we did to achieve this:

- We increased remote ICT access from 40 to around 2,000 employees, allowing many staff to carry out their work from home during the COVID-19 pandemic.
- We delivered 52,514 food boxes to children and young people entitled to free school meals.
- We progressed the deployment of around 1,500 devices to young learners to tackle digital deprivation.
- We paid over £42.5 million in Business Support Grants to eligible businesses.
- We collected over 4 million wheeled bins and food caddies.
- We trained over 100 call handlers who provided help and advice to over 30,000 residents via our dedicated COVID-19 helpline.
- We provided care at home services to 2,066 vulnerable and elderly people.
- We distributed 3,500 activity diaries and resource cards to children and young people.
- We fought the effects of COVID-19 on consumers both locally and nationally as part of the national Environmental Health and Trading Standards COVID-19 Expert Officer Group. The Group was recognised for their efforts when they won the Chartered Trading standards Institute UK COVID-19 Hero Award in November 2020.

Highlights of 2020-21

Over and above the significant work our employees carried out to support communities during the pandemic, we also managed to realise some key ambitions of the Council Plan:

- We continued to enhance our education estate with the opening of the new Ayr Grammar Primary School. Work on the new Sacred Heart Primary School commenced in Girvan and other major projects launched, including the new education campuses at Maybole and Prestwick.

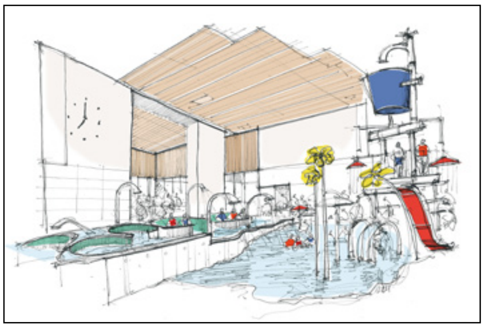
- We brought fresh hope for our local economy when we signed the Ayrshire Growth Deal in November 2020. The deal will help to put Ayrshire on the map as a great place to live, work and invest in, and our continued investment (£91.6 million until 2030) will allow us to transform the economic prospects of the area.

- We increased engagement with our non-digital audience by issuing quarterly hard copies of South Ayrshire Council Live magazine. We shared service updates, COVID-19 advice and information, and news about what's happening in the local area both online and in hard copy to help keep everyone informed.

- We progressed plans for our new leisure centre in Ayr. The state-of-the-art facility will help us to increase the profile of the town centre and entice people back to the area. This project, together with the new cinema at the Kyle Centre site, will transform the town centre, creating job opportunities and supporting the local economy.

- We underpinned our commitment to combating climate change by introducing our first ever Carbon Budget. We also increased the use of electric vehicles in our fleet to further contribute to a greener environment, making South Ayrshire a better place to live.

- We advanced proposals for a new athletics facility in Ayr which will include: an 8-lane running track with a grass infield; an indoor warm up facility; changing facilities; storage; a 3G sports pitch and associated site works including a car park. The new facility has been designed to host national events. Tenders were returned in May 2021, and the works, which will take approximately 12 months to complete, are programmed to start on site in July 2021.



- We agreed to invest £25.1 million in our roads network over the next ten years to ensure they remained the gateway to supporting commerce.

- We achieved national recognition for our travellers' site at Coalpots Road in Girvan. The site won the 'Excellence in Development for Affordable Housing Award' at the CIH Scotland Housing Awards.

- We took several huge steps forward in the transformation of Ayr town centre. We started to take down Burns House, which will open up the gateway to our main town. We agreed to invest £40 million in a new state-of-the-art leisure centre at the former Arran Mall and Hourstons site in Alloway Street, and planning work has progressed at the Riverside site at the bottom of the main thoroughfare.

- We were accredited by the Scottish Government for our provision of free, confidential and impartial welfare benefits and money and debt advice. The accreditation was secured by our Information and Advice Hub team against the Scottish National Standards for information and advice providers.

- We set out a clear vision for our Active Travel network over the next five years and beyond. We made significant progress towards creating a greener society and ensuring residents can grow well, live well and age well. Projects include: the regeneration of Ayr and Maybole high streets and more specific route projects including Dundonald to Barassie and the award-winning Loans to Troon route. We also invested in Bikeability in schools and the Ayr Active Travel Hub.

- We continued to engage and consult with our communities on the things that affect them, including the new Ayr Leisure Centre, Ayr North and Girvan Place Plans, and our Active Travel Strategy.

- We were recognised for our continued efforts to help to close the gap in South Ayrshire when Scottish Government figures confirmed that 98.4% of our young people move on to positive destinations when they leave school – making us the best in Scotland!

- We published our first 'Place Plans' for the Ayr North and Girvan areas. The plans set out the local community's priorities and actions for making both areas a better place to live, work and visit.

- We purchased the former cinema in Girvan and demolition work is underway on the deteriorating building to ensure the health and safety of the community. This will allow us to explore options for regenerating the area.

- We worked with Community Planning Partners (including the NHS, Police Scotland, and Fire and Rescue Service) to build a 'Team Around the Community' model in Wallacetown, Ayr. We listened to our communities, acted on their priorities, and ensured residents were empowered to drive forward the changes they wanted to see to help reduce poverty, and improve outcomes in their area as we recover from the pandemic.

These are just some of the achievements we have made in 2020-21. You can find out more on our **website** and you can also access a range of news and information about our services on our social media channels **Facebook**, **Twitter** and **Instagram**.

Plans for 2021 and beyond

The last year has seen many changes to the way we deliver services. It's thanks to our committed workforce that we continued to provide critical services, without issue, even at the height of the pandemic. We looked at how we do things from a different perspective and explored and put into practice different ways of working to ensure people in our communities could still access a range of services. I'd like to extend my gratitude to our dedicated employees – without their unwavering effort and determination to make a difference, none of this would have been possible.

We are now developing proposals for future ways of working, our future operating model, to establish fair, flexible and supportive working arrangements for our staff, while continuing to deliver the best possible service to our residents.

Our sights are still firmly set on delivering on the commitments of our Council Plan 2018-22, with our budget strategically aligned to realise these promises to the people of South Ayrshire.

Your feedback on our future spending is invaluable and helps us to determine our financial priorities. Our 2021-22 Budget Consultation exercise once again gave residents the opportunity to highlight areas of importance to them, allowing us to target our resources accordingly.

We want everyone in South Ayrshire to be able to grow well, live well and age well and our investment of £79.4 million in the South Ayrshire Health and Social Care Partnership will help us to achieve this.

During this year we will invest an impressive £86.1 million in our Capital Investment Programme. This money will ensure further progress and gains across vital areas like education and the local economy.

We want our children and young people to get the best possible start in life. Our £141.3 million investment in our school estate will bring fantastic learning facilities to Maybole and Prestwick with both towns' new community education campuses. The Sacred Heart Primary School community also have a brand new school building to look forward to. The old building was demolished earlier this year and the site is ready for work to commence on the new school which will open its doors to pupils and staff in August 2022. We have also budgeted £5.5 million for school refurbishment works over the next two years.

Our investment in the new leisure centre in Ayr will help us to increase the profile of the town centre and entice people back to the area. The state-of-the-art facility will be situated in a prime location at the former Hourstons and Arran Mall site on Alloway Street in Ayr, and together with the new cinema at the Kyle Centre site, will help to support our local economy and create new job opportunities.

We know that roads maintenance is a high priority for many residents and business owners. Our investment of £25.1 million to maintain and improve our roads network, plus £3.2 million allocated to street lighting highlights our commitment in this area.

We want South Ayrshire to work. The signing of the Ayrshire Growth Deal in November 2020, and exciting new possibilities this opens up, will help us to realise the area's potential as a world-class business location.

Our strategic investment in these and other areas will, without doubt, enable us to continue to make a difference to the people and places across South Ayrshire.

About South Ayrshire

By 2043, the South Ayrshire population is projected to be 105,191 – a decrease of 6.5% compared to the population in 2018. The population of Scotland as a whole is projected to increase by 2.5%.

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 17% and our working age population by 14%.

The pensionable age population is, however, projected to increase by 17% by 2043. More dramatically, the South Ayrshire population aged 75+ is projected to increase by 65% by 2043.

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.

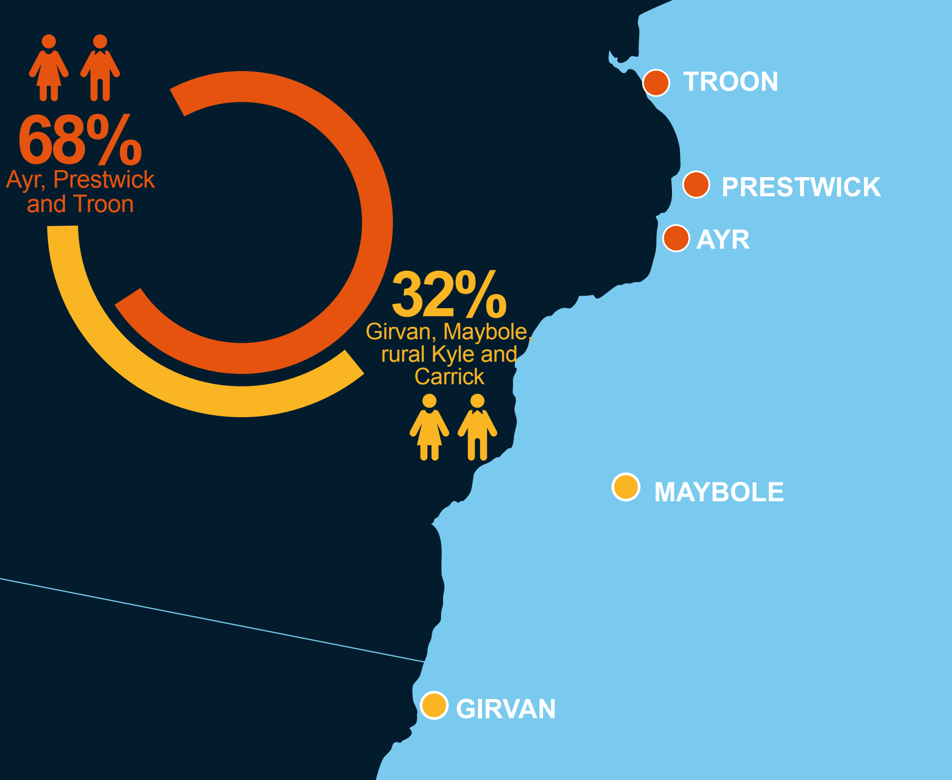
112,140 POPULATION

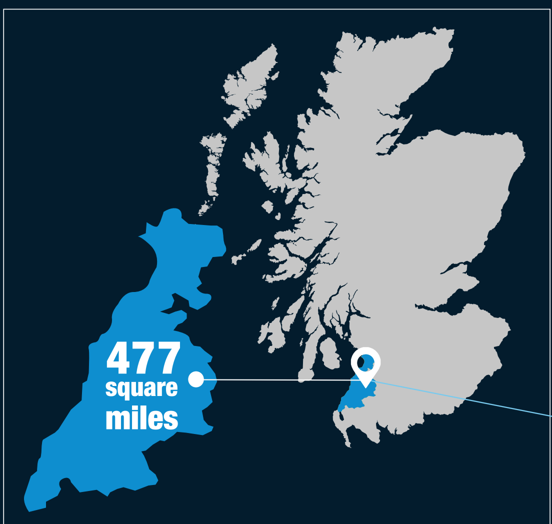
48% MALE **52%** FEMALE

25% over 65 (National average 19%)

16% under 16 (National average 17%)

(Source: National Records of Scotland, 2018 Mid-Year Population Estimates & 2018 Based Population Projections





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

About The Council

Elected Members

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

Staff

4,499 full-time equivalent (as at 31 March 2021)

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; Democratic Governance Services; Legal and Licensing Services; Insurance, Risk and Safety Management; Civil Contingencies and Business Continuity; Trading Standards and Environmental Health; Employee Services; Human Resources.

Eileen Howat, Chief Executive

People Directorate

Responsible for: Libraries, Culture and Events and Tourism, Sports and Leisure; Golf; Health and Wellbeing; 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; Customer Services; Employability and Skills; Information and Advice Hub; Organisational Development; 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; 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 (refreshed March 2020) sets out the Council's vision, 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 and linked to a number of other plans, such as the Children's Services Plan, Educational Services Recovery and Improvement Plan and the Child Poverty Action Plan, as well as strategic plans for the Health and Social Care Partnership. In addition, all of our services have Service and Recovery Plans that set out the actions each service will undertake to deliver the agreed objectives and outcomes in the Council Plan.

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

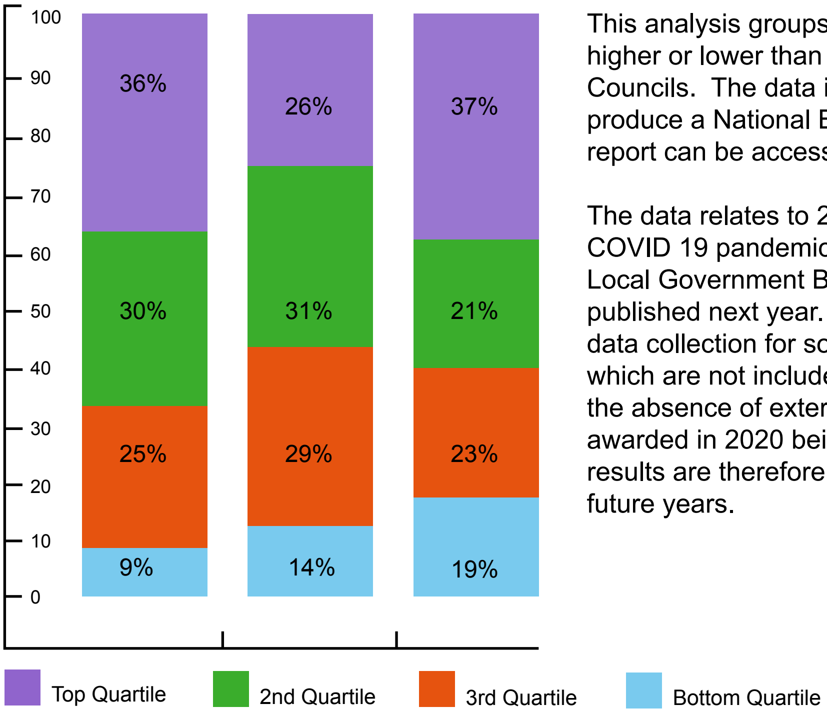
LOIP	- Closing the poverty-related outcome gap for children and young people in South Ayrshire - Supporting older pople to live in good health
Council Plan	- Effective leadership that promotes fairness - Reduce poverty and disadvantage - Health and care systems that meet people's needs - Make the most of the local economy - Increase the profile and reputation of South Ayrshire and the Council - Enhance environment through social, cultural and eonomic activities
Ambition Statements	- 21 Ambition Statements
Outcomes	- Actions that set out how outcomes will be improved
Service Plans	- Service and Recovery Plans

Progress against these plans is monitored in line with our Performance Management Framework with performance reported to managers, elected members, stakeholders and members of the public through the Council's governance arrangements.

Service Performance

South Ayrshire's Performance against other Councils 2019-20

The percentage of indicators where the council's performance is in the top quartile has increased from 36% in 2017-18 to 37% in 2019-20.



This analysis groups services as to whether they performed higher or lower than the average performance of all 32 Scottish Councils. The data is gathered by the Improvement Services who produce a National Benchmarking Overview report, the 2019-20 report can be accessed **here**

The data relates to 2019-20 therefore the impact of the COVID 19 pandemic will not feed through until the 2020-21 Local Government Benchmarking Framework (LGBF) data is published next year. However, the pandemic has impacted on data collection for some measures, most notably in education which are not included in that graph opposite. For 2019-20 data, the absence of external assessment information led to grades awarded in 2020 being based on teacher estimates. These results are therefore not directly comparable with previous and future years.

The services performing better compared to other local authorities and in the top quartile include the proportion of pupils entering positive destinations, the percentage of adults satisfied with parks and open spaces, the gross rent arrears (all tenants) as a percentage of rent due, the percentage of total household waste arising that is recycled, sickness absence of teachers, the percentage of dwellings that are energy efficient and the percentage of unemployed people assisted into work from council operated / funded employability programmes.

Those services where our performance is poorest compared to others include the number of days people spend in hospital when they are ready to be discharged (75+), the proportion of care services graded good or better in Care Inspectorate inspections, the town vacancy rates for commercial premises, the cost per attendance at sports facilities and the street cleanliness scores.

Performance reports are scrutinised by the Service and Performance Panel, which has the ability to raise any areas of concern with Leadership Panel for further investigation. 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 in order to consider service specific improvements.

Progress against the **Council Plan** is reported quarterly, in addition the Council publishes an annual performance report in December each year. The 2019-20 report can be found **here**. Other strategic planning documents also link closely to the national framework including the Local Outcome Improvement Plan (LOIP) reporting to the Community Planning Partnership.

The National Performance Framework sets out the Scottish Government's aim to create a more successful country, give opportunities for all people living in Scotland, increase the wellbeing of people living in Scotland, create sustainable and inclusive growth and reduces inequalities and give equal importance to economic, environmental and social progress. Priorities and outcomes in the South Ayrshire Plan and Community Planning Partnership LOIP align to the National Performance Framework Outcomes.

Financial Statements

Introduction

The financial statements for 2020-21 and associated notes are set out on pages 29 to 67 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.

Covid-19

In the early part of 2020 a coronavirus outbreak (Covid-19) activated across the globe. This resulted in the United Kingdom and Scottish Governments imposing restrictions through guidance and law on the movement of people which came into full effect on 23 March 2020. Every aspect of society has been affected by the exceptional circumstances of the Covid-19 pandemic throughout 2020-21. From the spring of 2021, with the initial roll-out of the vaccination programme, there is a planned lessening of restrictions into Summer 2021, but the continued global uncertainty continues.

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 and with the added impact of Covid-19, the situation will be significantly worsened. The Council's current Financial Strategy covers the period 2020-2030 and, using a scenario-based planning approach, indicates a potential budget gap of between £61.7 million and £67.6 million over the remaining eight years of the ten-year period of the plan. Taking this longer-term approach enables the Council to give early consideration to forecasting 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.

The Coronavirus (COVID-19) pandemic has had and is still having a significant impact in countries across the world. The impact on daily life for everyone is unprecedented in recent times and the public sector is at the forefront of efforts to respond to and mitigate against the challenges of this pandemic. Since the lockdown was initiated, a number of negative economic impacts have emerged in Scotland, which are likely to result in a deep recession. This will inevitably have a significant impact on the finances of the Council going forward, both in the short to medium and longer term. We are currently assessing the financial impact of the Covid-19 pandemic, together with the additional resources allocated by the Scottish Government. This will be used to inform future Medium Term Financial Plans which are expected to be presented to Leadership Panel in October 2021.

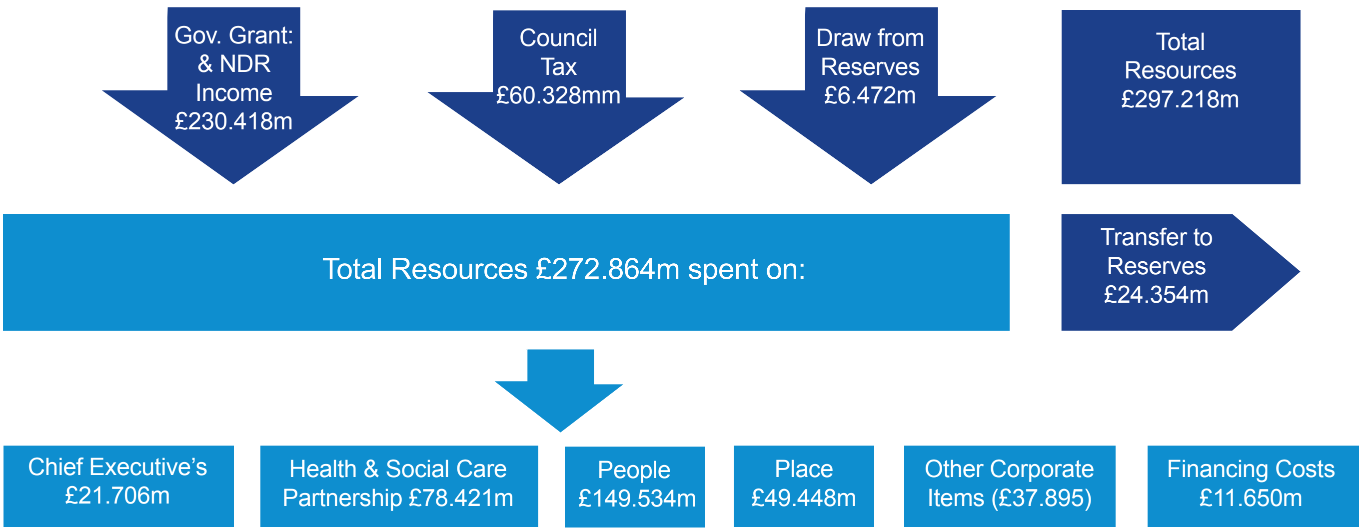
Financial Performance

Financial Performance Monitoring

Financial information is a key element of the Council's performance management framework with regular reporting to the Council's 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 29 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 34 provides the link between the budget management reports and the CIES.

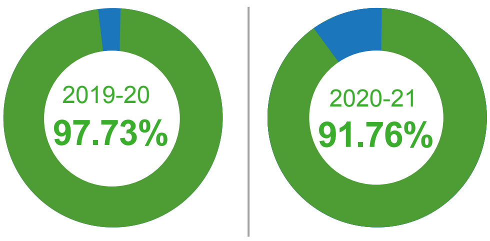
General Fund Revenue

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 2020-21.



The Councils contribution to the Health and Social Care Partnership (HSCP) included an additional £3.277 million in 2018-19 which was drawn down from reserves to offset an in year overspend. A repayment of £0.291 million was made in 2019-20 followed by a further repayment of £1.092 million in 2020-21, leaving a remaining balance of £1.894 million to be repaid over the next two years. Further details on service out-turns can be found in the Budget Management report submitted to Leadership Panel of 15th June 2021 and can be found at: **Committee Agendas, Papers and Minutes**

Actual net service expenditure as a percentage of budget



The actual % spend against budget is lower than in previous years due to additional Covid-19 funding provided by the Scottish Government. A proportion of which is being carried forward as part of committed Covid-19 reserves for use in 2021-22

Covid-19 - Impact on General Fund Revenue

The initial indications at the start of 2020-21 were that the pandemic presented a significant risk to the finances of the Council which could result in reductions to services. This risk lessened considerably as the Scottish Government reacted to the unprecedented events by providing support to local businesses and local communities across Scotland through substantial financial support packages to, and administered by, Councils.

South Ayrshire administered, on an agency basis, over £42.5 million of business support grants to local businesses during 2020-21, received £13.9 million of grants for specific Covid-19 support programme activity such as Food Fund, Free School Meals and Education recovery activity. The council also received £14.5 million of un-ringfenced funds via general revenue grant increases to compensate for Covid-19 cost impacts and loss of income encountered in Council service provision during the pandemic.

The financial impact on revenue budgets has been carefully monitored throughout the year with regular reports being presented to the Leadership Panel detailing the ongoing impact on Council finances. It is also now recognised that there will be additional costs incurred in supporting the recovery and renewal process as we transition gradually out of the crisis during 2021-22.

The detailed impact on Council expenditure and income can be found in the 2020-21 Budget Management Out-turn report considered at the Leadership Panel of 15 June 2021. this can be accessed at
Committee Agendas, Papers and Minutes

Accumulated General Fund Reserves

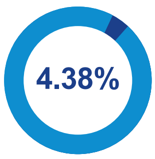
The Council holds General Fund balances to meet contingencies and for specific initiatives. Within the General Fund, certain balances are earmarked to be held for specific purposes-for example, efficiency and improvements or for workforce change purposes. The Council brought forward accumulated reserves of £18.399 million from 2019-20 and the movement during the year on this balance, agreed as part of the original 2020-21 budget and through decisions taken during the year, was as follows:

Opening balance		£18.399m
Drawn from reserves during the year £6.472m for:	2020-21 earmarked spend	(£3.844m)
	Planned in year revenue expenditure	(£1.056m)
	Capital expenditure contributions	(£1.572m)
HSCP partial repayment		£1.092m
2020-21 surplus		£24.354m
Closing balance carried forward		£37.373m

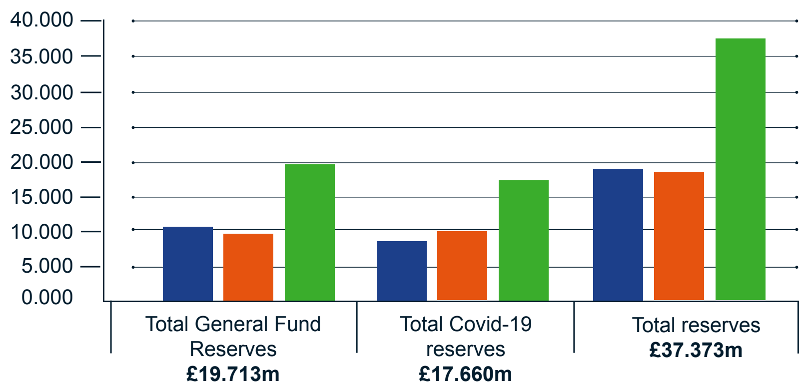
The chart below shows a breakdown of the £37.373 million accumulated reserves held at the end of 2020-21 between committed and uncommitted funds broken down in to General Fund, Health and Social Care and Covid-19 funds.

2020-2021

Key:
- Committed funds
- Uncommitted funds
- Total accumulated reserves



Uncommitted funds as a percentage of annual budgeted expenditure



Further detail on the uncommitted balances held can be found in the 2020-21 General Service Budget Management Out-turn report which can be found at: **Committee Agendas, Papers and Minutes**

For the first time in 2020-21 the South Ayrshire HSCP is holding it's own reserves of £9.270 million, encompassing £3.838 million of Scottish Government Covid-19 funding received in advance of spend plus £2.304 million of general earmarking of funds for use in future years and £3.128 million of a general unallocated reserve. The reserves held by the partnership are not included with the Council's £37.373 million shown above.

The Council keeps its level of balances under review and, as per the approved Council Financial Strategy, aims to maintain an uncommitted balance of generally between 2% and 4%, but as a minimum at least 2% of annual running costs. Any balance in excess of this provides additional flexibility until used or earmarked by the Council. In light of Covid-19 the Council plans to re-assess its level of reserves as part of its new Long Term Financial Strategy due to be presented to the Council during 2021-22.

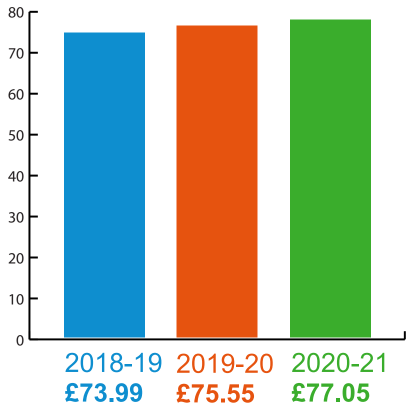
Housing Revenue Account

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

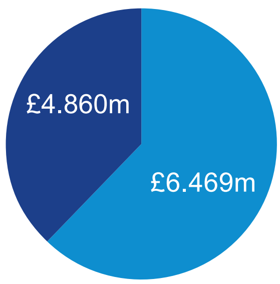
Average weekly rent (£)

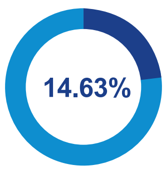


The Council continues to make ongoing capital investment in its' housing stock to improve and maintain properties in line with the Scottish Housing Quality Standard and the Energy Efficiency Standards for Social Housing. Levels of investment are informed through assumptions contained in the Housing Revenue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

2019-20

Earmarked funds
Uncommitted funds



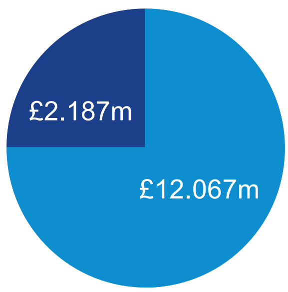


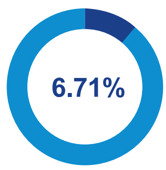
Uncommitted funds as a percentage of annual budgeted expenditure

Total £11.329m

2020-21

Earmarked funds
Uncommitted funds





Uncommitted funds as a percentage of annual budgeted expenditure

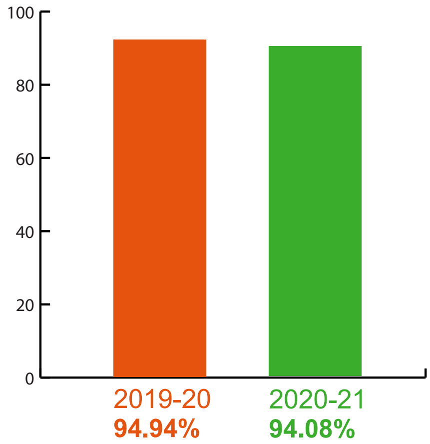
Total £14.254m

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.

Further detail on the uncommitted balances held can be found in the 2020-21 HRA Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes]

Council Tax Collections

In-year Collection Rate (%)



An in-year collection rate of **94.08%** was achieved in 2020-21

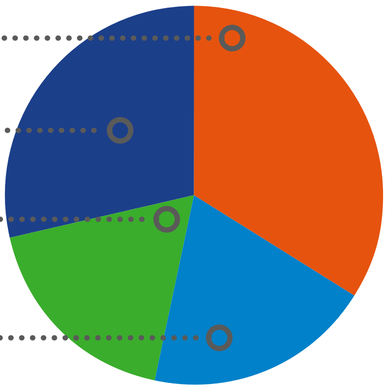
£60.328m

Actual Council Tax collected during 2019-2020. This equated to **20%** 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 2020-21 and spent in total £51.276 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



£17.503m
Housing

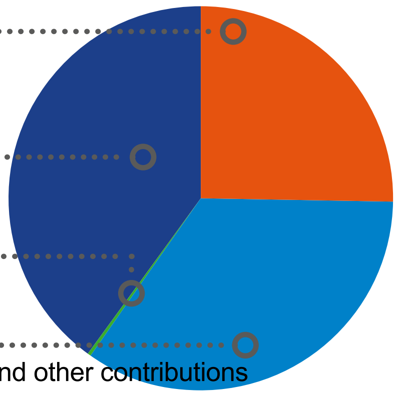
£14.551m
Children & Families

£9.885m
Other - Buildings, ICT etc.

£9.337m
Communities

Total: £51.276m

Income



£12.998m
Capital funded from current revenue

£17.733m
Borrowing

£0.149m
Capital Receipts

£20.396m
Government grant and other contributions

Total: £51.276m

Impact of Covid-19 on Capital investment

Delivery of the Capital Investment programme in 2020-21 has been severely impacted by Covid-19 pandemic due initially to the shut-down of the construction industry for approximately 12 weeks at the end of March 2020. In October 2020 the Leadership Panel agreed various revisions to the ten year capital investment plan to recognise the impact on cost and delivery timescales. Due to the ongoing impact of Covid-19, progress on projects continues to be affected. There is a requirement to limit the number of operatives on site at any one time and comply with current social distancing requirements, leading to the loss of production time.

The construction market remains more volatile than usual, which is impacting in a number of ways including requests for longer tender periods and alternative specification proposals as contractors continue to have difficultly sourcing materials. The impact on material costs is starting to become more tangible with contractors reporting price increases.

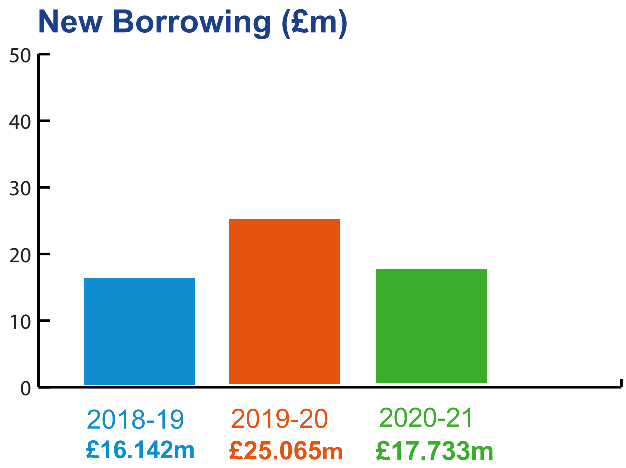
The major risk to the future programme is the ongoing uncertainty caused by the Covid-19 pandemic, together with Brexit. There are significant supply problems with a range of construction materials including electrical components, timber, steel and cement. There are unprecedented levels of demand that look set to continue. With global demand increasing and the UK importing many of its raw materials, lead times for orders are lengthening while prices are increasing.

The Annual Treasury Management and Investment Strategy applicable for the 2020-21 financial year was approved by Council on 5 March 2020. The information contained in the Strategy provides the detailed information, and narrative on the authority's capital investment plans, treasury management (borrowing and investments), prudential indicators and the loans fund liabilities. Where that capital investment is financed from borrowing this is required to be prudent, affordable and sustainable. The 2020-21 Strategy can be found at [Committee Agendas, Papers and Minutes]

The 2020-21 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 22 June 2021 and remitted to Leadership Panel for approval.

New 2020-21 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 32 summarises the Council's assets and liabilities at 31 March 2021. Total assets have increased from £828.819 million at 31 March 2020 to £855.410 million. This is primarily due to an increase in short-term temporary investments held at the end of the year brought about by receiving additional Scottish Government cash grants in the last few weeks of the financial year and a decrease in the value of property, plant and equipment held by the Council following the latest revaluation of assets. Total liabilities have increased from £486.695 million to £526.528 million. This is primarily due to a significant increase in the pension fund liability following the latest valuation.

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 2020-21 having taken place on 31 March 2020. The Council's Balance Sheet shows a pension liability of £117.523 million at 31 March 2021 compared with £94.090 million at 31 March 2020. The movement 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.

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 £44.417 million (£39.067 million in 2019-20), representing the Council's share of the net assets in these entities.

Common Good and Trust Funds

The Council administers a Common Good Fund which comprises five distinct sub-funds, Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves. Details of income and expenditure accounts and balance sheets can be found on page 98 of these accounts.

The Council also administers several Trust Funds, some of which are registered charities. Details of income and expenditure accounts and balance sheets can be found on page 99 of these accounts.

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

Outlook and Key Risks

Outlook

As part of its initial response to the Covid-19 outbreak the Council took steps to prioritise key public services and support business critical activities. As we now move out of lockdown in to recovery, the Council has established a programme of recovery activity approved at Leadership Panel in June 2021, aimed at supporting both economic and community recovery in South Ayrshire.

Work will also focus on the council's resources and how our workforce, infrastructure, technology and processes need to adapt to meet the needs of a post Covid-19 world. We are now developing proposals for future ways of working, our future operating model, to establish fair, flexible and supportive working arrangements for our staff while continuing to deliver the best possible service to our residents. For some employees this might mean a continued element of working from home, which will help reduce the number of buildings we need, reduce costs and help achieve a green recovery.

Six workstreams have been established to help achieve this aim:

- Workforce Analysis - develop options to determine workstyles by job role i.e. which roles will be homeworkers; hybrid; agile; office based; or frontline workers;
- Workforce - Health, Safety and Wellbeing - determine workforce support including any changes to policies and procedures; health safety and risk requirements and support for employee health (including mental health) and wellbeing to ensure success of future workstyles;
- Support for Homeworking - digital equipment or other support we'll provide to employees to support future workstyles;
- Support for Homeworking - Employee and Manager Guidance - how we'll make sure managers and employees feel engaged, supported and developed to make new ways of working a success;
- Workplace - Office Accommodation - what our future office accommodation needs will be; and
- Face to Face Delivery/ Public Consultation - Consider where and how we will deliver face to face services to the public, taking into account changing customer trends, digitalisation and staff and customer feedback.

We are working with Trade Unions, managers and employees to develop proposals for each workstream. Proposals will go through formal consultation with Trades Unions and public consultation as appropriate, before being considered by Elected Members for approval.

The Council will continue to face significant financial challenges to anticipated funding gaps between funding from central government income and local taxation, and increasing demand for council services and other cost pressures. The Council will be preparing its financial forecasts for the medium and long term and undergoing the normal budget process to consider the appropriate action to take to address any projected financial shortfalls.

In late March 2020 the Council approved a high-level strategic change programme 'The South Ayrshire Way Strategic Change Programme – Preparing for the Future'. This led to a further report being presented to Leadership Panel in December 2020 which set out a range of projects and activities which, collectively, will form the Councils initial change programme for 2020 to 2030. This programme will evolve over time and, with each reporting stage to Leadership Panel will be further refined, benefits realisation trackers completed, and new projects and workstreams identified. This will all be monitored through the Strategic Change Executive.

2021-22 sees the introduction of South Ayrshire Council's first carbon budget. This comes in the context of a nationally declared Climate and Ecological Emergency and as we prepare for COP26 due to be hosted in Glasgow later this year. The clear need for action has never been greater or more compelling.

In October 2020 South Ayrshire Council adopted stretching targets for reduction of the organisation's greenhouse gas emissions, with the aim of delivering against the Council's public sector climate change duties as well as its moral and ethical obligations in this area. At the same time the Council also committed to make a green recovery from Covid-19. This commitment intends to ensure that the disruption brought by the pandemic is harnessed as an opportunity for positive change while leaving the negative behaviours, habits and impacts of both the pre Covid-19 era and the pandemic in the past. By moving forward in ways which build and develop on the positives we will be best placed to deliver a resilient and low carbon future with a focus on wellbeing and future generations. The carbon budget is a key mechanism to deliver against these commitments while ensuring individual service needs and delivery is at the heart of how this is achieved.

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 eleven strategic risks broken down across three risk themes; Governance, Protection and Resources.

The Strategic Risk Register was updated during 2020-21 to ensure that the risks surrounding the Covid-19 pandemic were recognised and mitigating actions identified.

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

Risk theme	Governance	Protection	Resources
Risk title	External change	Child and Adult Protection	ICT - Digital Resilience, Protection and Capability
Potential risk	External factors out with the Council's control such as Covid-19 or Brexit may adversely impact on ability to fulfill objectives and deliver critical services	Council and HSCP fail to provide adequate protection of children and adults There are increased levels of hidden harm in our community as a result of lockdown and reduced community presence of services.	Major or widespread ICT failure will adversely affect delivery of Council services. ICT failure risks include non-compliance, failure of business systems, cyber-attack, and failure of ICT equipment.
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	Inability to provide key services and recover quickly. Reputational damage, financial loss, litigation.
Mitigations	- Horizon scanning. - Watching brief on national environment. - Risk and Safety team supports Ayrshire Local Resilience Partnership (ALRP) - Chief Executive attends Strategic ALRP - Interaction between Health / Councils and partners has increased in response to COVID-19 and allows for increasingly efficient collaboration partnership working that can be used in all emergency planning.	- There are monthly Chief Officer Group (COG) meetings to monitor the impact of Covid on public protection matters. - monthly Public Protection sub groups (Child Protection; Adult Protection; Violence Against Women/ Criminal Justice and Alcohol and Drugs Partnership) - Established governance in place via Clinical and Care Governance	- Resilient infrastructure in place with dual data centres, duplicated network communication paths, internet links, and server hardware - External contracts established with service providers for technical support and expertise across critical technologies. - Disaster Recovery Plan (DRP) in place for critical systems. - Bespoke ICT Risk Register in place, which is subject to review as part of standard operating practice. - Integrity Group meets regularly to consider cyber security issues and develop further mitigations as required. - Compliance standards established as part of technology and process governance framework.

A full copy of the Strategic Risk Register presented the Audit and Governance Panel in June 2021 can be found at: **Committee Agendas, Papers and Minutes**

Conclusion and Acknowledgement

The Council's favourable financial position at 31 March 2021 reflects the collective efforts of elected members, service managers, directorate management teams and their staff, and Corporate Finance staff in maintaining sound financial management processes during an extremely challenging year. This favourable position shows another strong performance over the year and demonstrates longer term stability in service delivery going forward. The continuing impact of the COVID-19 pandemic and subsequent recovery process continues to provide significant uncertainty for the Council, however through our Council governance arrangement for responding to the emergency, and resilience plans we aim to manage and mitigate risks in a robust way to protect the sustainability of Council finances.

We would like to acknowledge the significant effort of all the staff across the Council, especially during this unprecedented lockdown period 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 2021.

DocuSigned by:
Eileen Howat
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Eileen Howat
Chief Executive

DocuSigned by:
Peter Henderson
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Councillor Peter Henderson
Leader of South Ayrshire Council

DocuSigned by:
Tim Baulk
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Tim Baulk BA Acc CPFA
Head of Finance & ICT

29th September 2021

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). For 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.

I confirm that these Annual Accounts were approved for signature by the Audit and Governance Panel at its meeting on 29 September 2021.

DocuSigned by:

Peter Henderson

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Councillor Peter Henderson
Leader of the Council

29 September 2021

The Head of Finance and ICT's responsibilities

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

In preparing these Annual Accounts, the 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 2021.

DocuSigned by:

Tim Baulk

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Tim Baulk BA Acc CPFA
Head of Finance and ICT

29 September 2021

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. It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. 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 2016".* 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.

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

The governance framework has been in place at South Ayrshire Council for the year ended 31 March 2021 and up to the date of approval of this statement of accounts.

The Governance Framework

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

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

Internal Financial Control

The Council's system of internal controls is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.

In particular the system includes:

- comprehensive budgeting systems;
- setting targets to measure financial and other performance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets;
- clearly defined capital expenditure guidelines; and
- formal project management disciplines, as appropriate.

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

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

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

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

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

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and 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. The annual assurance statement from the Chief Internal Auditor for the 2020-2021 financial year states "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 2020-2021".

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 common definitions in internal audit engagement opinions, as set out by CIPFA in their guidance of April 2020. Definitions are broadly in line with those already used. This aids the reader of the report in understanding control weaknesses. 'Substantial assurance' is where a sound system of control exists and is operating effectively; 'Reasonable assurance' is where controls are generally in place but some issues are identified. 'Limited assurance' is where significant gaps are identified, and improvements are required to achieve the objectives in that area. 'No assurance' is where immediate action is required to address fundamental gaps or weaknesses in the system. Of the twenty-two reviews carried out by Internal Audit during 2020-2021, eight resulted in a 'substantial assurance' opinion, thirteen resulted in a 'reasonable assurance' opinion and one resulted in a 'limited assurance' opinion. 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 Panel in June 2021, ahead of formal consideration of the Council's unaudited Annual Accounts also in June 2021 as agreed with the Council's external auditor.

2020-21 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 seventeen aspects are assessed as 'Effective' and four are effective but have scope for improvement.

Review of 2020-21 Planned Improvement Actions

The following improvement actions were identified in the 2019-20 Annual Governance Statement and progress is shown against each action in the table below. These Actions have rolled over to the 2021-22 Improvement Action Programme:

Core Principle	2020-21 Improvement Action	Progress
Ensuring openness	Enhanced tools to capture client satisfaction data to be added to the Council's Internet Site	Feedback options are now being included when any new service or updated content is added to the public website. Priority is being given to content or services that support recovery and renewal post Covid-19. In addition to this, work is now at an advanced stage on a new set of feedback and complaints forms and their associated back office processes. These will eventually allow the Council to retire Lagan and provide a more consistent user experience for customers using our website (not fully implemented).
	Development of a new communications strategy	Strategy developed and approved by Leadership Panel on 15 September 2020 (implemented).
	Review of governance arrangements for the Integrated Joint Board (IJB) and Ayrshire Roads Alliance (ARA)	The Head of Legal, HR and Regulatory Services (LHRRS) produced a paper which explained the Council's governance process and shared this with the Health Board and IJB members. It was agreed. A new governance manager was appointed for the IJB. The new governance manager and the Head of LHRRS completed two Briefings to Members and finalised a report to Council which confirmed these governance arrangements. The new governance manager is in the process of completing guidance for those individuals sitting on the IJB Board for the IJB governance processes. Discussions between the Council and East Ayrshire Council (EAC) regarding aspects of the governance arrangements for ARA were delayed as a result of Covid-19 and other priorities that were required over this period as EAC not available to discuss. Steps are now being taken to meet with the Head of Legal for EAC to discuss the specifics of the assets that are managed by EAC and the governance processes that apply (not fully implemented).
	Development of a procedure to highlight the difference engagement has made	Staff development sessions were delivered in partnership with the Consultation Institute between November 2020 and January 2021. Four sessions were delivered including a session reflecting the impact on Covid-19 of community engagement and consultation. 38 members of staff from across services attended the development sessions, and a further elected member briefing was delivered in March 2021. Work is currently underway in exploring use of the Consul as one way of consulting more widely with communities (not fully implemented).

	Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	Fairer Scotland Duty questions have been implemented into Equalities Impact Assessments going forward. A briefing paper on Equality Impact Assessments was presented at CLT in March 2021, to raise further awareness to Service Leads of the importance of conducting EQIAs (not fully implemented).
Defining outcomes	Business cases to be developed to include details as to how Ayrshire Growth deal projects will address Inclusive Growth	The Ayrshire Growth Deal documentation was signed by UK, Scottish Government and Local Authorities on 19 November 2020 during a virtual event. Further feedback has been received by policy leads and will be incorporated in next OBC iteration, due July/August 2021 (not fully implemented).
	Complete Revised Asset Management Plan	The revised Asset Management Plan was approved at Leadership Panel in March 2021 (implemented).
Determining the actions	Complete a detailed programme of activities to provide a more rigorous approach to delivering change to be presented to Panel by December 2020 (Link to E and F)	The South Ayrshire Way Strategic Change Programme – Preparing for the Future Report was approved by Leadership Panel on 09 December 2020. The Panel approved the initial outline strategic change programme for 2020-2030 and agreed a 6-monthly reporting schedule to ensure the appropriate level of governance for the programme. (implemented)
Managing risk and performance	The conclusion and outcomes from the review of the financial and associated operating systems will directly inform subsequent workstreams to improve the flow of financial management information to budget holders	The review was reported to Leadership Panel in October 2020. The process has moved onto the next stage with work ongoing with SOCITM to identify and implement a new system (implemented).

Other 2020-2021 Governance Developments

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

The Council Plan was refreshed in 2020 and the linked Performance Management Framework was updated. Pentana is used to monitor performance with reports provided to senior managers and Elected Members. Council Plan reports are submitted to the Service and Performance Panel quarterly and performance data is reported annually. The Council now publishes an Annual Performance Report in December each year.

All services have Service and Recovery Plans in place. These plans are also updated quarterly and available to members of the Corporate Leadership Team for scrutiny.

The Council's political decision-making structures continue to be refined. The Council's management structure has been further reviewed resulting in the amendment of some Chief Officer remits and responsibilities to better support delivery of the Council's strategic objectives. All Chief Officer positions are now filled. Chief Officers continue to work in conjunction with service leads to refine responsibilities to focus on service delivery and enhancements, as well as achieving balanced budgets.

A report agreeing a detailed programme of activities to provide a more rigorous approach to delivering change was approved in December 2020. This incorporated a 6-monthly reporting schedule to ensure the approval level of governance is in place for the change programme.

Work is ongoing across all service areas to develop the Council's purpose, vision and values and to highlight employees' contribution to the Council's wider ambitions. The Council's Performance and Development Review system was updated to reflect the purpose, vision and values. This was launched via Service Lead sessions and employee communications, including short videos. and was also aligned with the Council's recruitment process.

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

1,344 employees took part in the Council's Covid-19 Survey, telling us about their experience of working in different ways during the Pandemic. We took the survey feedback into account to help inform how the Council will work going forward – our 'Future Operating Model'. Six workstreams were established to take this significant workforce planning exercise forward.

The workforce and succession planning toolkit released to Service Leads in 2019 received positive feedback from the Improvement Service who are considering a 'National' toolkit and exploring how workforce planning can be further embedded into mainstream management.

The Health and Social Care Partnership Six Locality Planning Partnerships have continued to meet virtually during the Covid-19 lockdown with the exception of the first few months. They have been involved in informing the development of the new Health and Social Care Partnership Strategic Plan, considering new Locality profiling, linking to mobilisation information sharing and Primary Care developments and overseeing the distribution of local grants to support local priorities and Covid-19 related work.

During 2020-21, £35,000 was allocated to the Small Grants fund by the Health and Social Care Partnership to facilitate these awards, the surplus after awards amounted to £6,365 which all Locality Planning Partnerships agreed to award to VASA to help support their digital connectedness initiatives allowing those without access to online facilities to utilise digital services and to help those most socially isolated to connect to the outside world.

Covid-19 had a significant impact on the delivery of the Small Grants Scheme as 'in situ' participatory budgeting events were not permitted. To address this, applications were accepted online and the screening and selection of applications was conducted by Locality Planning representatives using ZOOM, allowing all thoughts on applications to be considered. 62 community groups benefited from decisions made and £29,635 of small grants were made. Applicants were informed by email if they had been successful and funds were rapidly transferred to the successful groups allowing them to utilise their awards to respond to the needs of their communities during Covid-19 restrictions. An annual report on the Local Outcomes Involvement Plan (LOIP) was presented to the Community Planning Board in October 2020 and work continues on the delivery of outcomes for the strategic themes.

The Council has clear arrangements in place to support good governance and accountability. All performance reports, including the Council's Performance Management Framework and Annual Performance Report, are available on the Council's Public Performance Reporting area of the website. We have improved how we publicly report on the Council's performance as part of our statutory duty to make performance information available to citizens and communities and involve them more in improving services.

The Council's performance management framework ensures regular monitoring of progress against local and national objectives; trends over time; performance against appropriate benchmarks, authorities and comparative data. The Service and Performance Panel plays a key role in scrutiny by elected members.

In February 2021, the Council agreed further actions which set out the different roles and responsibilities performed by the Integrated Joint Board (IJB) and the Council in the delivery of Health and Social Care Services. This detailed the process for consultation and scrutiny followed by the Council. It also satisfied the requirements of the Ministerial Strategic Group (MSG) Action Plan by reviewing and illustrating 4 further steps the IJB were taking to finalise the matters raised on its governance processes in the MSG Action Plan.

During 2020-21, the Council's Delivering Good Governance Framework continued to be refined, working in conjunction with Chief Officers and service leads, reporting the outcome to Elected Members. The supporting improvement actions from this year's assessment form part of a rolling programme to address any recognised areas for development and emerging priorities.

Covid-19

In line with Scottish Government Guidance, all Panel and Council meetings have taken place remotely due to Covid-19. Legislation temporarily revoked the right of the public to attend meetings on public health grounds during the pandemic. However, work is being undertaken to install an audio and visual solution for remote and hybrid Council meetings which will enable public access to these meetings.

The response to the Covid-19 pandemic was managed by the Council whereby a Corporate Leadership Team Strategic Response 'Gold' Group, chaired by the Chief Executive, was set up to facilitate strategic decision making. This group initially met daily, but as the recovery period progressed the 'Gold' Group has now been stood down. The 'Gold' Group was supported by an Incident Co-ordination 'Silver' Group which was chaired by the Incident Coordinator, an Assistant Director. Initially the 'Silver Group' met Monday to Friday, but as the response to the pandemic progressed the meeting schedules were reduced. The 'Silver' Group has now also been stood down. A new 'Strategic Recovery Group, chaired by the Chief Executive, has replaced both the 'Gold' and 'Silver' Groups and meets twice weekly. The Group acts as a forum for tactical operational decision making.

In addition to this, the Head of Legal, HR and Regulatory Services attends the Ayrshire Local Resilience Partnership which was activated in response to the pandemic. The multi-agency forum helps ensure a whole system approach to the response and subsequent recovery to the pandemic.

The Council continues to support the NHS and the HSCP in the delivery of the Mass Immunisation Programme and the Mass Community Testing Programmes as the response to the Covid-19 pandemic continues.

As lockdown restrictions are released, more Council services are being made available to communities and the public at large. The Council has put in place protective measures and follows Government and NHS advice in terms of the being mindful of the continuing Covid-19 pandemic risks, to allow Council business and service delivery to be maintained.

2021-22 Improvement Actions

	Core Principle	Improvement Action
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.
		Procurement and installation of an audio and visual solution for remote and hybrid Council meetings which will enable public access to those meetings.
		Review of governance arrangements for the Ayrshire Roads Alliance (ARA).

		Development of a procedure to highlight the difference engagement has made.
		Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process with review of effectiveness and relevance reported to Panel before 31 August 2021 (Link to A and C).
C	**Defining outcomes**	Business cases to be developed to include details as to how Ayrshire Growth Deal projects will address Inclusive Growth.
		Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy.
D	**Determining the actions**	No actions planned
E	**Developing the Council's capacity**	No actions planned
F	**Managing risks and performance**	The new financial management system will, through direct access and streamlined processes, drive further improvement in the direct involvement of budget holders in budgeting and forecasting.
G	**Deliver effective accountability**	No actions planned

Assurance

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2020-2021 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.

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Eileen Howat
Chief Executive

29 September 2021

Councillor Peter Henderson
Leader of the Council

29 September 2021

Section 4: Core Financial Statements

I) Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

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

2019-2020					2020-2021			
Council			Group		Council			Group
Expend	Income	Net	Net (restated)		Expend	Income	Net	Net
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
57,105	(32,725)	24,380	24,401	Chief Executive's Strategic Office	49,434	(29,234)	20,200	20,200
146,114	(23,540)	122,574	122,361	People	176,014	(27,327)	148,687	148,474
58,797	(10,205)	48,592	48,342	Place	59,703	(10,312)	49,391	49,141
32,278	(32,468)	(190)	(190)	Housing Revenue Account	31,121	(32,322)	(1,201)	(1,201)
76,585	-	76,585	76,585	Social Care: Contribution to IJB	79,216	-	79,216	79,216
103,660	(104,413)	(753)	(753)	Social Care: Provision of Services	119,587	(120,382)	(795)	(795)
1,680	(229)	1,451	1,454	Miscellaneous Services	4,101	(433)	3,668	3,671
-	-	-	489	Common Good Funds	-	-	-	393
476,219	**(203,580)**	**272,639**	**272,689**	**Cost of services**	**519,176**	**(220,010)**	**299,166**	**299,099**
		487	487	(Gain)/ loss on disposal of non-current assets			57	57
				Financing and investment income and expenditure:				
		15,265	15,265	Interest payable and similar charges			15,753	15,753
		(487)	(487)	Interest and investment income		*Note 10*	(352)	(352)
		3,946	3,946	Net interest on the net defined benefit liability		*Note 27*	2,464	2,464
		-	(3,182)	Share of (surplus)/ deficit on provision of services by associates			-	(5,574)
		(285,900)	(285,900)	**Taxation and non-specific grant income**		*Note 21*	(311,682)	(311,682)
		5,950	**2,818**	**Deficit on the provision of services**			**5.406**	**(235)**
		(4,164)	(4,164)	(Surplus)/ deficit on the revaluation of property, plant and equipment			(477)	(477)
		(7)	(7)	(Surplus)/ deficit on financial assets measured at fair value			(40)	(40)
		(79,316)	(79,316)	Actuarial (gains)/ losses on pension fund assets and liabilities		*Note 18*	8,353	8,353
		-	(2,043)	Share of other comprehensive income and expenditure of associates			-	85
		(83,487)	**(85,530)**	**Other comprehensive (income) and expenditure**			**7,836**	**7,921**
		(77,537)	**(82,712)**	**Total comprehensive (income) and expenditure**			**13,242**	**7,686**

II) Movement in Reserves Statement for the year ended 31 March 2021

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 94 to 96.

2020-2021	**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 2020	18,399	11,329	2,774	2,135	3,228	**37,865**	**304,259**	**342,124**	38,861	**380,985**
Movement in reserves during 2020-2021										
Surplus or (deficit) on the provision of services	(8,304)	2,898	-	-	-	**(5,406)**	-	**(5,406)**	5,641	**235**
Other comprehensive income and expenditure	--	-	-	-	-	**-**	**(7,836)**	**(7,836)**	(85)	**(7,921)**
Total comprehensive income and expenditure	(8,304)	2,898	-	-	-	**(5,406)**	**(7,836)**	**(13,242)**	5,556	**(7,686)**
Adjustments between accounting basis and funding basis (Note 5)	26,887	27	923	(383)	-	**27,454**	**(27,454)**	**-**	-	**-**
Net increase/ (decrease) before transfers	18,583	2,925	923	(383)	-	**22,048**	**(35,290)**	**(13,242)**	5,556	**(7,686)**
Transfers to/from earmarked reserves (Note 6)	391	-	-	93	(484)	**-**	**-**	**-**	-	**-**
Increase/ (decrease) in 2020-2021	18,974	2,925	923	(290)	(484)	**22,048**	**(35,290)**	**(13,242)**	5,556	**(7,786)**
Balance at 31 March 2021	37,373	14,254	3,697	1,845	2,744	**59,913**	**268,969**	**328,882**	44,417	**373,299**

2019-2020				**Council Reserves**					**Share of Group (restated)**	**Total Group Reserve (restated)**
	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 2019	18,542	9,357	3,511	2,381	3,695	**37,486**	**227,101**	**264,587**	33,892	**298,479**
Movement in reserves during 2019-2020										
Surplus or (deficit) on the provision of services	(7,700)	1,750	-	-	-	**(5,950)**	-	**(5,950)**	3,132	**(2,818)**
Other comprehensive income and expenditure	-	-	-	-	-	**-**	**83,487**	**83,487**	2,043	**85,530**
Total comprehensive income and expenditure	(7,700)	1,750	-	-	-	**(5,950)**	**83,487**	**77,537**	5,175	**82,712**
Adjustments between accounting basis and funding basis (Note 5)	7,043	222	(737)	(199)	-	**6,329**	**(6,329)**	**-**	-	**-**
Net increase/ (decrease) before transfers	(657)	1,972	(737)	(199)	-	**379**	**77,158**	**77,537**	5,175	**82,712**
Transfers to/from earmarked reserves (Note 6)	514	-	-	(47)	(467)	**-**	**-**	**-**	-	**-**
Increase/ (decrease) in 2019-2020	(143)	1,972	(737)	(246)	(467)	**379**	**77,158**	**77,537**	5,175	**82,712**
Balance at 31 March 2020	18,399	11,329	2,774	2,135	3,228	**37,865**	**304,259**	**342,124**	39,067	**381,191**

III) Balance Sheet as at 31 March 2021

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

2019-2020				2020-2021	
Council £’000	Group (restated) £’000		*Note*	Council £’000	Group £’000
746,606	763,207	Property, plant and equipment	*7*	742,702	757,348
3,332	3,332	Heritage assets	*8*	3,332	3,332
5,741	5,741	Intangible assets	*9*	7,508	7,508
1,125	1,125	Long-term investments	*10*	6,339	6,339
756,804	**773,405**	**Long-term assets**		**759,881**	**774,527**
25,000	25,000	Short-term investments	*10*	40,000	40,000
64	64	Assets held for sale	*14*	-	-
539	541	Inventories	*11*	522	524
23,524	23,532	Short-term debtors	*12*	29,851	29,851
22,888	22,888	Cash and cash equivalents	*13*	25,156	25,156
72,015	**72,025**	**Current assets**		**95,529**	**95,531**
(51,004)	(51,004)	Short-term borrowing	*10*	(50,725)	(50,725)
(49,377)	(49,398)	Short-term creditors	*15*	(66,956)	(66,961)
(507)	(507)	Short-term provisions	*16*	(513)	(513)
(7,075)	(5,972)	Other short-term liabilities	*17*	(7,146)	(5,985)
(107,963)	**(106,881)**	**Current liabilities**		**(125,340)**	**(124,184)**
(1,346)	(1,346)	Long-term provisions	*16*	(924)	(924)
-	21,405	Investments in associates/joint ventures		-	28,644
(186,010)	(186,010)	Long-term borrowing	*10*	(188,275)	(188,275)
(2,972)	(2,972)	Other long-term liabilities (finance leases)	*24*	(2,756)	(2,756)
(94,090)	(94,090)	Other long-term liabilities (pensions)	*27*	(117,523)	(117,523)
(94,314)	(94,345)	Other long-term liabilities	*10*	(91,710)	(91,741)
(378,732)	**(357,358)**	**Long-term liabilities**		**(401,188)**	**(372,575)**
342,124	**381,191**	**Net assets**		**328,882**	**373,299**
37,865	37,865	Usable reserves		59,913	59,913
304,259	304,259	Unusable reserves	*18*	268,969	268,969
-	39,067	Group reserves		-	44,417
342,124	**381,191**	**Total reserves**		**328,882**	**373,299**

The unaudited annual Accounts were issued on 26 June 2021 and the audited annual accounts were authorised for issue on 29 September 2021.

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Tim Baulk
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Tim Baulk BA Acc CPFA
Head of Finance and ICT

29 September 2021

IV) Cash Flow Statement for the year ended 31 March 2021

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.

2019-2020				2020-2021	
Council	**Group (restated)**			**Council**	**Group**
£'000	**£'000**		*Note*	**£'000**	**£'000**
5,950	**2,818**	**(Surplus)/Deficit on the provision of services**		**5,406**	**(235)**
		Adjustments to (surplus)/ deficit on the provision of services for non-cash movements:			
(26,578)	(26,578)	Depreciation of property, plant and equipment	*7*	(27,809)	(27,809)
(7,951)	(7,951)	Impairment of property, plant and equipment		(26,028)	(26,028)
(441)	(441)	Amortisation of intangible assets	*9*	(905)	(905)
7,237	7,150	(Increase)/ decrease in creditors		(16,533)	(16,525)
(5,514)	(5,514)	Increase/(decrease) in debtors		4,868	4,868
76	76	Increase/ (decrease) in inventories	*11*	(17)	(17)
(17,749)	(17,749)	Increase in pension liability	*5*	(15,080)	(15,080)
(810)	(810)	Carrying amount of non-current assets sold		(206)	(206)
734	734	Other non-cash items		427	427
(50,996)	(51,083)			(81,283)	(81,275)
		Adjustment for items included in the (surplus)/ deficit on the provision of services that are investing or financing activities			
(11,000)	(7,818)	Net (increase)/ decrease in short term investments		-	5,574
323	323	Proceeds from sale of Non-current assets		149	149
24,989	24,987	Capital grants received		20,937	20,937
14,312	17,492			21,086	26,660
(30,734)	**(30,773)**	**Net cash flows from operating activities**		**(54,791)**	**(54,850)**
		Investing activities			
63,530	63,530	Purchase of Non-current assets		50,331	50,331
150	150	Purchase of short-term investments		20,174	20,174
(323)	(323)	Proceeds from sale of Non-current assets		(149)	(149)
(26,011)	(25,972)	Other receipts from investing activities		(19,211)	(19,152)
37,346	37,385			51,145	51,204
		Financing activities			
(12,069)	(12,069)	Cash receipts from short-term and long-term borrowing		(6,996)	(6,996)
3,510	3,510	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts		3,640	3,640
-	-	Repayments of short- and long-term borrowing		5,000	5,000
2,938	2,938	Other payments for financing activities		(266)	(266)
(5,621)	(5,621)			1,378	1,378
31,725	31,764	**Net cash flows from Investing and Financing activities**		**52,523**	**52,582**
991	**991**	**Net (increase)/ decrease in cash and cash equivalents**		**(2,268)**	**(2,268)**
(23,879)	(23,879)	Cash and cash equivalents at the beginning of the reporting period		(22,888)	(22,888)
(22,888)	**(22,888)**	**Cash and cash equivalents at the end of the reporting period**	*13*	**(25,156)**	**(25,156)**

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.

2019-2020				2020-2021		
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**
19,819	4,561	24,380	Chief Executive's Strategic Office	15,851	4,349	20,200
104,134	18,440	122,574	People	113,587	35,100	148,687
39,767	8,825	48,592	Place	41,034	8,357	49,391
(4,328)	4,138	(190)	Housing Revenue Account	(5,302)	4,101	(1,201)
76,585	-	76,585	Social Care: Contribution to IJB	79,216	-	79,216
(4,138)	3,385	(753)	Social Care: Provision of Services	(3,721)	2,926	(795)
12,562	(11,111)	1,451	Miscellaneous Services	12,756	(9,088)	3,668
244,402	**28,237**	**272,639**	**Net Cost of Services**	**253,421**	**45,745**	**299,166**
(245,717)	(20,972)	(266,689)	Other Income and Expenditure	(274,929)	(18,831)	(293,760)
(1,315)	**7,265**	**5,950**		**(21,508)**	**26,914**	**5,406**
27,899			**Opening General Fund and HRA balance**	**29,728**		
1,315			**Less/Plus Surplus or (Deficit) on General Fund and HRA balance in the year**	**21,508**		
514			**Transfer (to)/from earmarked reserves**	**391**		
29,728			**Closing General Fund and HRA balance as at 31 March**	**51,627**		

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.

2020-2021	**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	2,683	1,542	124	4,349
People	30,188	3,722	1,190	35,100
Place	5,261	2,860	236	8,357
Housing Revenue Account	3,669	401	31	4,101
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	2	2,690	234	2,926
Miscellaneous Services	(10,489)	1,401	-	(9,088)
Net cost of services	**31,314**	**12,616**	**1,815**	**45,745**
Other Income and Expenditure from the Expenditure and funding analysis	(20,879)	2,464	(416)	(18,831)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	**10,435**	**15,080**	**1,399**	**26,914**

2019-2020	**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	1,694	2,744	123	4,561
People	13,477	4,315	648	18,440
Place	4,422	4,237	166	8,825
Housing Revenue Account	3,668	447	23	4,138
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	(28)	3,649	(236)	3,385
Miscellaneous Services	(9,523)	(1,588)	-	(11,111)
Net cost of services	**13,710**	**13,803**	**724**	**28,237**
Other Income and Expenditure from the Expenditure and funding analysis	(24,502)	3,946	(416)	(20,972)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	**(10,792)**	**17,749**	**308**	**7,265**

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:

	2020-2021	2019-2020
	£000	£000
Expenditure		
Employee benefit expenses	204,208	195,981
Other service expenses	262,690	249,215
Depreciation, amortisation and impairment	54,742	34,969
Interest payments	15,753	15,265
(Gain)/loss on the disposal of assets	57	487
Total Expenditure	**537,450**	**495,917**
Income		
Fees, charges and other service income	(220,010)	(203,580)
Interest & investment income	(352)	(487)
Income from Council Tax, non-domestic rates	(88,929)	(100,224)
Government grants and contributions	(222,753)	(185,676)
Total Income	**(532,044)**	**(489,967)**
(Surplus) or Deficit in the provision of services	**5,406**	**5,950**

Note 2: Prior period adjustment

The Significant Accounting Policies provided in Note 31 of Section 6 to these accounts on pages 68 to 79 state that prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. There were no prior period adjustments in 2020-21 or 2019-20.

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 2020-2021 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 29 September 2021. . Where events which took place before this date provided information about conditions that existed at 31 March 2021, the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

2020-2021

	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	-	-	135	383	**(518)**
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	(39,575)	(14,262)	-	-	**53,837**
Amortisation of intangible assets	(905)	-	-	-	**905**
Capital grants and contributions applied	16,902	4,035	(1,058)	-	**(19,879)**
Net gain or (loss) on sale of non-current assets	(56)	(1)	-	-	**57**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	9,147	1,282	-	-	**(10,429)**
Capital expenditure charged against the general fund and HRA balances	3,687	9,311	-	-	**(12,998)**
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	297	119	-	-	**(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	(1,784)	(31)	-	-	**1,815**
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 27)	(14,600)	(480)	-	-	**15,080**
Total adjustments	**(26,887)**	**(27)**	**(923)**	**383**	**27,454**

Figures for 2019-2020 are provided in an additional table below for the purposes of comparison.

2019-2020	**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	-	-	933	199	**(1,132)**
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	(20,796)	(13,732)	-	-	**34,528**
Amortisation of intangible assets	(441)	-	-	-	**441**
Capital grants and contributions applied	21,057	3,931	(196)	-	**(24,792)**
Net gain or (loss) on sale of non-current assets	(488)	2	-	-	**486**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	9,033	1,090	-	-	**(10,123)**
Capital expenditure charged against the general fund and HRA balances	2,162	8,974	-	-	**(11,136)**
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	306	110	-	-	**(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	(701)	(23)	-	-	**724**
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 27)	(17,175)	(574)	-	-	**17,749**
Total adjustments	**(7,043)**	**(222)**	**737**	**199**	**6,329**

Note 6: Transfers to or from other statutory reserves/Movements in Earmarked 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 2020-2021. Figures for 2019-2020 are provided in an additional table below for the purposes of comparison.

2020-2021	**General Fund Balance**	**Repairs and Renewals Fund**	**Insurance Fund**	**Capital Fund**
	£000	**£000**	**£000**	**£000**
Contribution to Repair and Renewal Fund from General Fund	518	(518)	-	-
Contributions from Insurance Fund to General Fund	(425)	-	425	-
Contribution from Capital Fund to General Fund	(484)	-	-	484
Total adjustments	**(391)**	**(518)**	**425**	**484**

2019-2020	**General Fund Balance**	**Repairs and Renewals Fund**	**Insurance Fund**	**Capital Fund**
	£000	**£000**	**£000**	**£000**
Contribution to Repair and Renewal Fund from General Fund	47	(47)	-	-
Contributions from Insurance Fund to General Fund	-	-	-	-
Contribution to Capital Fund from General Fund	467	-	-	(467)
Total adjustments	**514**	**(47)**	**-**	**(467)**

Note 7: Property, Plant and equipment

Movement on balances

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

2020-2021

	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 2020	**318,591**	**267,657**	**126,961**	**33,866**	**83,093**	**605**	**5,900**	**35,068**	**871,741**
Additions in year	5,190	9,193	2,231	1,251	5,352	-	-	26,901	**50,118**
Disposals in year	(12)	(112)	-	-	-	-	(1,008)	-	**(1,132)**
Revaluation adjustments to revaluation reserve	-	(6,805)	(4,082)	(3)	-	51	122	97	**(10,620)**
Revaluation adjustments to CIES	-	(40,731)	(12,900)	(24)	-	(3)	10	(343)	**(53,991)**
Other reclassifications*	1,202	19,267	800	(639)	87	-	(2,670)	(19,117)	**(1,070)**
At 31 March 2021	**324,971**	**248,469**	**113,010**	**34,451**	**88,532**	**653**	**2,354**	**42,606**	**855,046**
Depreciation and impairment									
At 1 April 2020	**38,678**	**29,826**	**3,775**	**22,958**	**26,512**	**-**	**3,386**	**-**	**125,135**
Depreciation charge for the year	14,082	5,955	3,345	2,320	2,077	-	30	-	**27,809**
Depreciation/Impairment written to revaluation reserve	-	(9,053)	(2,043)	-	-	-	-	-	**(11,096)**
Impairment losses to CIES	-	(23,671)	(5,078)	(24)	-	-	-	259	**(28,514)**
On disposals	-	(10)	-	-	-	-	(980)	-	**(990)**
Other reclassifications	-	2,715	1	(357)	-	-	(2,359)	-	**-**
At 31 March 2021	**52,760**	**5,762**	**-**	**24,897**	**28,589**	**-**	**77**	**259**	**112,344**
Balance Sheet amount at 31 March 2021	**272,211**	**242,707**	**113,010**	**9,554**	**59,943**	**653**	**2,277**	**42,347**	**742,702**
Nature of asset holding									
Owned	272,211	239,829	-	9,482	59,943	653	2,277	42,347	**626,742**
Finance lease	-	2,878	-	72	-	-	-	-	**2,950**
PPP	-	-	113,010	-	-	-	-	-	**113,010**
	272,211	**242,707**	**113,010**	**9,554**	**59,943**	**653**	**2,277**	**42,347**	**742,702****

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

**£14.646m of Group PPE assets totalling £757.348m relates to subsidiaries on consolidation that are not included in the above balances. Please refer to the Group Accounts on pages 94 to 96

2019-2020 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 2019	297,135	270,302	96,603	28,983	77,648	605	5,875	22,567	**799,718**
Additions in year	13,663	8,055	26,869	4,023	5,331	-	-	25,766	**83,707**
Disposals in year	(319)	(557)	-	-	-	-	(25)	-	**(901)**
Revaluation adjustments to revaluation reserve	-	(4,175)	3,452	-	-	-	21	-	**(702)**
Revaluation adjustments to CIES	-	(9,404)	-	-	-	-	29	(8)	**(9,383)**
Other reclassifications	8,112	3,436	37	860	114	-	-	(13,257)	**(698)**
At 31 March 2020	**318,591**	**267,657**	**126,961**	**33,866**	**83,093**	**605**	**5,900**	**35,068**	**871,741**
Depreciation and impairment									
At 1 April 2019	25,249	32,081	536	21,273	24,570	-	2,715	-	**106,424**
Depreciation charge for the year	13,429	6,290	2,560	1,685	1,942	-	672	-	**26,578**
Impairment losses to revaluation reserve	-	(4,866)	-	-	-	-	-	-	**(4,866)**
Impairment losses to CIES	-	(2,909)	-	-	-	-	(1)	-	**(2,910)**
On disposals	-	(91)	-	-	-	-	-	-	**(91)**
Other reclassifications	-	(679)	679	-	-	-	-	-	**-**
At 31 March 2020	**38,678**	**29,826**	**3,775**	**22,958**	**26,512**	**-**	**3,386**	**-**	**125,135**
Balance Sheet amount at 31 March 2020	**279,913**	**237,831**	**123,186**	**10,908**	**56,581**	**605**	**2,514**	**35,068**	**746,606**
Nature of asset holding									
Owned	279,913	234,793	-	10,761	56,581	605	2,514	35,068	**620,235**
Finance lease	-	3,038	-	147	-	-	-	-	**3,185**
PPP	-	-	123,186	-	-	-	-	-	**123,186**
	279,913	**237,831**	**123,186**	**10,908**	**56,581**	**605**	**2,514**	**35,068**	**746,606**

Covid-19 – effect on valuations

Market activity has returned to some degree in most sectors of the property market but not necessarily at the same level seen prior to the pandemic. As a consequence, there is less market evidence available to help form an opinion of value. As economic activity increases and the Government's furlough scheme ends, the number of property transactions is likely to increase and consequently the valuation of these properties is being kept under review. The valuation methods used in relation to property, plant and equipment are provided in Accounting Policy 11 within Note 31: Significant accounting policies. Note 34: Assumptions made about the future and other major sources of estimation uncertainty also provides information regarding the uncertainty surrounding property valuations.

Depreciation

As highlighted in Significant Accounting Policies, Note 31 Section 6 to these accounts on pages 68 to 79 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	Valued on a 5-year rolling programme
Other land and buildings	Buildings	5 to 40	Estates Co-ordinator	Current Value / Fair Value / Historic Cost	As above
	Land	Up to 999	Estates Co-ordinator	Current Value / Fair Value / Historic Cost	As above
	Specialised buildings	10 to 40	Estates Co-ordinator	Current Value	31-Mar-21
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 31 Section 6 to these accounts on pages 68 to 79 under “Property, plant and equipment”.

Commitments under capital contracts

The Council approved capital investment programmes for General Services and Housing for 2021-2022 for construction or enhancement of property, plant and equipment, as outlined in the table below.

	General Services	**Housing**	**2021-22 Total**	**2020-21 Total**
Expenditure	**£000**	**£000**	**£000**	**£000**
Capital investment	86,128	36,220	122,348	106,061
	86,128	**36,220**	**122,348**	**106,061**
Sources of finance				
Prudential borrowing	71,154	20,322	91,476	73,234
Capital grants, contributions and other receipts	14,974	7,434	22,408	25,510
Capital funded from current revenue	-	8,464	8,464	7,317
	86,128	**36,220**	**122,348**	**106,061**

Note 8: Heritage assets

Valuation	Fine Arts	Other Heritage Assets	Civic Regalia	Total Heritage Assets
	£000	**£000**	**£000**	**£000**
1 April 2020	2,115	1,066	151	3,332
31 March 2021	**2,115**	**1,066**	**151**	**3,332**
1 April 2019	2,115	1,066	151	3,332
31 March 2020	**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 2021	31 March 2020
	£000	**£000**
Balance at start of year:		
Gross carrying amounts	7,946	4,770
Accumulated amortisation	(2,205)	(1,765)
Net carrying amount at start of year	5,741	3,005
Additions:		
Purchases	1,602	2,481
Reclassifications*	1,070	696
Amortisation for the period	(905)	(441)
Net carrying amount at end of the year	**7,508**	**5,741**
Comprising:		
Gross carrying amounts	10,618	7,946
Accumulated amortisation	(3,110)	(2,205)
	7,508	**5,741**

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

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 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Amortised Cost	5,559	385	-	-	40,000	25,000	31,699	23,524
Fair value through other comprehensive income - other	780	740	-	-	-	-	-	-
Total financial assets	6,339	1,125	-	-	40,000	25,000	31,699	23,524
Non-financial assets	-	-	-	-	-	-	-	-
Total	**6,339**	**1,125**	**-**	**-**	**40,000**	**25,000**	**31,699**	**23,524**

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s
Amortised Cost *Note 1**	(188,275)	(186,010)	-	-	(50,725)	(51,004)	(56,899)	(49,377)
Total financial liabilities	(188,275)	(186,010)	-	-	(50,725)	(51,004)	(56,899)	(49,377)
Finance lease liabilities	(2,756)	(2,972)	-	-	(221)	(217)	-	-
PPP	(91,710)	(94,314)	-	-	(4,886)	(4,715)	-	-
Total Non-financial liabilities	(94,466)	(97,286)	-	-	(5,107)	(4,932)	-	-
Total	**(282,741)**	**(283,296)**	**-**	**-**	**(55,832)**	**(55,936)**	**(56,899)**	**(49,377)**

**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:

	2020-2021		2019-2020	
	(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	(352)	-	(487)	-
Financial assets measured at fair value through other comprehensive income	-	(40)	-	(7)
Financial liabilities measured at amortised cost	15,745	-	15,265	-
Total net (gains)/losses	**15,393**	**(40)**	**14,778**	**(7)**
Interest revenue:				
Financial assets measured at amortised cost	(352)	-	(487)	-
Financial assets measured at fair value through other comprehensive income	-	(40)	-	(7)
	(352)	**(40)**	**(487)**	**(7)**
Interest expense	**15,745**	**-**	**15,265**	**-**

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 2021, the fair values of financial assets and financial liabilities are calculated as follows:

Table 1	**31 March 2021**		**31 March 2020**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Liabilities	**£000s**	**£000s**	**£000s**	**£000s**
PWLB	143,958	194,208	139,962	179,279
LOBO (Option)	33,200	53,084	36,200	52,414
Market Debt	16,000	19,762	10,000	13,185
Short Term Borrowing	45,000	45,121	50,000	50,173
Sub Total Borrowing	**238,158**	**312,175**	**236,162**	**295,051**
PPP Liability	96,596	136,749	99,029	135,386
Short Term Finance Lease Liability	221	221	217	217
Long Term Finance Lease Liability	2,756	2,756	2,972	2,972
Short Term Creditors	56,899	56,899	49,377	49,377
	156,472	**196,625**	**151,595**	**187,952**
Total Liabilities	**394,630**	**508,800**	**387,757**	**483,003**

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

Table 2	**31 March 2021**		**31 March 2020**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Liabilities	**£000s**	**£000s**	**£000s**	**£000s**
PWLB	143,958	229,996	139,962	256,383
LOBO (Option)	33,200	65,083	36,200	79,827
Market Debt	16,000	22,796	10,000	19,146
Short Term Borrowing	45,000	45,129	50,000	50,185
Sub Total Borrowing	**238,158**	**363,004**	**236,162**	**405,541**
PPP Liability	96,596	150,592	99,029	165,632
Short Term Finance Lease Liability	221	221	217	217
Long Term Finance Lease Liability	2,756	2,756	2,972	2,972
Short Term Creditors	56,899	56,899	49,377	49,377
	156,472	**210,468**	**151,595**	**218,198**
Total Liabilities	**394,630**	**573,472**	**387,757**	**623,739**

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £194.208m (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 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	**£000s**	**£000s**	**£000s**	**£000s**
Long term investments	6,339	6,845	1,125	1,460
Investments	40,000	40,148	25,000	25,096
Current asset debtors	29,851	29,851	23,524	23,524
	76,190	**76,844**	**49,649**	**50,080**

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 2021) 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	**2021 £000**	**2020 £000**	**2021 £000**	**2020 £000**	**2021 £000**	**2020 £000**	**2021 £000**	**2020 £000**	**2021 £000**	**2020 £000**
Balance outstanding at start of year	162	149	318	265	10	-	49	49	539	463
Purchases	957	1,238	1,021	1,266	(10)	10	905	1,493	2,873	4,007
Recognised as an expense in year	(988)	(1,225)	(991)	(1,212)	-	-	(909)	(1,493)	(2,888)	(3,930)
Written off balances	-	-	-	(1)	-	-	(2)	-	(2)	(1)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-	-	-
Balance outstanding at year end	**131**	**162**	**348**	**318**	**-**	**10**	**43**	**49**	**522**	**539**

Note 12: Debtors

	2020-2021	2019-2020
	£000	**£000**
Trade receivables	13,729	11,549
Prepayments	3,643	3,418
Other receivable amounts	12,479	8,557
Total	**29,851**	**23,524**

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.

	2020-2021	2019-2020
	£000	£000
Cash held by the authority	47	50
Bank current accounts	(3,281)	(4,137)
Short term/Callable deposits held with UK banks	28,390	16,975
Callable deposits held in Money Market Funds	-	10,000
Total cash and cash equivalents	**25,156**	**22,888**

Note 14: Assets held for sale

	2020-2021	2019-2020
	£000	£000
Balance outstanding at start of year	64	64
Assets declassified/disposed	(64)	-
Balance outstanding at year end	**-**	**64**

Note 15: Creditors

	2020-2021	2019-2020
	£000	£000
Trade Creditors	56,407	43,062
Other payable amounts	10,549	6,315
Total	**66,956**	**49,377**

Note 16: Provisions

	Short	Long	Total
	£000	£000	£000
Balance as at 1 April 2020	**507**	**1,346**	**1,853**
Additional/(reduced) provisions made in 2020/21	75	(396)	(321)
Amounts used in 2020/21	(69)	(26)	(95)
Balance as at 31 March 2021	**513**	**924**	**1,437**

The Council has made a provision in respect of a number of employee related potential claims outstanding at 31 March 2021. 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 2021	31 March 2020
	£000	£000
Public Private Partnership (PPP)	4,886	4,716
Amounts owed to Common Good	1,083	1,103
Amounts owed to Trusts and others	956	1,039
Finance Lease	221	217
	7,146	**7,075**

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:

	2020-2021	2019-2020
	£000	£000
Revaluation reserve	153,096	158,921
Capital adjustment account	250,399	255,071
Financial Instrument adjustment account	(10,984)	(11,400)
Financial instruments measured at fair value reserve	740	700
Pension reserve	(117,523)	(94,090)
Employee statutory mitigation account	(6,759)	(4,943)
	268,969	**304,259**

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:

	2020-2021	2019-2020
	£000	£000
Balance at 1 April	**158,921**	**161,507**
Upward revaluation of assets	14,978	4,988
Downward valuation of assets and impairment losses not charged to the surplus/(deficit) on the Provision of Services	(14,500)	(824)
Surplus or (deficit) on revaluation of non-current assets not posted to the surplus or (deficit) on the Provision of Services	**478**	**4,164**
Difference between fair value depreciation and historical cost depreciation	(6,297)	(6,388)
Accumulated gains on assets sold or scrapped	(6)	(362)
Amount written off to the Capital Adjustment Account	**(6,303)**	**(6,750)**
Balance at 31 March	**153,096**	**158,921**

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 37 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2020-2021 £000	2019-2020 £000
Balance at 1 April	**255,071**	**236,594**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
Charges for depreciation and impairment of non-current assets	(53,837)	(34,528)
Amortisation of intangible assets	(905)	(441)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(57)	(486)
Adjusting amounts written out of the revaluation reserve	6,303	6,750
Net written out amount of the cost of non-current assets consumed in the year	(48,496)	(28,705)
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	19,879	24,791
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	518	1,132
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	10,429	10,123
Capital expenditure charged against the general fund and HRA balances	12,998	11,136
Balance at 31 March	**250,399**	**255,071**

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.

	2020-2021 £000	2019-2020 £000
Balance at 1 April	**(11,400)**	**(11,816)**
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	407	407
Fair value effective interest rate adjustment in line with statutory requirements	9	9
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	**416**	**416**
Balance at 31 March	**(10,984)**	**(11,400)**

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

	2020-2021 £000	2019-2020 £000
Balance at 1 April	**700**	**693**
Upward/(downward) revaluation of investments	40	7
Balance at 31 March	**740**	**700**

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.

	2020-2021 £000	2019-2020 £000
Balance at 1 April	**(94,090)**	**(155,657)**
Re-measurement of the net defined benefit asset	(8,353)	79,316
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	(33,532)	(36,132)
Employer's pension contributions and direct payments	18,452	18,383
Balance at 31 March	**(117,523)**	**(94,090)**

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.

	2020-2021 £000	2019-2020 £000
Balance at 1 April	**(4,943)**	**(4,220)**
Settlement or cancellation of accrual made at the end of the preceding year	4,943	4,220
Amounts accrued at the end of the current year	(6,759)	(4,943)
Balance at 31 March	**(6,759)**	**(4,943)**

Note 19: Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2020-2021 the Council collected £19.903m (£19.921m 2019-2020) and paid over £19.503m (£19.516m 2019-2020) and received £0.400m (£0.405m 2019-2020) for providing this service. The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2020-2021 the Council billed £20.169m (£41.438m 2019-2020) on their behalf and received £28.601m (£42.818m 2019-2020) in income from the Non-Domestic Rates Pool.

Business Support grants were administered on behalf of the Scottish Government in 2020-2021 to local businesses in response to the Covid-19 pandemic which amounted to £42.508m. In early 2020/21, at the beginning of the pandemic personal protective equipment to the value of £1.535m was donated to the Council by the Scottish Government. This equipment was passed on to third party service providers.

Note 20: External audit cost

The Council has incurred costs of £0.284m in 2020-2021 in respect of fees payable with regard to external audit services carried out under the Code of Practice (£0.277m 2019-2020).

Note 21: Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020-2021:

	31 March 2021	31 March 2020
Credited to taxation and non-specific grant income	**£000**	**£000**
General revenue grant	177,907	160,689
Covid-19 grants	23,910	-
Receipted capital income	20,936	24,987
Non-domestic rates income	28,601	42,818
Council tax income	60,328	57,406
Total	**311,682**	**285,900**

	31 March 2021	31 March 2020
Credited to services	**£000**	**£000**
Burns Festival	-	15
Covid-19	3,218	-
Department of Work and Pensions	26,422	27,849
Education	18,470	12,809
Education Maintenance Allowance	394	337
Electric Vehicles	92	198
Health Authorities	125	143
Leader	79	1,339
Modern Apprentices	122	187
NHS Alcohol & Drug Misuse	17	5
Other Grants and Contributions	1,767	459
Police	30	30
School Milk	7	24
Social Work	39,497	24,499
Townscape Heritage Initiative	78	280
Zero Waste	-	5
Total	**90,318**	**68,179**

Note 22: Related parties

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

Scottish Government – has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of grants received from the Scottish Government are included in Note 21 above.

Members of the Council - Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2020-21 are shown in the Remuneration Report. During 2020-21 works and services to the value of £4.291m (of which £0.339m remained unpaid at 31 March 2021) (2019-20 £5.688m of which £0.240m remained unpaid at 31 March 2020) were commissioned from organisations in which four members had an interest. Contracts were entered into in full compliance with the

Council's standing orders. During 2020-21 there were no grants paid to voluntary organisations wherein Members of the Council had an interest (Nil in 2019-20). Details of the transactions during 2020-21 are available by emailing CFTenquires@south-ayrshire.gov.uk.

Officers of the Council - During 2020-2021 Donald Gillies, Director – Place and Theo Leijser, Service Lead – Economic Development and Regeneration 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. Both officers were appointed by The Council as directors of the company and the Council has a 37% share in the company. The Council did not receive any lease income during 2020-21 and there was no management fee received during 2020-2021.

In addition, Donald Gillies was appointed by Council and B Shareholders (Public Sector Shareholders) as Public Sector Director on Hub South West Scotland Ltd which is a Company established by the Scottish Government as a development partner to deliver Public Sector Infrastructure. The Council received a payment of £12,413 in respect of this appointment. During 2020-21 works and services to the value of £21.166m (of which £0.475m was unpaid at 31 March 2021) was commissioned from the HUB South West Scotland Ltd (2019-20 £20.903m of which £1.871m remained unpaid at 31 March 2020).

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 2020-2021 the following South Ayrshire Council financial transactions were made with South Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2020-21 £000	**2019-20 £000**
Contribution made to South Ayrshire Integration Joint Board	79,216	76,585
Commissioning income received from South Ayrshire Integration Joint Board	120,382	104,413

The Council funded an in year overspend of £3.277m in 2018-19 financial year for the Health and Social Care Partnership (HSCP). Of the amount owed, £0.291m was repaid in 2019-20, with a further £1.092m being repaid in 2020-21 in line with the revised agreed repayment plan, leaving a remaining balance of £1.894m to be repaid over the next two years.

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 £35.806m during 2020-2021 (£20.541m 2019-2020).

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 2021.

Ayr Renaissance LLP - established by the Council as a separate arm's length Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by the Council. The membership of the LLP board consists of four South Ayrshire councillors and the Council's Chief Executive. The contribution from the Council to the LLP's running costs for the year ended 31 March 2021 was £0.007m (2019-20: £0.201m). No material balances were outstanding as at 31 March 2021 or 31 March 2020. The LLP is expected to be wound up during 2021-22.

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 23: 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 2021 £000	31 March 2020 £000
Opening capital financing requirement	**341,751**	**301,593**
Capital investment		
Property, plant and equipment	49,674	59,967
Intangible assets	1,602	2,481
PPP/Finance lease	993	25,216
	52,269	87,664
Sources of finance		
Capital Receipts	(149)	(323)
Government grant and other contributions	(20,396)	(25,924)
Capital funded from current revenue	(12,998)	(11,136)
Repayment of PPP/finance lease	(3,644)	(3,507)
Loans fund principal repayments	(6,789)	(6,616)
Closing capital financing requirement	**350,044**	**341,751**
Explanation of movements during the year		
Increase in the underlying need to borrow	21,787	18,450
Increase/(decrease) in finance lease obligations	(217)	(211)
Increase/(decrease) in PPP finance lease creditor	(2,434)	21,919
Increase/(decrease) in capital financing requirement	**19,136**	**40,158**

Note 24: 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 2021 £000	31 March 2020 £000
Property, plant and equipment	**2,950**	**3,185**

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 2021 £000	31 March 2020 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	221	217
Non-Current	2,756	2,972
Finance costs payable in future years	793	871
Minimum lease payments	**3,770**	**4,060**

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**
	£000	**£000**	**£000**	**£000**
No later than one year	286	289	221	217
Later than one year and not later than five years	798	885	595	656
Later than five years	2,686	2,886	2,161	2,316
	3,770	**4,060**	**2,977**	**3,189**

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 2021	**31 March 2020**
	£000	**£000**
No later than one year	1,392	1,727
Later than one year and not later than five years	1,525	2,169
Later than five years	-	-
	2,917	**3,896**

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 2021	**31 March 2020**
	£000	**£000**
Minimum lease payments	1,871	1,646
	1,871	**1,646**

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 2021	**31 March 2020**
	£000	**£000**
No later than one year	753	803
Later than one year and not later than five years	1,336	1,527
Later than five years	11,050	11,423
	13,139	**13,753**

Note 25: Public private partnerships and similar contracts

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

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

Property, plant and equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 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, the new Ayr Academy and new Queen Margaret academy contract at 31 March 2021 (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	5,912	3,568	7,206	**16,686**
Payable within two to five years	25,851	15,190	28,266	**69,307**
Payable within six to ten years	40,701	19,434	32,647	**92,782**
Payable within eleven to fifteen years	45,813	23,854	30,594	**100,261**
Payable within sixteen to twenty years	34,242	26,104	21,652	**81,998**
Payable within twenty-one to twenty-five years	4,128	8,446	1,185	**13,759**
Total	**156,647**	**96,596**	**121,550**	**374,793**

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:

	2020-2021	2019-2020
	£000	£000
Balance outstanding at start of year	**99,030**	**77,111**
New liability (Queen Margaret Academy)	993	25,216
Increases/(reductions) during the year	(3,427)	(3,297)
Balance outstanding at year end	**96,596**	**99,030**

Note 26: Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2020-21, incurring liabilities of £0.793m (£1.799m 2019-20). The total is payable to 14 (2019-20: 58) 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
5	Chief Executive's Strategic Office
5	Place
3	People
1	Health and Social Care

Note 27: Defined benefit pension schemes

Participation in pension schemes

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

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 2020-2021 and the prior year 2019-2020.

Comprehensive Income and Expenditure Statement (CIES)	**2020-2021 £000**	**2019-2020 £000**
Cost of Services:		
Service cost comprising:		
Current service cost	30,594	34,723
Past service cost (including curtailments)	474	(2,537)
Financing and investment income and expenditure:		
Net interest expense/ (income)	2,464	3,946
Total post-employment benefit charged to the surplus or deficit on the provision of services	**33,532**	**36,132**
Other post-employment benefits charged to the CIES:		
Re-measurement of the net defined benefit liability comprising:		
Return on the plan assets	(176,107)	53,902
Actuarial (gains) and losses arising on changes in demographic assumptions	(17,140)	(96,512)
Actuarial (gains) and losses arising on changes in financial assumptions	214,549	(31,947)
Other	(12,949)	(4,759)
Total post-employment benefit charged to the CIES	**41,885**	**(43,184)**
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	**(15,080)**	**(17,749)**
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contribution payable to the scheme	**18,452**	**18,383**

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:

	2020-2021 £000	**2019-2020 £000**
Present value of the defined benefit obligation: funded	(1,027,817)	(836,268)
Present value of the defined benefit obligation: unfunded	(34,335)	(32,270)
Fair value of pension fund assets	944,629	774,448
Net Liability arising from defined benefit obligations	**(117,523)**	**(94,090)**

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

	2020-2021 £000	2019-2020 £000
Opening balance at 1 April	**868,538**	**964,472**
Current service cost	30,594	34,723
Past service cost	474	(2,537)
Interest cost	20,247	23,359
Contributions by scheme participants	5,040	4,685
Re-measurement gains and (losses):		
Actuarial (gains) and losses arising on changes in demographic assumptions	(17,140)	(31,947)
Actuarial (gains) and losses arising from changes in financial assumptions	214,549	(96,512)
Other losses/ (gains)	(34,089)	(4,759)
Benefits paid	(24,137)	(21,039)
Unfunded benefits paid	(1,924)	(1,907)
Closing balance at 31 March	**1,062,152**	**868,538**

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

	2020-2021 £000	2019-2020 £000
Opening fair value of the scheme assets	**774,448**	**808,815**
Interest income	17,783	19,413
Re-measurement gains and (losses):		
Return on the plan assets	176,107	(53,902)
Contributions from employers	16,528	16,476
Contributions from employees in the scheme	5,040	4,685
Other losses/(gains)	(21,140)	-
Benefits paid	(24,137)	(21,039)
Closing fair value of the scheme assets	**944,629**	**774,448**

Analysis of pension fund assets

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

At 31 March 2021

Asset category	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**2020-2021 Total £000**
Cash and cash equivalents			
Equity instruments:			
Consumer	54,391	-	54,391
Manufacturing	53,439	445	53,884
Energy and Utilities	9,704	163	9,867
Financial Institutions	33,438	-	33,438
Health and Care	25,945	408	26,353
Information Technology	43,709	-	43,709
Sub-total equity	**220,626**	**1,016**	**221,642**
Debt securities (corporate bonds incl. non-investment grade)	**-**	**-**	**-**
Private equity	**-**	**168,957**	**168,957**
Real estate (UK property)	**-**	**76,535**	**76,535**
Investment funds and unit trusts:			
Equities	8,890	321,498	330,388
Bonds	-	127,758	127,758
Commodities	-	400	400
Infrastructure	-	955	955
Other	-	1,966	1,966
Sub-total investment funds and unit trusts	**8,890**	**452,577**	**461,467**
Derivatives – other	**170**	**-**	**170**
Cash and cash equivalents (all)	**15,218**	**640**	**15,858**
Totals	**244,904**	**699,725**	**944,629**

At 31 March 2020

Asset category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2019-2020 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	49,595	141	49,736
Manufacturing	40,183	122	40,305
Energy and utilities	10,353	-	10,353
Financial institutions	33,386	-	33,386
Health and Care	19,608	201	19,809
Information technology	25,523	6	25,529
Sub-total equity	**178,648**	**470**	**179,118**
Debt securities (corporate bonds non-investment grade)	**24,299**	**1**	**24,300**
Private equity	**-**	**92,542**	**92,542**
Real estate (UK property)	**-**	**70,119**	**70,119**
Investment funds and unit trusts:			
Equities	219,953	19,065	239,018
Bonds	33,868	55,796	89,664
Commodities	388	-	388
Other	-	993	993
Sub-total investment funds and unit trusts	**254,209**	**75,854**	**330,063**
Derivatives - other	**16**	**-**	**16**
Cash and cash equivalents (all)	**39,868**	**38,422**	**78,290**
Totals	**497,040**	**277,408**	**774,448**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Fund's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest valuation of the Fund at 31 March 2021. The significant assumptions used by the actuary have been:

Mortality assumptions:	**2020-2021**	**2019-2020**
Longevity at 65 for current pensioners		
Male	19.8	20.7
Female	22.6	22.9
Longevity at 65 for future pensioners		
Male	21.2	22.2
Female	24.7	24.6
Financial assumptions:		
Rate of inflation/pension increase rate	2.9%	1.9%
Rate of increase in salaries	3.6%	3.0%
Rate for discounting scheme liabilities	2.0%	2.3%

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 2021	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in real discount rate	9%	98,353
0.5% increase in the salary increase rate	1%	14,161
0.5% increase in the pension increase rate	8%	81,759

Asset and liability matching strategy

The Strathclyde Pension Fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt-edged investments with maturities that match the benefits payments, as they fall due. A large proportion of the assets relate to investment funds and unit trusts 49% (2019-20 35%), equities 23% (2019-20 19%) and private equity 18% (2019-20 10%). The scheme also invests in properties 8% (2019-20 7%) and in cash 2% (2019-20 8%). 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 2020-2021 based on the last triennial valuation completed on 31 March 2020.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2022 is £16.133m. The weighted average duration of the defined benefit obligation for Fund members is 19 years (This is different from the mortality assumptions quoted in the table above in "*Basis for estimating assets and liabilities")*.

Note 28: 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 and an anticipated yield of 9.4% employees contributions.
- 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 2019 is 17.2% increasing from 1 September 2019 to 23% of pensionable pay. The employee rate applied is variable and it is anticipated to provide a yield of 9.4% of pensionable pay.

iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

v) Contributions collected in the year to 31 March 2021 will be published in October 2021.

The Council paid £11.3m (£9.8m 2019-2020) for employer's contributions. As a proportion of the total contributions into the Teachers Superannuation Scheme during the year ended 31 March 2020 (£559.1m), the Council's own contributions paid for the period ending 31 March 2020 equates to approximately 2.04%.

Note 29: 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 known claims, the Council recognises a contingent liability in relation to the potential costs that may arise as a result of other claims being pursued against the Council. The position in respect of these potential claims is subject to a high degree of uncertainty and it is not clear that either an obligation exists or that its value can be reliably established at this time.

Note 30: 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 Group. This service uses a sophisticated modelling approach, with credit ratings from three credit rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties, but also uses the following as overlays:

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

The full Treasury and Investment Strategy for 2020-21 was approved by Council on 5 March 2020 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 £73.390m 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 2021 that this was likely to crystallise.

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

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

The Council's gross debtor (excluding council tax and non-domestic rate income) was £30.991m against which a provision of £7.474m was made for bad and doubtful debts. Based on historical experience, the Council has therefore fully provided for its estimated maximum exposure to default and non-collectability.

The Council does not generally allow credit for customers, such that £19.833m of the £30.991m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2020-2021	2019-2020
	£000	£000
Less than three months	4,621	962
Three to six months	509	702
Six months to one year	4,102	6,254
More than one year	10,601	4,311
Total	**19,833**	**12,229**

Liquidity Risk

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

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

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

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

Refinancing and Maturity Risk

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

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

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

The Council's main source of borrowing is HM Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that 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 (within one year) is 3% below the indicator, due to the strategy in 2020/21 of borrowing in the short-term markets and longer term PWLB borrowing.

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

	Maturity limit %	Maturing debt Maturing in period %	Actual 2020-2021 £000	Actual 2019-2020 £000
Less than one year	25	21	50,725	51,004
Between one and two years	25	1	2,049	5,724
Between two and five years	50	5	12,297	9,343
Between five and ten years	75	6	13,912	10,915
More than ten years	90	67	159,175	159,175
Principal element of borrowing		**100**	**238,158**	**236,161**

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 2021, 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 2020-2021 £000**	**Actual 2019-2020 £000**
Increase in interest payable on variable rate borrowings	721	754
Increase in interest receivable on variable rate investments	(265)	(331)
	456	**423**

Other presentational changes	**Actual 2020-2021 £000**	**Actual 2019-2020 £000**
Decrease in "fair value" of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	**41,574**	**37,467**

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 £0.780m 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 Assumptions

Note 31: Significant accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2020-2021 financial year and its financial position at the year end of 31 March 2021. 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 2020/21* 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. There were no prior period adjustments in 2020-2021.

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

11. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, plant and equipment is capitalised on an 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 not charged in the year of acquisition but is charged in the year of disposal. The periods of depreciation and categories of assets are detailed within Note 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, the new Ayr Academy opened in 2017-2018 and the new Queen Margaret Academy opened in 2019-2020, as part of Property, plant and equipment on its Balance Sheet.

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

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

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 32: 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 2021-2022 Code:

a) **Standards, amendments and interpretations effective in the current year:** In the current year, the Council has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards.
- **Amendment to IFRS 9:** Applying IFRS 9 with IFRS 4.
- **Amendment to IFRS 3:** Definition of a Business.
- **Amendments to IAS 1 and IAS 8:** Definition of Material.
- **Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9:** Interest Rate Benchmark Reform (Phase 1).
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

b) **Standards, amendments and interpretations early adopted this year:** There are no new standards, amendments or interpretations early adopted this year.

Standards, amendments and interpretations issued but not adopted this year: At the date of authorisation of these financial statements, the Council has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- **IFRS 16:** Leases. HM Treasury have agreed to defer implementation until 1 April 2022.
- **IFRS 17:** Insurance Contracts. Applicable for periods beginning on or after 1 January 2023.
- **Amendment to IAS 1**: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023.
- **Amendment to IAS 1**: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- **Amendment to IAS 8**: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IAS 16:** Property, Plant and Equipment proceeds before intended use. Applicable for periods beginning on or after 1 January 2022.
- **Amendments to IAS 37:** Onerous Contracts, cost of fulfilling a contract. Applicable for periods beginning on or after 1 January 2022.
- **Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9:** Interest Rate Benchmark Reform (Phase 2). Applicable for periods beginning on or after 1 January 2021.
- Annual Improvements to IFRS Standards 2018-2020 Cycle. Applicable for periods beginning on or after 1 January 2022.

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

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by the Local Government Accounting Code from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, the Council have elected to utilise the capitalisation threshold of £6,000 to determine the assets to be disclosed. The Council expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the Code for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Balance Sheet as (i) right of-use assets which represent the Council's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

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

Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Council does not expect the implementation of this standard to have a material impact on the financial statements.

Note 33: Critical judgements in applying accounting policies

In applying the Significant Accounting Policies set out in Note 31 Section 6 to these accounts on pages 68 to 79, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

Future funding levels: There remains a degree of uncertainty about future levels of funding for local government in Scotland. However, the Council has determined that this uncertainty is not yet sufficient to 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.

Provisions and Contingent liabilities: The Council has considered its exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in the Council's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 29.

Note 34: 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 2021, 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 £98.353m in the pension liability.

Property, plant and equipment: valuation

Uncertainties:. Market activity has returned to some degree in most sectors of the property market but not necessarily at the same level seen prior to the pandemic. As a consequence, there is less market evidence available to help form an opinion of value. As economic activity increases and the Government's furlough scheme ends, the number of property transactions is likely to increase and consequently the valuation of these properties is being kept under review. We will continue to monitor the situation for a pattern of evidence that indicates values have changed as a consequence of Covid-19.

Property, plant and equipment valuations are undertaken on a five-year rolling programme of revaluations. In May 2021 RICS amended its advice on valuation uncertainty and now recommends that material valuation uncertainty declarations are no longer required for all assets. However, less certainty and a higher degree of caution should continue to be attached to these values than would normally be the case.

Effect if results differ from assumptions: Given the potential future impact that Covid-19 may yet have on the property market, valuation of properties will be kept under review. The valuation report has been used to inform the measurement of assets in these financial statements. The valuer has continued to exercise professional judgement in preparing the valuation and is therefore the best information available to the Council as at 31 March 2021 and can be relied upon.

It is currently not possible to predict developments in the realm of property valuation over the next 12 months and there may be a future requirement to revalue some elements of the Council's property portfolio as the impact of the changing economic climate and its effects on property values become clear.

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 £15.637m 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) Regulations 2014). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

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

All information disclosed in the tables in this Remuneration Report will be audited by 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 2020 and came in to force on 1 April 2020. 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 2020-2021 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 2020-2021, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 4 March 2021. 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/150 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 2020-2021 is 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	**2020-2021 Total remuneration**	**2019-2020 Total remuneration**
		£	**£**	**£**
*P Henderson	Leader of the Council/Senior Councillor (2)	32,990	**32,990**	**23,479**
**D Campbell	Leader of the Council/Senior Councillor (1)	14,126	**14,126**	**34,941**
H Moonie	Provost	26,797	**26,797**	**26,205**
***S Brown	Senior Councillor (2)	18,417	**18,417**	**-**
I Cochrane	Senior Councillor (2)	24,008	**24,008**	**23,479**
J Dettbarn	Senior Councillor (2)	24,008	**24,008**	**23,479**
W Grant	Senior Councillor (2)/Depute Provost	24,008	**24,008**	**23,479**
B McGinley	Senior Councillor (2)	24,008	**24,008**	**23,479**
P Saxton	Senior Councillor (2)	24,008	**24,008**	**23,479**
I Cavana	Senior Councillor (1)	21,632	**21,632**	**21,156**
A Clark	Senior Councillor (1)	21,632	**21,632**	**21,156**
B Connolly	Senior Councillor (1)	21,632	**21,632**	**21,156**
****M Dowey	Senior Councillor (1)	21,632	**21,632**	**16,071**
H Hunter	Senior Councillor (1)	21,632	**21,632**	**21,156**
C MacKay	Senior Councillor (1)	21,632	**21,632**	**21,156**
*****P Convery	Senior Councillor (1)	-	**-**	**5,029**
		342,162	**342,162**	**328,900**

There were no non-cash expenses & benefits-in-kind paid during 2020-21.

**P Henderson – held the post of Senior Councillor (2) until 25/6/2020 when he was appointed Leader of the Council*
***D Campbell – held the post of Leader of the Council until 25/06/2020, when he then held the post of Senior councillor (1) until 01/10/2020*
**** S Brown – held the post of Senior Councillor (2) from 25/6/2020*
*****M Dowey – held the post of Senior Councillor (1) from 27/06/2019*
******P Convery – held the post of Senior Councillor (1) until 27/06/2019*

Note:

Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2020-2021 Annual Return which is available on the Council's website.
The post of Senior Councillor (2) carries responsibilities of portfolio holder and Senior Councillor (1) carries responsibilities of Panel Chair and Depute Provost.
The full year equivalent salaries for the above members in post for only part of the year are as follows; Leader £35,716, Senior Councillor (2) £24,008 and Senior Councillor (1) £21,632.

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.

	2020-2021	2019-2020
	£	£
Salaries	589,045	576,785
Expenses	6,877	17,052
	595,922	**593,837**

The annual return of councillors' salaries and expenses for 2020-2021 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 2021		2019-2020
Name & post	Gross salary & allowances	**Total Remuneration**	**Total Remuneration**
	£	**£**	**£**
E Howat – Chief Executive	137,964	**137,964**	**136,530**
T Eltringham - Director of Health & Social Care Partnership (i)	119,405	**119,405**	**115,514**
D Hutchison - Director of People	118,905	**118,905**	**117,514**
D Gillies – Director of Place	107,352	**107,352**	**104,291**
T Baulk – Head of Finance & ICT	87,469	**87,469**	**84,975**
C Caves – Head of Legal, HR and Regulatory Services	87,469	**87,469**	**86,725**
K O'Hagan – Head of Employee & Customer Services (ii)	*14,506	**14,506**	**84,975**
	673,070	**673,070**	**730,524**

(i) Includes a one off 'Thank You' payment of £500 for all Health and Social Care staff
(ii) K O'Hagan left the employment of South Ayrshire Council on 31/5/2020
*£87,469 full year equivalent

Figures relating to 2019-2020 include the following election fees: E Howat £2,500, D Hutchison £2,000 and C Caves £1,500.

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 2020-21. There were 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	**2020-2021**	**2019-2020**
	£	**£**
D Bell - Managing Director of Ayr Renaissance LLP(i)	***7,095**	**84,975**

(i) *D Bell left the employment of South Ayrshire Council on 30/4/2020*

*£87,469 full year equivalent

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 2020-2021	Number of Employees 2019-2020
£50,000 - £54,999	131	104
£55,000 - £59,999	58	72
£60,000 - £64,999	43	31
£65,000 - £69,999	20	13
£70,000 - £74,999	3	3
£75,000 - £79,999	6	4
£80,000 - £84,999	1	8
£85,000 - £89,999	7	2
£90,000 - £94,999	1	1
£100,000 - £104,999	-	1
£105,000 - £109,999	2	-
£115,000 - £119,999	2	2
£135,000 - £139,999	1	1
	275	**242**

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 2020-21 were as follows:

Full time pay	Contribution rate 2020-2021
On earnings up to £22,200	5.50%
On earnings above £22,200 and up to £27,100	7.25%
On earnings above £27,100 and up to £37,200	8.50%
On earnings above £37,200 and up to £49,600	9.50%
On earnings above £49,600	12.00%

Full time pay	Contribution rate 2019-2020
On earnings up to £21,800	5.50%
On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,700 and up to £36,600	8.50%
On earnings above £36,600 and up to £48,800	9.50%
On earnings above £48,800	12.00%

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

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

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

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

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

The pension entitlements for senior councillors for the year to 31 March 2021 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 2021**	**For year to 31 March 2020**		**As at 31 March 2021**	**Difference from 31 March 2020**
		£	**£**		**£**	**£**
*P Henderson	Leader of the Council/ Senior Councillor (2)	6,367	4,531	Pension	2,060	686
				Lump sum	-	-
**D Campbell	Leader of the Council	2,726	6,744	Pension	6,501	531
				Lump sum	1,833	11
H Moonie	Provost	5,172	5,058	Pension	6,275	646
				Lump sum	1,831	33
***S Brown	Senior Councillor (2)	3,555	-	Pension	1,655	493
				Lump sum	-	-
I Cochrane	Senior Councillor (2)	4,634	4,531	Pension	3,888	562
				Lump sum	-	-
J Dettbarn	Senior Councillor (2)	4,634	4,531	Pension	1,838	512
				Lump sum	-	-
W Grant	Senior Councillor (2)/ Depute Provost	4,634	4,531	Pension	3,820	561
				Lump sum	-	-
B McGinley	Senior Councillor (2)	4,634	4,531	Pension	3,883	549
				Lump sum	-	-
P Saxton	Senior Councillor (2)	4,634	4,531	Pension	5,615	582
				Lump sum	1,618	31
I Cavana	Senior Councillor (1)	4,175	4,083	Pension	3,465	635
				Lump sum	444	91
A Clark	Senior Councillor (1)	4,175	4,083	Pension	3,539	500
				Lump sum	-	-
B Connolly	Senior Councillor (1)	4,175	4,083	Pension	3,510	493
				Lump sum	-	-
****M Dowey	Senior Councillor (1)	4,175	3,102	Pension	1,539	459
				Lump sum	-	-
H Hunter	Senior Councillor (1)	281	4,083	Pension	-	(6,754)
				Lump sum	-	(1,819)
C MacKay	Senior Councillor (1)	4,175	4,083	Pension	1,354	456
				Lump sum	-	-
		62,146	**62,505**		**54,668**	**(742)**

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

**P Henderson – held the post of Senior Councillor (2) until 25/6/2020 when he was appointed Leader of the Council*

*** D Campbell – held the post of Leader of the Council until 25/06/2020, when he then held the post of Senior councillor (1) until 01/10/2020*

**** S Brown – held the post of Senior Councillor (2) from 25/6/2020*

*****M Dowey – held the post of Senior Councillor (1) from 27/06/2019*

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

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

The pension entitlements of senior employees for the year to 31 March 2021 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 2021**	**For year to 31 March 2020**		**As at 31 March 2021**	**Difference from 31 March 2020**
	£	**£**		**£**	**£**
E Howat – Chief Executive	26,627	26,350	Pension	73,167	3,616
			Lump Sum	127,855	1,406
T Eltringham - Director of Health & Social Care Partnership	22,949	22,294	Pension	62,455	4,024
			Lump Sum	108,422	3,158
D Hutchison - Director of People	22,949	22,294	Pension	17,102	2,715
			Lump Sum	-	-
D Gillies – Director of Place	20,719	20,128	Pension	39,210	3,149
			Lump Sum	50,140	1,461
T Baulk – Head of Finance & ICT	16,882	16,400	Pension	39,547	2,776
			Lump Sum	60,889	1,773
C Caves – Head of Legal, HR and Regulatory Services	16,882	16,400	Pension	4,884	1,836
			Lump Sum	-	-
K O'Hagan - Head of Employee & Customer Services (i)	2,800	16,294	Pension	-	(36,424)
			Lump Sum	-	(58,787)
	129,808	**140,160**		**583,671**	**(69,297)**

(i) K O'Hagan left the employment of South Ayrshire Council on 31/05/2020

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 2021**	**For year to 31 March 2020**		**As at 31 March 2021**	**Difference from 31 March 2020**
	£	**£**		**£**	**£**
D Bell - Managing Director of Ayr Renaissance LLP (i)	1,369	16,400	Pension	17,602	408
			Lump Sum	385	1
	1,369	**16,400**		**17,987**	**409**

(i) D Bell left the employment of South Ayrshire Council on 30/4/2020

Exit packages of employees (subject to audit)

The table below sets out the number and costs of exit packages for both 2020-2021 and 2019-2020 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.

	2020-2021			2019-2020		
Exit package cost band (including special payments)	**Number of exit packages**	**Cost £**	**Notional CAY cost £**	**Number of exit packages**	**Cost £**	**Notional CAY cost £**
£0 - £20,000	2	17,105	-	30	255,649	-
£20,001 - £60,000	9	312,991	-	14	318,216	137,904
£60,001 - £80,000	-	-	-	2	86,720	58,429
£80,001 - £100,000	-	-	-	8	619,196	107,356
£100,001 - £150,000	3	355,823	107,039	4	519,547	149,042
Total	**14**	**685,919**	**107,039**	**58**	**1,799,328**	**452,731**

There were no compulsory redundancies during 2020-2021 or 2019-2020.

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%	44	42.45
51 – 99%	-	-
100%	-	-
	44	**42.45**

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

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

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Peter Henderson
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Eileen Howat
Chief Executive

29 September 2021

Councillor Peter Henderson
Leader of the Council

29 September 2021

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 2021

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.

2019-20 £000	Expenditure	2020-21 £000	2020-21 £000
10,810	Repairs and maintenance	9,360	
6,378	Supervision and management	6,456	
13,733	Depreciation and impairment of property, plant and equipment	14,262	
980	Other expenditure	566	
256	Increase in bad debt provision	350	
32,157	**Total expenditure**		**30,994**
	Income		
(31,435)	Dwelling rents	(31,671)	
(419)	Non-dwelling rents	(333)	
(614)	Other income	(317)	
(32,468)	**Total income**		**(32,321)**
121	HRA share of Corporate and Democratic Core		126
(190)	**Net (income)/expenditure from HRA service as included in the Council Comprehensive Income and Expenditure statement**		**(1,201)**
	Other Operating Expenditure		
(2)	(Gain) or loss on sale of HRA non-current assets		1
2,380	Interest payable and similar charges		2,369
(135)	Interest and investment income		(110)
128	Net interest on the net defined benefit liability		78
(3,931)	Non-specific grant income		(4,035)
(1,750)	**(Surplus) for the year on HRA services**		**(2,898)**

II) Movement on the HRA Statement for the year ended 31 March 2021

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.

2019-2020 £000		2020-2021 £000
(9,357)	**Balance on the HRA at the end of the previous year**	**(11,329)**
(1,750)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,898)
(222)	Adjustments between accounting basis and funding basis under statute*	(27)
(1,972)	**Net decrease/(increase) in HRA balance**	**(2,925)**
(11,329)	**Balance on the HRA at the end of the current year**	**(14,254)**

*Represents net movement of all adjustments

Note 1: Provisions

A provision of £0.942m (2019-2020: £0.728m) is included in the Balance Sheet for doubtful debts in respect of mainstream housing rents. During 2020-2021, a total of £0.136m was written off in respect of housing rent arrears. A further provision of £0.215m (2019-2020: £0.224m) is included in the Balance Sheet for doubtful debts in respect of homeless arrears. During the year, a total of £0.037m was written off in respect of homeless arrears.

Note 2: Accommodation

At 31 March 2021, the Council held various types of accommodation and had the following number and types of houses:

Type of accommodation	**2020-2021**	**2019-2020**
One and two apartment	2,509	2,503
Three apartment	3,468	3,460
Four apartment	1,978	1,975
Five or more apartment	171	170
	8,126	**8,108**

Note 3: Rent arrears & void property lost rent

At 31 March 2021, rent arrears amounted to £1.405m (2019-2020: £1.243m), being 4.28% (2019-2020: 3.89%) of gross rent collectable. The rental income lost due to void properties amounted to £0.548m in 2020-21 (2019-2020: £0.478m).

Note 4: HRA surplus/ (deficit)

The surplus for the year of £2.925m, when combined with the accumulated surplus brought forward from 2019-2020 of £11.329m, results in a final 2020-21 accumulated surplus of £14.254m at 31 March 2021. £12.067m is required to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.187m to be held as contingency for future unexpected or emergency situations (a minimum working balance of £2.000m is recommended to be held for this purpose).

Section 9: Collection of Council Tax

The Council Tax Income Account (Scotland) shows the gross income raised from council tax levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

Council Tax Income Account

2019-2020 £000		2020-2021 £000
76,045	Gross council tax levied and contributions in lieu	80,018
	Deduct:	
(8,163)	Council tax benefits/reduction (net of government grants)	(8,712)
(8,297)	Other discounts and reductions	(8,979)
(1,800)	Write-off of uncollectable debts and allowances for impairment	(1,888)
57,785	**In year council tax income**	**60,439**
(379)	Adjustment to prior years' council tax	(111)
57,406	Transfer to General Fund	**60,328**

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	2020-21 Charge per band £
A	896.64
B	1,046.08
C	1,195.52
D	1,344.96
E	1,767.13
F	2,185.56
G	2,633.88
H	3,295.15

Councils can vary the rate of council tax discount for unoccupied homes within their area in accordance with the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. From 1 April 2019 owners will pay 200% Council Tax for an empty property that is unoccupied for more than 12 months or up to 2 years if actively marketed for sale or rent. Councils can also vary the rate of council tax discount for second homes in accordance with The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2016. From 1 April 2018 owners of second home will pay 100% Council Tax for their second property. An element of the additional income collected from the reduction of discounts for empty properties requires to be transferred for the provision of new-build, affordable social housing in areas determined by the Council.

Additional income of £1.319m is included within the general fund reserves and earmarked for use in relation to the affordable homes strategy.

Note 2: Calculation of the Council tax charge base 2020-2021

	Valuation band								
Council tax band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Total number of properties	7,257	12,741	8,956	8,430	9,671	5,104	3,211	298	**55,668**
Less exemptions/deductions	342	426	293	172	183	79	38	4	**1,537**
Less adjustment for single discount	924	1,271	837	660	656	263	135	6	**4,752**
Less adjustment for double discount	83	156	120	109	99	46	24	5	**642**
Reduction in tax base due to Council Tax Reduction	2,513	2,812	1,417	619	365	104	27	-	**7,857**
Effective number of properties	**3,395**	**8,076**	**6,289**	**6,870**	**8,368**	**4,612**	**2,987**	**283**	**40,880**
Band D equivalent factor (D)	**240**	**280**	**320**	**360**	**473**	**585**	**705**	**882**	
Band D equivalent number of properties	2,263	6,282	5,590	6,870	10,994	7,495	5,850	692	**46,036**
Class 17 & 24 dwellings				3					**3**
Total	**2,263**	**6,282**	**5,590**	**6,873**	**10,994**	**7,495**	**5,850**	**692**	**46,039**
Less provision for non-collection 2.75 per cent (adjusted for impact of Council Tax Reduction)									1,266
Council tax base 2020-2021									**44,773**

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.

2019-2020		2020-2021
£000		£000
59,409	Gross rates levied and contributions in lieu	59,667
	Deduct:	
(14,107)	Reliefs and other deductions	(36,150)
(906)	Write-off of uncollectable debts and allowance for impairment	(473)
44,396	**Net non-domestic rate income**	**23,044**
(2,958)	Adjustment to previous years' national non-domestic rates	(2,875)
41,438	**Total non-domestic rate income**	**20,169**
	National non-domestic rate pool:	
42,818	Non-domestic rate income retained by the authority	28,601
(41,438)	Contribution (to)/ from national non-domestic rate pool	(20,169)
1,380		**8,432**

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 2020-2021

Commercial subjects	Number	Rateable Value £000
Shops	1,402	34,275
Public houses	116	3,698
Offices (Including banks)	796	8,934
Hotels, boarding houses, etc.	79	5,970
Industrial and freight transport subjects	975	21,210
Leisure, entertainment, caravans and holiday sites	595	7,206
Garages and petrol stations	91	1,312
Cultural	31	794
Sporting subjects	551	1,137
Education and training	73	9,852
Public service subjects	177	6,697
Communications (non-formula)	17	2,034
Quarries, mines etc.	8	538
Petrochemical	3	107
Religious	89	1,019
Health medical	89	4,364
Other	202	1,234
Care facilities	55	3,011
Advertising	34	68
Undertaking	22	3,025
Total all subjects	**5,405**	**116,485**

Rate levied 2020-2021: Rateable value greater than £95,001 – 52.40p, between £51,001 and £95,000 – 51.10p less than or equal to £51,000 – 49.80p

Section 11: Group Accounts

Introduction

The Code of Practice requires local authorities to consider their interest in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Valuation Boards. Local authorities are required to prepare a full set of Group Accounts in addition to their own Council's Accounts where they have a material interest in such entities.

Combining entities

The Council has an interest in two subsidiaries, three associates and one joint venture entity. Further information on each entity are detailed in the notes to the Group Accounts below on pages 94 to 96 The subsidiary, associate and joint venture entities share a common accounting period ending 31 March 2021.

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. 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 organisation is in the process of being wound up, which is expected to be concluded during 2021-2022. Until this process is completed Ayr Renaissance LLP is still being treated as a subsidiary for the purposes of the Group Accounts.

The associate entities incorporated are:

- Strathclyde Partnership for Transport;
- Strathclyde Concessionary Travel Scheme Joint Board; and
- Ayrshire Valuation Joint Board.

The joint venture is:

- South Ayrshire Integration Joint Board.

The associate and joint venture entities are independent joint boards whose function is to provide services on behalf of its constituent councils. The representative members of each board are elected Councillors appointed by constituent authorities. The Council has one member representing its interests on each of the Transport Authority and Concessionary Travel Scheme Joint Boards, five members on the Ayrshire Valuation Joint Board and four voting members on the South Ayrshire Integration Joint Board.

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, associate entities and joint venture in the group Balance Sheet increases both the reserves and net assets by £44.417m, 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 29 to 33.

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 34 to 67. The following notes provide additional information in relation to other combining entries.

Note 1: Accounting policies

The Group financial statements are prepared in accordance with the policies set out in the Significant Accounting Policies, Note 31 Section 6 to these accounts on pages 68 to 79.

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 29 to 33, the accounting regulations require specific disclosures about the combining entities and the nature of their business.

The Common Good Fund was inherited by South Ayrshire Council from Kyle & Carrick District Council following the 1996 local government re-organisation. The Fund comprises five distinct sub-funds: Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves.

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy on behalf of the twelve local authorities in the West of Scotland. The majority of its funding comes directly from the Scottish Government to fund the Rail Franchise payment and to ensure the delivery of rail services within the Board's area as specified in the rail franchise agreement. In 2020-2021, South Ayrshire Council contributed £1.790m or 5.05% of the Board's estimated running costs. Its share of the year-end net asset of £22.318m (2019-2020: £20.591m) 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 2020-2021, South Ayrshire Council contributed £0.263m or 6.52% of the Board's estimated running costs. Its share of the year-end net asset of £0.226m (2019-2020: £0.045m) 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 2020-2021, South Ayrshire Council contributed £0.868m or 33.33% of the Board's estimated running costs and a £0.015m capital grant. Its share of the year-end net asset of £0.997m (2019-2020: £0.563m) 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 £0.007m for running costs during 2020-2021.

South Ayrshire Integration Joint Board was established following the submission of three Integration Schemes from Ayrshire, the Cabinet Secretary for Health, Wellbeing and Sport signed the Parliamentary Order in March 2015 which enabled the establishment of new Health and Social Care Partnerships. The new integrated partnerships combine the resources and expertise from local Councils, the NHS and a number of other stakeholders to deliver key health and social care services where they are needed most. The South Ayrshire Integration Joint Board was formally established on 1 April 2015. South Ayrshire Council controlled 50% of the Boards resources in 2020-2021 on a Joint Venture equity basis.

The following table details the main elements of South Ayrshire Council's share of assets, liabilities and revenues of its Subsidiary and Associates entities.

Share of Subsidiary and Associate - Assets and Liabilities 2020-2021

	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	15,115	23,450	239	1,060	695	5,103
Share of liabilities	(36)	(1,132)	(13)	(63)	-	-
Share of revenues	(738)	(3,689)	(263)	(993)	(7)	(128,378)
Share of (surplus)/deficit	(67)	(438)	(178)	(60)	-	(4,898)

Share of Subsidiary and Associate - Assets and Liabilities 2019-2020

	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	17,011	21,698	114	609	703	432
Share of liabilities	(44)	(1,107)	(69)	(46)	(8)	(226)
Share of revenues	(668)	(4,619)	(251)	(811)	(201)	(115,609)
Share of (surplus)/deficit	50	(3,088)	34	77	-	(205)

Note 4: Contingent liabilities

At 31 March 2021 the Council had no share of contingent liabilities in any of its associate entities.

Section 12: Common Good Fund Accounts

The Common Good Fund was inherited by the Council from Kyle and Carrick District Council in 1996 following local government re-organisation. The Fund comprises five distinct sub-funds: Ayr, Troon, Prestwick, Maybole and Girvan. The Council controls 100% of the Fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from income or reserves.

I) Movement in Common Good Reserves Statement for the year ended 31 March 2021

2020-2021	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 2020	328	940	**1,268**	15,699	**15,699**	**16,967**
Movement in reserves during 2020-2021						
Surplus or (deficit) on the provision of services	67	-	**67**	-	**-**	**67**
Other comprehensive income and expenditure	-	(2)	**(2)**	(1,955)	**(1,955)**	**(1,957)**
Increase/(decrease) in 2020-2021	67	(2)	**65**	(1,955)	**(1,955)**	**(1,890)**
Balance at 31 March 2021	395	938	**1,333**	13,744	**13,744**	**15,077**

2019-2020	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 2019	378	930	**1,308**	15,697	**15,697**	**17,005**
Movement in reserves during 2019-2020						
Surplus or (deficit) on the provision of services	(50)	-	**(50)**	-	**-**	**(50)**
Other comprehensive income and expenditure	-	10	**10**	2	**2**	**12**
Increase/(decrease) in 2019-2020	(50)	10	**(40)**	2	**2**	**(38)**
Balance at 31 March 2020	328	940	**1,268**	15,699	**15,699**	**16,967**

II) Common Good Income and Expenditure Account for the year ended 31 March 2021

2019-2020		**Ayr**	**Troon**	**Prestwick**	**Maybole**	**Girvan**	**2020-2021**
£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	Expenditure						
645	Property costs	554	-	30	-	44	**628**
-	Donations and contributions	1	-	-	-	-	**1**
73	Other expenditure	41	-	-	-	-	**41**
718		**596**	**-**	**30**	**-**	**44**	**670**
	Income						
656	Rents and other income	653	-	29	-	44	**726**
12	Interest on loans	10	-	1	-	-	**11**
668		**663**	**-**	**30**	**-**	**44**	**737**
(50)	**(Deficit) for year**	**67**	**-**	**-**	**-**	**-**	**67**
378	Surplus brought forward	29	35	253	2	9	**328**
328	**Accumulated surplus**	**96**	**35**	**253**	**2**	**9**	**395**

III) Common Good Balance Sheet as at 31 March 2021

31 March 2020		31 March 2021
£000		**£000**
15,906	Property, plant and equipment	13,951
-	Long term investments	-
15,906	**Non-current assets**	**13,951**
2	Inventory	2
-	Debtors and prepayments	-
1,103	Loans fund investment	1,161
1,105	**Current assets**	**1,163**
(13)	Creditors	(6)
(31)	Deferred income	(31)
(44)	**Current liabilities**	**(37)**
16,967	**Net assets**	**15,077**
1,268	Usable Reserves - Revenue and Capital reserves	1,333
15,699	Unusable Reserve - Revaluation Reserve	13,744
16,967	**Net reserves**	**15,077**

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 2016-2017 and 2020-2021, dependent on the category of asset.

Note 2: Movement in Property, Plant and Equipment

2020-2021 Movements	**Ayr**	**Prestwick**	**Troon**	**Girvan**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Value as 1 April 2020	**15,170**	**694**	**31**	**11**	**15,906**
Revaluations and impairments	(1,795)	(160)	-	-	(1,955)
Value as at 31 March 2021	**13,375**	**534**	**31**	**11**	**13,951**

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 Fund Accounts

The Council administers trust funds and bequests from local benefactors from which payments are made for specific purposes. The number of trusts at 31 March 2021 was 56: 51 of which are under the control of South Ayrshire Councillors (ex-officio) and five which are controlled in part by external trustees. The following tables summarise those trusts that are controlled solely by South Ayrshire Councillors:

2019-2020		Registered charitable trusts	Other trusts	2020-2021
£000	**Revenue accounts**	**£000**	**£000**	**£000**
656	Opening balance	257	247	504
10	Income for year	2	5	7
(162)	Expenditure during year	(102)	(9)	(111)
504	**Closing balance**	**157**	**243**	**400**
	Balance Sheet as at 31 March			
	Assets			
97	Investments	18	97	115
542	Current assets	161	278	439
639	**Total assets**	**179**	**375**	**554**
	Reserves			
504	Revenue	157	243	400
43	Available for sale financial instrument reserve	2	59	61
92	Capital reserve	20	73	93
639	**Total reserves**	**179**	**375**	**554**

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2021, 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.	119	15	134
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	3	7
Total charitable trusts		**161**	**18**	**179**

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.	161	97	258
Sundry Mortifications	Maintenance of lairs in perpetuity.	47	-	47
Various	Non-Charitable Trusts with closing balances of less than £25,000.	70	-	70
Total non-charitable trusts		**278**	**97**	**375**
Total trusts		**439**	**115**	**554**

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 2020 £000 Capital	31 March 2020 £000 Revenue	Income £000 Capital	Income £000 Revenue	Expenditure £000 Capital	Expenditure £000 Revenue	31 March 2021 £000 Capital	31 March 2021 £000 Revenue	31 March 2021 £000 Total
New SACT (SC045677)	13	219	2	2	-	102	15	119	134
South Ayrshire Council Charitable Trusts (SC025088)	4	34	-	-	-	-	4	34	38
McKechnie Trust (SC012759)	3	4	-	-	-	-	3	4	7
Total charitable trusts	**20**	**257**	**2**	**2**	**-**	**102**	**22**	**157**	**179**

Non-charitable Trusts

Capital and Revenue	31 March 2020 £000 Capital	31 March 2020 £000 Revenue	Income £000 Capital	Income £000 Revenue	Expenditure £000 Capital	Expenditure £000 Revenue	31 March 2021 £000 Capital	31 March 2021 £000 Revenue	31 March 2021 £000 Total
John McMaster Bursary Fund	79	166	17	4	-	9	96	161	257
Sundry Mortifications	20	27	-	-	-	-	20	27	47
Non-charitable trusts with a closing balance of less than £25,000	16	54	-	1	-	-	16	55	71
Total non-charitable	**115**	**247**	**17**	**5**	**-**	**9**	**132**	**243**	**375**
Total	**135**	**504**	**19**	**7**	**-**	**111**	**154**	**400**	**554**

Other trusts and bequests

The Council also administers the funds of a further five trusts or bequests that are controlled in part by external trustees with a combined value at 31 March 2021 of £0.862m. These trusts or bequests are not included in the above accounts and are not covered by the independent auditor's report at Section 14.

Section 14: Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

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 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Council Tax Income Account, Non-Domestic Rate Account, Common Good Fund Accounts, and Trust Fund Accounts, 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 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 5 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements 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.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

- considering the nature of the council's control environment and reviewing the council's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003 and the Public Bodes (Joint Working) Scotland Act 2014.

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the recognition of COVID-19 related income. The risks are that the COVID-19 related income is incorrected recorded where grant conditions exist and has not been correctly assessed and disclosed as either a principal or agency relationship. In response to this risk, we tested a sample of COVID-19 funding to confirm that it has been recognised in accordance with any conditions applicable. In addition, we have tested the agency arrangement disclosures to confirm that they have been correctly assessed and disclosed.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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

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

Reporting on other requirements

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

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

Statutory other information

The Head of Finance and ICT is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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.

DocuSigned by:

P. Kenny

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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
29 September 2021

Section 15: Glossary of Terms

Although the terminology used in the Annual Accounts is intended to be self-explanatory, it may be helpful to readers to provide additional definition and interpretation of the terms used.

Accounting period
The period of time covered by the Annual Accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial gains and losses (pensions)
For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or changes in the actuarial assumptions themselves.

Asset
An item having value to the Council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.

Associates
These are entities (other than a subsidiary or joint venture) in which the Council has a participating interest or over whose operating and financial policies the Council 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.

Covid-19
Declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020

Current service cost (pension)
The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

Debtor
Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined benefit pension scheme
Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciation
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Discretionary benefits (pensions)
Retirement awards which the employer has no legal, contractual or constructive obligation to make. These are awarded under the Council's discretionary powers.

Entity
A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Events after the Balance Sheet date
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Fair value
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less, where applicable, any grants receivable towards the purchase of a useable asset.

Finance lease
A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

Government grants
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage asset
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee.

IFRS
International Financial Reporting Standards.

Impairment
A reduction in the value of a non-current asset to 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
Making a Difference Every Day