Agenda Item No. 7

South Ayrshire Council

Report by Head of Finance, ICT and Procurement to Audit and Governance Panel of 28 June 2023

Subject: Annual Accounts 2022/23

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1. Purpose

1.1 The purpose of this report is to present the unaudited Annual Accounts for the year ended 31 March 2023 (‘the unaudited Accounts’).

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 approves the accounting policies (contained in Appendix 1 (to follow)) used in preparing the 2022/23 Annual Accounts;

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

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

2.1.4 requests the Head of Finance, ICT and Procurement to report back to the Panel following completion of the audit.

3. Background

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

3.2 Where appropriate, the accounting policies have been revised in line with changes required by 2022/23 Code.

3.3 The unaudited Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and were submitted to the Council’s external auditors, Audit Scotland, before the statutory deadline of 30 June 2023.

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

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

3.6 The Chief Internal Auditor's statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2023 is being provided to the members of the Audit and Governance Panel as a separate item on this agenda.

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

4. Proposals

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

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

4.3 The audit of the Accounts will commence in July and will conclude with an Annual Audit report and Report to those Charged with Governance being presented to the Audit and Governance Panel in September 2023. The report will provide the independent auditor's report to Members of the Council, and will allow the auditor to communicate the matters raised during the audit to the Panel.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 None arising from this report.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 Risk Implications of Adopting the Recommendations

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

8.2 Risk Implications of Rejecting the Recommendations

8.2.1 There are no risks associated with rejecting the recommendations.

9. Equalities

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

10. Sustainable Development Implications

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

11. Options Appraisal

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

12. Link to Council Plan

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

13. Results of Consultation

13.1 As indicated at paragraph 3.3 above, the unaudited Accounts will be available for public inspection during the audit process.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, due to tight timescales to produce the report.

Background Papers **None**

Person to Contact **Tim Baulk, Head of Finance, ICT and Procurement**
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612620
E-mail tim.baulk@south-ayrshire.gov.uk

Date: 20 June 2023

Unaudited Annual Accounts 2022-23

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

south-ayrshire.gov.uk

South Ayrshire Council 2022-23 Annual Accounts

Contents

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Section 1: Management Commentary

Welcome to South Ayrshire Council's Annual Accounts for the financial year ended 31 March 2023.

These accounts will provide you with important and helpful information about our financial management and performance in the financial year 2022-23.

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

South Ayrshire Council is the main provider of essential services and facilities in the area. Our dedicated and hardworking staff go above and beyond to make a difference every day and ensure that we provide high-quality services that meet the needs of our residents.

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

Councillor Martin Dowey, Leader of South Ayrshire Council.

Our Key Achievements of 2022-23 include:

- We pride ourselves on our fantastic school facilities. The brand-new Prestwick North Education Campus and Sacred Heart Primary schools both opened their doors to pupils last year; work at the new £50 million Maybole Community Campus is progressing well and is on track to open later this year; and ground was broken at the new Struthers Early Years Centre in Troon.

- Ayr Grammar Primary School, it's associated Early Years Centre and the Archive and Registration Centre won 'Project of the Year' at the Learning Places Scotland Awards, which celebrate excellence in design and delivery of education projects across the whole of the country.
- For the second year in a row, we became one of the top local authorities in Scotland for school leavers. 98.3% of our young people move on to positive destinations, and with the Scottish average at 95.5%, this is an outstanding achievement.
- We continued to support local businesses to thrive with our involvement in the Scotland Loves Local South Ayrshire gift card scheme, encouraging the public to purchase cards to keep their spend local and boost our economy.

- We launched our 'Destination South Ayrshire' app, which showcases everything the region has to offer, from long sandy beaches and market towns to world-class golf, and award-winning local food and produce.
- We continued our investment and involvement in projects such as the Ayrshire Growth Deal and Maybole Regeneration Project.

  Ayr, Maidens, Prestwick, Girvan and Troon South Beach all became winners of the prestigious Scotland's Beach Award earlier in the year - recognised for their fantastic amenities, including being clean, well-managed and sustainable.
- Work began on the former Mainholm Academy and John Pollock Centre site to build 160 new affordable homes, showing our commitment to providing quality homes that meet the needs of tenants.
- We continued to provide opportunities for 16-24-year-olds in the area through jobs, apprenticeships, further and higher education, training programmes and volunteering;
- Our Property Maintenance and Neighbourhood Services teams achieved national recognition in the prestigious APSE Awards for the fantastic service they provide.
- Our Corporate Procurement Team gained national recognition at the recent National Procurement Go awards, having been selected as a finalist in two categories, Contract and Supplier Management 2022-23 and Digital Services Delivery 2022-23, winning in the Contract and Supplier Management category.
- The brand-new Riverside Sports Arena opened its doors to local sporting enthusiasts, and the gym at Prestwick Swimming Pool received a £0.300 million investment to expand the gym and refurbish the changing rooms and toilets.

- We set aside funding in our 2023-24 Budget to bring the brand-new International Ayr Show – Festival of Flight to Ayr shore front for the next five years.
- The new Cutty Sark Centre at the bottom of Ayr High Street was completed, encouraging footfall into the town centre. Work has also started on a ground-breaking new building in Girvan for Council staff that will set a new standard in energy performance.
- We've extended the trial Motorhome Parking Scheme in Troon and Ballantrae, following the successful implementation of permanent motorhome parking bays in Ayr and Girvan.
- We became the first Council in Scotland to partner with LitterLotto and environmental charity Keep Scotland Beautiful to help combat the growing issue of litter in our communuties.

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

Plans for 2023 and Beyond

Our Council Plan 2023-28 outlines the Council's priorities and objectives over the next five years.

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

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

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

Investing £96 million for the South Ayrshire Health and Social Care Partnership, an increase of 3.4%

Investing £1 million into each Council ward area

Investing £5 million in Belleisle and Darley golf courses over the next four years

Investing £10 million in the Citadel Leisure Centre

Committing £447 million for Capital Investment projects that will benefit our communities over the next 12 years

Continuing the investment of **£88 million** into the Ayrshire Growth Deal, with a further £55 million of funding

Investing £3 million for Girvan regeneration projects

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.

112,450 POPULATION

47.8% MALE

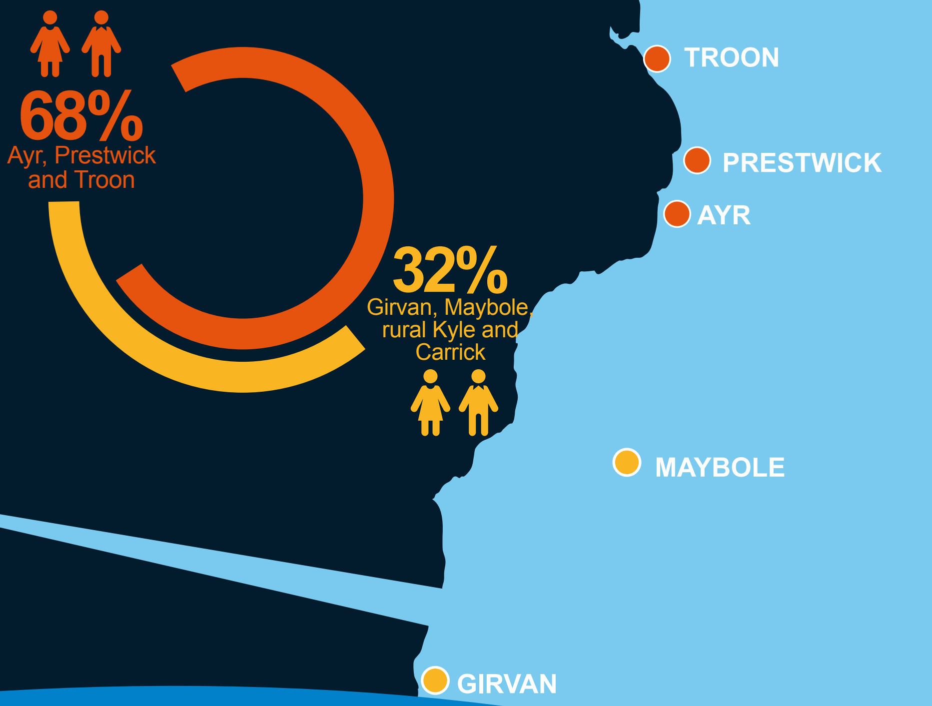
52.2% FEMALE

24.7% 66 and over (National average 18.4%)

15.3% under 16 (National average 16.6%)

(Source: National Records of Scotland, 2021 Mid-Year Population Estimates & 2018 Based Population Projections

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



About The Council

Elected Members

CONSERVATIVE **10**

SNP **9**

LABOUR **5**

INDEPENDENT **4**

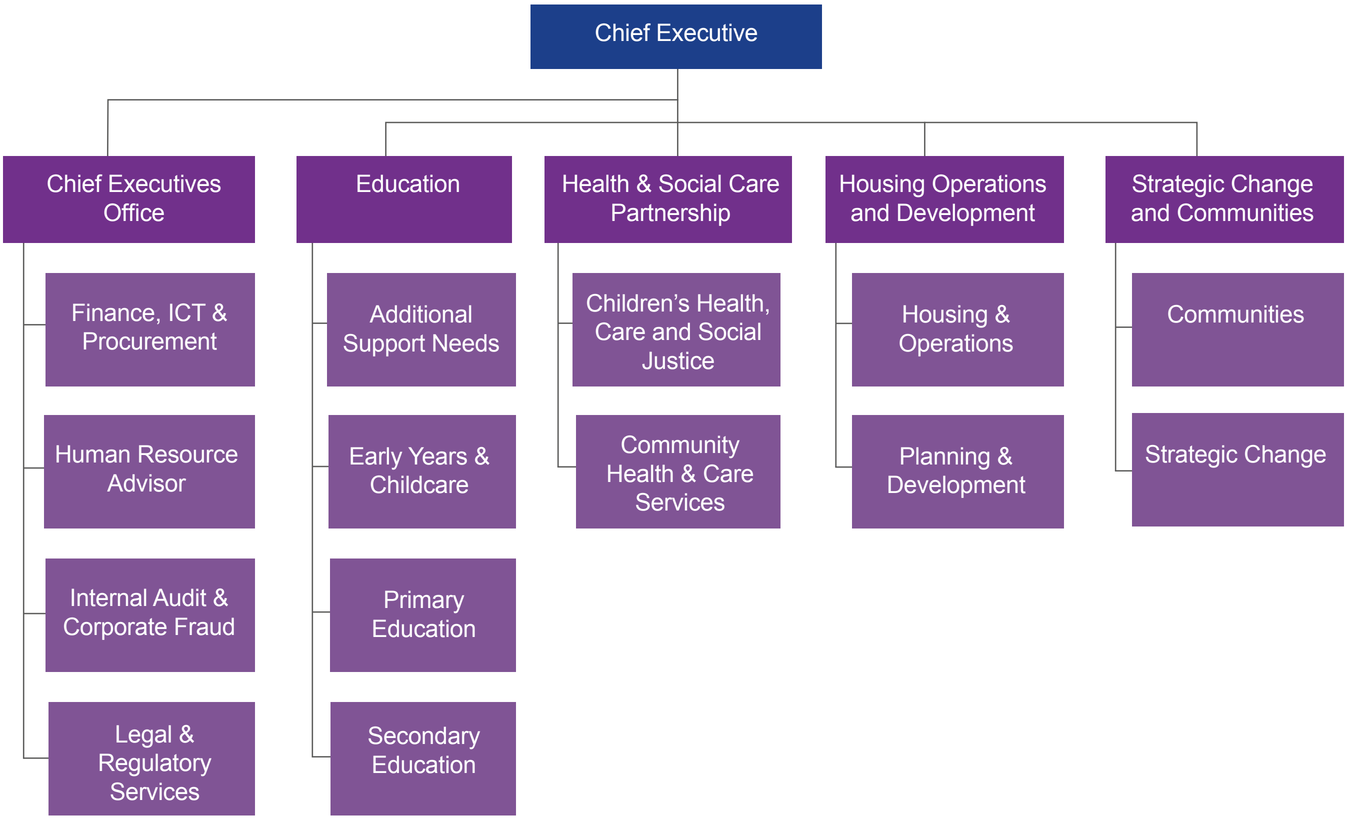
Staff

4,715 full-time equivalent (as at 31 March 2023)

Our Council Structure

The 2021 Best Value Assurance report recommended that ‘the Council should assure itself that it has the capacity and skills required to increase its pace of improvement in key aspects of Best Value, such as community planning and empowerment, financial and workforce planning, and transformation’ and the Chief Executive was remitted to bring forward structural revisions which reflect the current challenges and priorities.

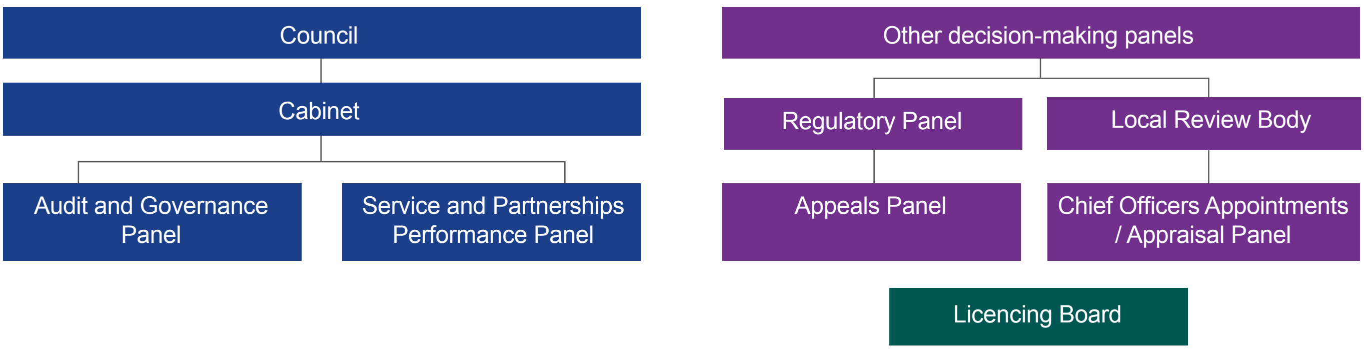
This process concluded with the approval of a revised Council structure at a Special Council in September 2022. The revised structure includes an additional Director with responsibility for Strategic Change and Communities and incorporates revisions to the remits of Assistant Directors to include a focus on Strategic Change and to bring together Housing Operations and Policy. An Assistant Director of Education is also included. These changes are designed to free up strategic capacity within the Corporate Leadership Team and build overall capacity within senior leadership. The structure is provided below and more detail can be found by clicking here.



Political decision-making structure

The Council approved changes to its political decision making structure in March 2023 with the main changes being the creation of an additional Portfolio Holder for Developing South Ayrshire and the merger of the Service and Performance and Partnership Panels.

The Political decision-making structure is shown below.



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

Strategic Direction

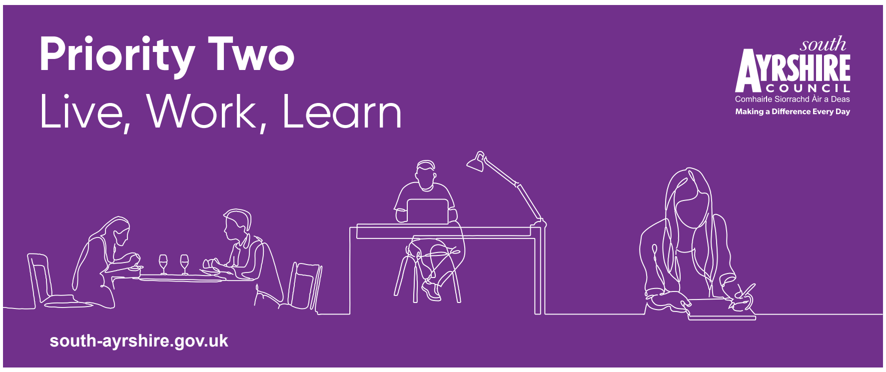
A new 2023-28 Council Plan was developed during 2022-23 following the May 2022 local elections. The new Council Plan, approved in March 2023, sets out the council's vision 'to make a difference every day', its broad priorities and high level outcomes.

This Council plan was developed through a process of research and engagement and identifies key areas of focus over the next 5 years. Development of this plan has sought to recognise best practice and emerging innovative approaches throughout Scotland. The Council has engaged heavily with the Improvement Service and the priorities and outcomes identified below have been influenced by the Places and Wellbeing Outcomes, a joint initiative between Public Health Scotland and the Improvement Service, aimed at recognising the important effect our places have on the wellbeing of our communities and environment. Drawing on the principles recommended by the Christie Commission for the future of public services, our priorities are:

- preventative in nature
- drive collaboration between services and partners
- require the participation and meaningful involvement of those with local lived knowledge of their community.

Alongside our priorities, the plan highlights cross-cutting strategic themes that will be considered in all our decision making, ensuring that collaboration is embedded in our everyday practice and our resources are used as efficiently and effectively as possible

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



In June 2023 Council approved various operational Service Plans. The Service plans highlight the actions to be undertaken by services to achieve the Council's strategic objectives. The plans also draw out key actions that will be reported to members over the reporting period.

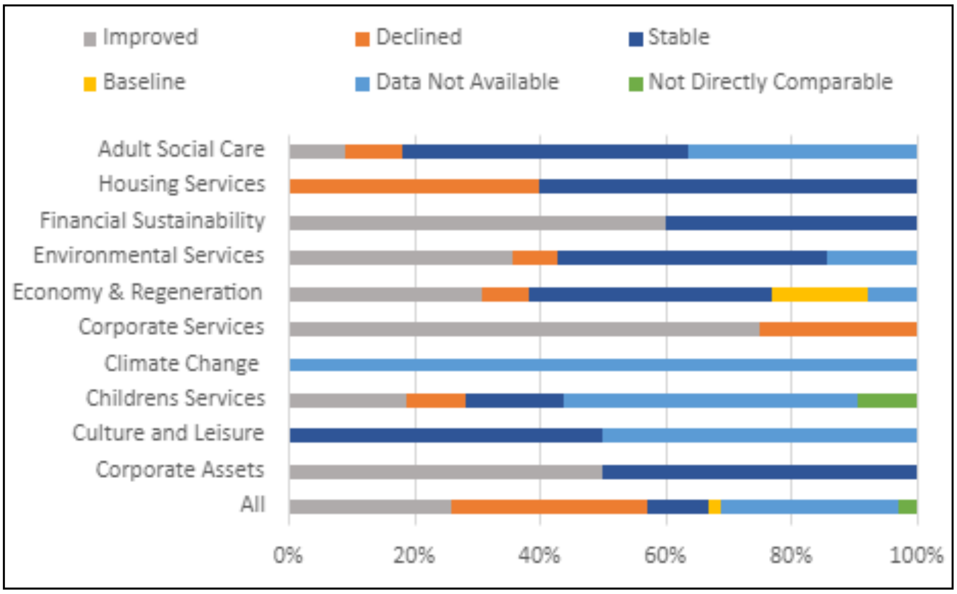
To coincide with the new Council and Service plans, an updated Performance Management Framework (PMF) has been developed. The PMF sets out the relationship between the Council Plan and the actions taken by service areas, teams and individuals to contribute towards advancing the Council's vision. The PMF also sets out the reporting regime for the new plan, with quarterly reports proposed to go to Service and Partnerships Performance Panel (SPPP) and Corporate Leadership Team on alternate quarters. The draft PMF was considered by Cabinet in June and the first reports to SPPP due in November.

Performance against other Councils 2021-22

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 2021-22 report, the latest published Local Government Benchmarking Framework information, can be accessed here.

The data relating to 2021-22 in some cases has been impacted by the Covid-19 pandemic therefore many of the indicators cannot be directly compared with performance in previous years or with other councils. This also makes trend data not comparable. As such, this data should be treated with caution and is best accompanied with the narrative provided by managers and presented to the Service, Partnership and Performance Panel in June 2023.

Overall, the data suggests that 32% of the measures have improved (22% in 2020-21), 8% have remained stable (10% in 2020-21) and 27% have declined (39% in 2020-21), 10% were not comparable (10% in 2020-21), 20% have no data (17% in 2020-21) and 3% are new with only baseline data 2% in 2020-21):



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.

Reports are scrutinised by the Service, Partnership and Performance Panel, which has the ability to raise any areas of concern with Cabinet for further investigation.

The service areas where performance was among the best were pre school education, data shows an average cost of £10,270 per pre-school education place which is slightly below the Scottish average of £10,291. The spending in early years has risen in line with the policy for expanding and increasing the hours and choices for children and families. Early learning and childcare is consistently high quality and supports giving South Ayrshire children the best start. School leaver destinations with 98.6% of young people moving to positive destinations, placing us 2nd of the 32 local authorities.

The percentage of the Council's procurement spent on local small/medium enterprises (SMEs) has risen consistently for the last 3 years with the 28.8% of expenditure going to SMEs in 2021-22, this is slightly lower than the national figure of 29.9%.

Percentage of unemployed people assisted into work from Council operated / funded Employability Programmes also shows an increase to 25.4% compared with 19.6% nationally and 19.6% pre-pandemic in 2019/20. The Council operated programmes target those most disadvantaged and furthest away from the labour market. The labour market was severely impacted by COVID in 2021-22 and those closest to the labour market were most likely to move into vacant posts, this resulted in few opportunities for our clients to progress.

During 2021-22 we responded quickly to the upturn in the labour market and through our COVID recovery interventions maximised opportunities to broker jobs for our clients through increased face to face support from key workers and through the introduction of an enhanced Employer Recruitment Incentive.

The services where performance was poorest included Adult Social Care where the number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+) has deteriorated following significant progress in 2020-21. The number of days increased from 886 in 2020-21 to 1365 in 2021-22, with the national average in 2021-22 being 748. This is related to significant workforce challenges during 2021-23 which at its worst, left a 30% vacancy rate for in house services.

In addition, Housing Services saw the average time taken to complete non-emergency repairs (SHR) increase from 4.8 days in 2020-21 to 8.1 days in 2021-22. This performance takes account of works orders raised in 2020-21, where work was delayed due to Covid-19 restrictions, and then completed during 2021-22. Performance reported during 2021-22 was not based on normal operating conditions and was not reflective of the normal level of non-emergency repairs reported in a year. South Ayrshire remains above the national average in this measure.

Financial Statements

The financial statements for 2022-23 and associated notes are set out on pages 38 to 80 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Significant Accounting Policies in Section 7 of the Accounts explains the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the Council's financial performance. An explanation of each of the financial statements which follow, and their purpose, is shown at the top of each statement.

Financial Strategy

Every Council in Scotland operates in a challenging economic climate and is faced with significant financial challenges due to the decreasing budgets and increasing demand for services. The Council's current Long Term Financial Outlook (LTFO), published in October 2021, covers the period 2022-2032 and, using a scenario-based planning approach, indicated a potential budget gap of between £36.2 million and £171.5 million over the 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.

Alongside this LTFO, an updated Medium-Term Financial Plan (MTFP) was published in November 2022. The MTFP 2023-24 to 2025-26, using a scenario-based planning approach, indicated a potential budget gap of between £28.7 million and £49.5 million over the the three-year period of the plan. The purpose of the MTFP is to provide a clear direction on how the Council will manage its financial resources in the short to medium term to ensure they are deployed effectively to achieve Council Priorities and objectives. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayer's funds. It is an integral part of the Council's financial framework and draws much of its supporting context and evidence from the LTFO. The LTFO and MTFP can be found here:

The next update to the MTFP and LTFO is due in October 2023.

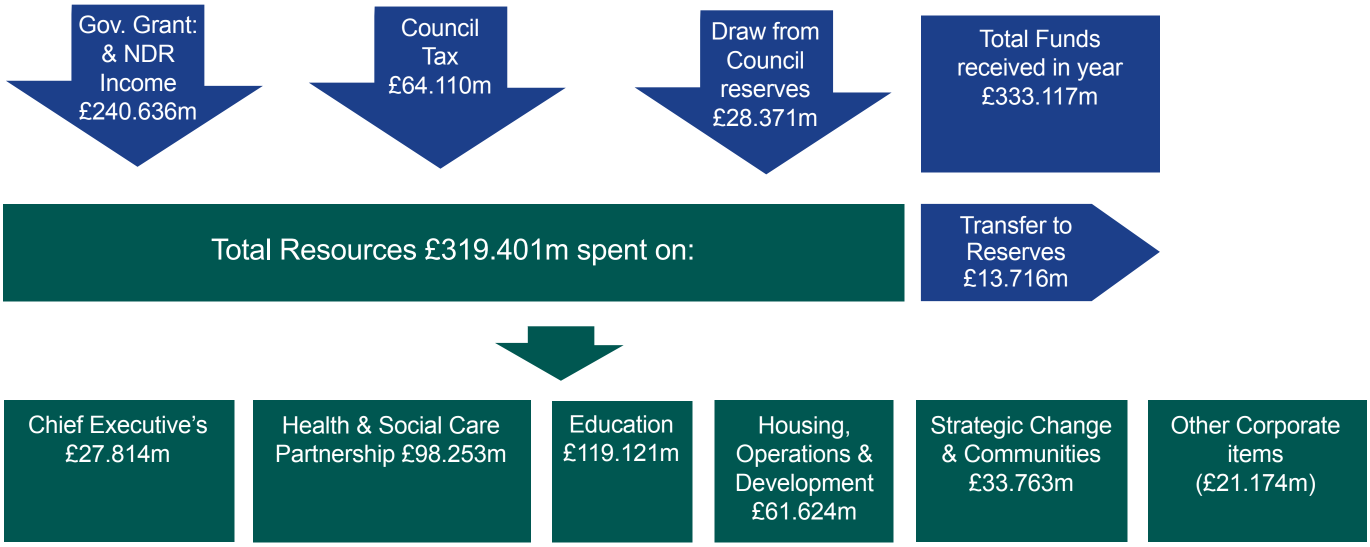
Financial Performance

Financial Performance Monitoring

Financial information is a key element of the Council's performance management framework with regular reporting to the Council's Cabinet. The Council's General Fund financial performance is presented in the Annual Accounts that follow this management commentary. The Comprehensive Income and Expenditure account Statement (CIES) on Page 39 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 44 provides the link between the budget management reports and the CIES.

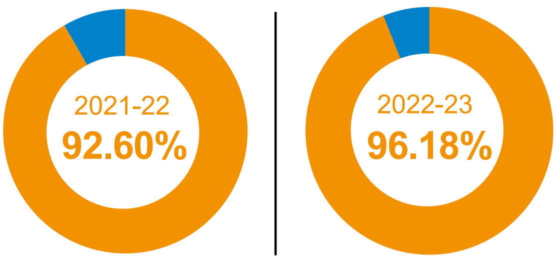
General Fund Revenue

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 2022-23.



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 further repayments of £1.092 million in both 2020-21 and 2021-22, with the final payment of £0.802m being repaid in 2022-23. Further details on service out-turns can be found in the Budget Management report submitted to Cabinet 15th June 2022 and can be found at: Committee Agendas, Papers and Minutes

Actual net service expenditure as a percentage of budget



Covid-19 - Impact on General Fund Revenue

The overall risk of Covid-19, as well as financial risk to the Council, receded significantly in 2022-23 as the Country transitioned out of the crisis and through the recovery process. At the end of 2021-22 the Council brought forward Covid-19 specific reserves of £14.082m. A large proportion of these reserves were drawn down during 2022-23 to support recovery activity. The remaining balance held in the Covid-19 reserves is being carried forward to continue the recovery process in 2022-23.

South Ayrshire administered, on an agency basis, over £2.1 million (2021-22: £17.6 million) of business support grants to local businesses during 2022-23.

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.

The detailed impact on Council expenditure and income can be found in the 2022-23 Budget Management Out-turn report considered at the Cabinet meeting of 20 June 2023. this can be accessed at Committee Agendas, Papers and Minutes.

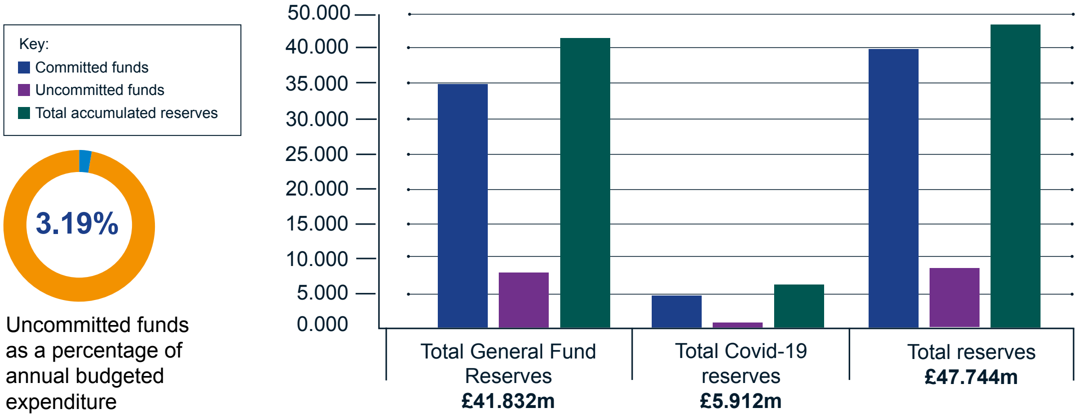
Accumulated General Fund Reserves

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 £39.877 million from 2021-22 and the movement during the year on this balance, agreed as part of the original 2022-23 budget and through decisions taken during the year, was as follows:

Opening balance		£39.877m
Drawn from reserves during the year £28.371m for:	2022-23 earmarked spend Capital expenditure contributions	(£27.871m) (£0.500m)
HSCP final repayment		£0.802m
PPP prior year retrospective repayment		£21.720m
2022-23 surplus		£13.716m
Closing balance carried forward		£47.744m

The chart below shows a breakdown of the £47.744m million accumulated reserves held at the end of 2022-23 between committed and uncommitted funds broken down in to General Fund and Covid-19 funds.

2022-23



Further detail on the reserve balances held can be found in Note 7 on page 50 and in the 2022-23 General Service Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes]

The South Ayrshire HSCP is holding it's own reserves of £24.768 million, £7.850 million of general earmarking of funds for use in future years and £5.205 million of a general unallocated reserve. The reserves held by the partnership are not included with the Council's £47.744 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. The Council plans to re-assess its level of reserves as part of its Financial planning processes during 2023-24.

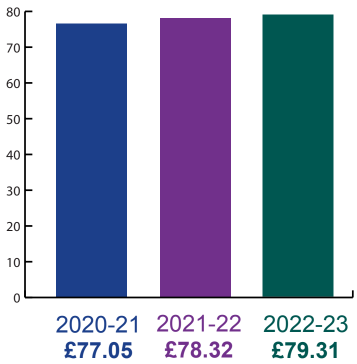
Housing Revenue Account

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

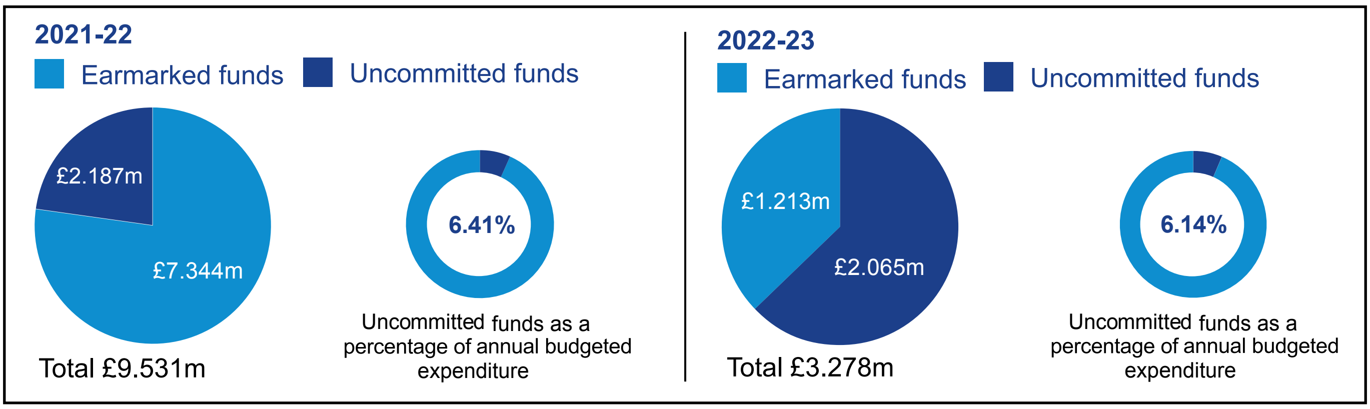
Average weekly rent (£)



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, taking account of identified investment and the approved Strategic Housing Investment Plan. In Late 2020, the Council carried out a rent setting consultation with tenants and in January 2021, the Council approved a rent increase of 1.5% each year for the 3-year period from 2021-22 to 2023-24. A review of the HRA Business Plan will be undertaken during 2023-24 and further consultation will take place with tenants during late 2023 on rent setting options to allow the Council to take a decision on future rent setting for 2024-25 onwards.

In 2022-23, gross rent arrears were £1.396 million which was 4.32% of the rent due in the reporting year. This was an increase on £1.242 million (3.92%) in 2022-23. Despite the increase of £0.154 million, the Council's performance remains strong in comparison to other Scottish Local Authorities. During 2022-23, the recovery of income and provision of support to households has remained challenging, as many households are experiencing cost of living hardship. The Council has continued to manage rent arrears, taking account of the relevant legislation and associated restrictions on legal action for recovery. In 2022-23 the Council has continued to utilise the Scottish Government's Tenants Hardship Grant which was extended in September 2022 to include 'cost of living hardship'. The Council identified tenants who were eligible for support and assisted 13 council tenants with awards totalling £0.019 million. In addition to this grant, the Council approved the sum of £0.120 million to support tenants in hardship to sustain their tenancy and prevent homelessness. A total of 76 tenants have been assisted with awards totalling £0.086 million.

The management of rent arrears and recovery of rental income is an area that is closely scrutinised within the Housing Service, and Officers continue to actively reach out to households at early stages to provide advice, information, and support to tenants in managing their ongoing rent obligations and making affordable repayment arrangements for arrears.

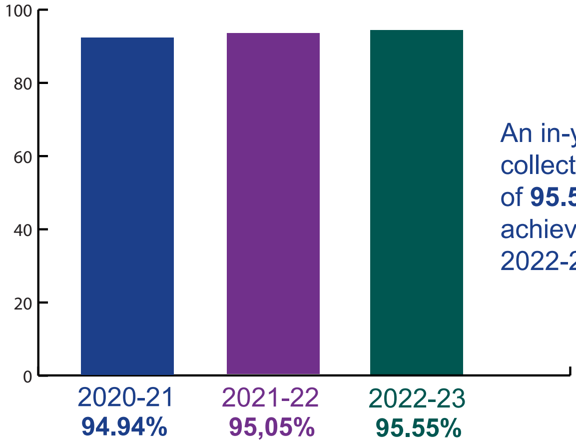


Earmarked reserves have reduced during 2022-23 mainly due to the draw down of funds to support capital investment previously approved for that purpose.

Further detail on the uncommitted balances held can be found in the 2022-23 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 **95.55%** was achieved in 2022-23

Actual Council Tax collected during 2022-23. This equated to **19%** of the overall funding required to meet net expenditure for the year 2022-23 £64.110m or 19%.

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 2022-23 and spent in total £117.486 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.

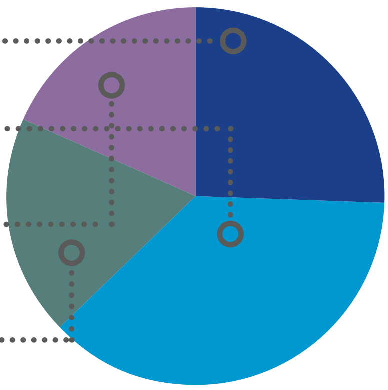
Expenditure

£28.315m
Housing

£46.117m
Children & Families

£21.170m
Other - Buildings, ICT etc.

£21.884m
Communities



Total: £117.486m

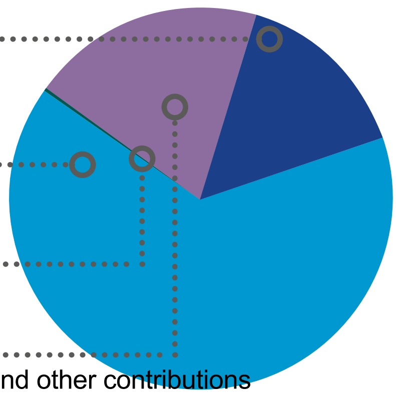
Income

£16,439m
Capital funded from current revenue

£72.878
Borrowing

£0.123m
Capital Receipts

£28.046m
Government grant and other contributions



Total: £117.486m

Capital Investment 2022-23

During 2022-23, the construction market has returned to more normal levels in terms of productivity and workflow, however, there continues to be challenges in several key areas including: inflation, very high utility costs, the impact of Brexit and, to a lesser extent, Covid-19.

These challenges are resulting in higher works costs. There is a skilled labour shortage, and a skills gap, as many operatives left the sector during the Covid-19 lock down periods and have not returned. There is also a scarcity of materials which impacts on programmes.

The conflict in Ukraine continues to impact on component availability, for example, large items of plant such as air handling units and fans are mainly manufactured in Ukraine.

There is also an additional focus on sustainability with a growing awareness of the need to reduce our carbon footprint and the impact of climate change. Adopting sustainable practices does have an overall positive impact, however, the introduction of new methods of construction and technology do place additional pressure on the construction industry still in recovery from Brexit and Covid-19.

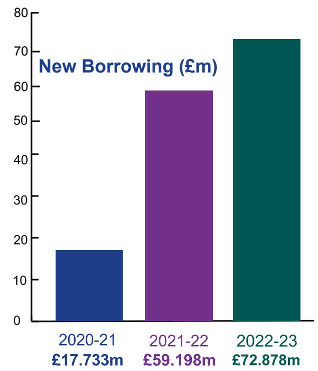
Treasury Management Activity

The Annual Treasury Management and Investment Strategy applicable for the 2022-23 financial year was approved by Council on 3 March 2022. The 2022-23 Strategy can be found at Committee Agendas, Papers and Minutes

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

New 2022-23 Borrowing

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

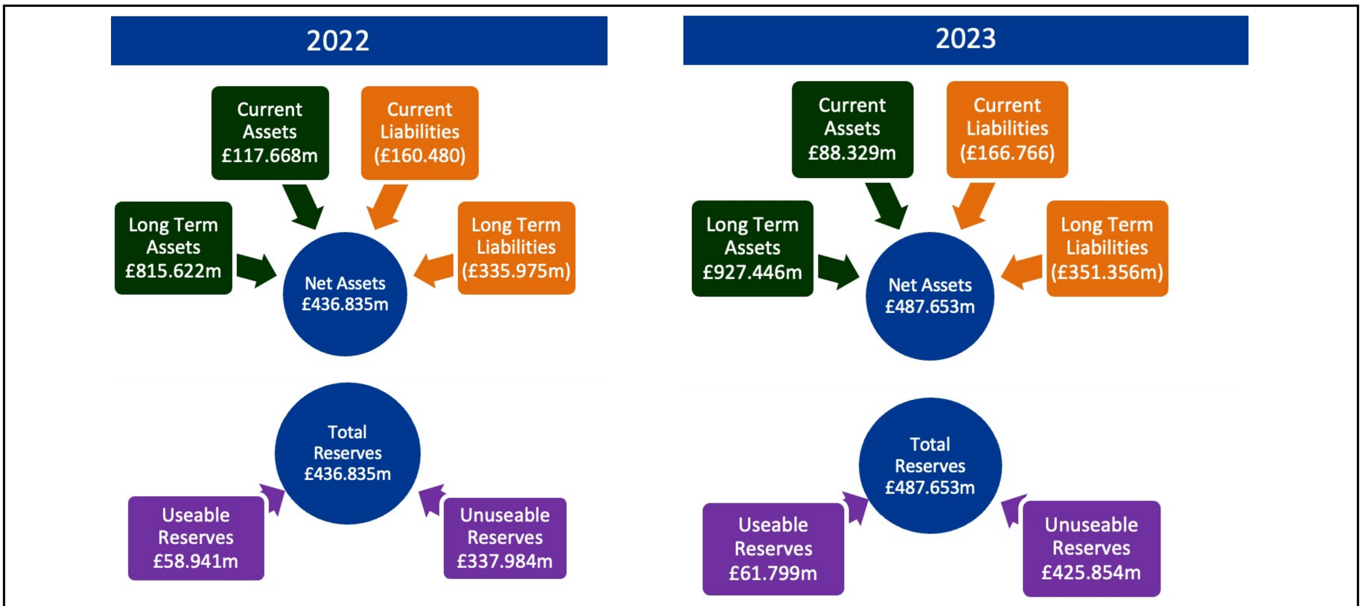


The 2022-23 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 28 June 2023 and remitted to Cabinet for approval. The key Treasury Management indicators drawn from that report are noted below:

Indicator	2021-22	2022-23	Comment
Capital Financing Requirement	£399.007m	£484.612m	External debt levels remain lower than the CFR which reflect the Councils' strategy to fund part of it capital expenditure using internal funds resulting in an under borrowed position.
Gross External Debt levels	£385.211m	£447.336m	
(Over) / Under borrowed	£13.796m	£37.276m	
Ratio of Financing Costs to Net Revenue Stream - General Fund	5.48%	6.06%	These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council.
Ratio of Financing Costs to Net Revenue Stream - HRA	10.79%	10.96%	

Balance Sheet

The Balance Sheet on page 42 summarises the Council's assets and liabilities at 31 March 2023. The Balance Sheet brings together Long-term assets, Current assets, Current liabilities and Long-term liabilities resulting in total Net Assets of £487.653m for 2023 and shows how the Net Asset position is funded by Useable and Unusable reserves.



Additional Information

Pension Fund

The Council is required to disclose its share of Strathclyde Pension Fund's assets and liabilities, both current and future. The disclosure information is provided to the Council by the Pension Fund actuaries following their annual valuation of the Fund. Formal valuations take place every three years, with the latest formal valuation applicable for 2022-23 having taken place on 31 March 2020. The Council's Balance Sheet shows a pension asset of £22.566 million at 31 March 2023 compared with a liability of £17.001 million at 31 March 2021.

The valuation provided to the Council shows a surplus of £265.031 million. The asset has been amended downwards by £242.465 million to £22.566 million due to the guidance contained within IAS 19 / IFRIC 14, which states that any potential asset should be limited to the estimated future service costs less the minimum contributions required, otherwise known as the asset ceiling. This is not a council specific issue but will apply to all bodies in the UK with a Local Government Pension Scheme asset surplus.

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

Public Private Partnership

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

In accordance with Finance Circular 10/2022, the Council has applied a permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-23 on a retrospective annuity basis to the three SCA's currently in place . The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset. By applying the flexibility a one-off combined pre 2022-23 retrospective saving of £21.720m has been achieved with the resultant benefit added to Council revenue reserves. In addition to the one-off retrospective element, an in year saving occurred in scheduled debt repayments in 2022-23, of £2.071m. This will be followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Over the full asset life of the SCA's the total repayment for the debt liability remains the same.

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 £50.002 million (£55.811 million in 2021-22), 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 104 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 107 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

Financial Outlook

The financial outlook remains as uncertain as ever for Local Government due to a number of factors such as high inflation and the cost of living crisis; the impact of the crisis in Ukraine on the world economy; high levels of directed funding for specific national government priorities; the unknown financial consequences associated with implementation of a National Care Service and the continuing one year annual basis for Scottish Government settlements. The Scottish Government published its 2023-24 to 2027-28 Medium Term Financial Strategy (MTFS) in May 2023. The strategy is based on a strategic approach to managing public finances,

Within the MTFS published in May 2023 the Scottish Government signaled its intention to:

- move to publishing refreshed multi-year spending envelopes for both resource and capital alongside the 2024-25 Budget;
- work closely with Convention of Scottish Local Authorities (COSLA) Leaders to deliver a New Deal for Local Government founded on a Partnership Agreement and a Fiscal Framework; and
- simplify and consolidate the Local Government Settlement to ensure reduced reliance on ring-fenced funding and establish clear routes to explore local revenue raising opportunities.

Whilst these positive steps are welcomed, there still remains a significant risk that the level of funding made available to Local Government by the Scottish Government will remain insufficient to meet current demands. This will inevitable require difficult choices to be made by the Council on the provision of local services,

The Council's 2022-2032 Long Term Financial Outlook (LTFO) published in October 2021 and 2023-24 to 2025-26 Medium Term Medium-Term Financial Plan (MTFP) published in November 2022 , included assumptions around various factors including amongst other things, Scottish Government funding levels, levels of inflation, including pay increases and the impact of demographic changes.

The purpose of the MTFP is to provide a clear understanding of the expected resources that will be available in the short and medium term to deliver Council Priorities and objectives. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayer's funds. It is an integral part of the Council's financial framework and draws much of its supporting context and evidence from the LTFO.

Contained within the MTFP is a medium-term budget strategy that sets out the key principles to ensure a more robust and strategic approach to financial planning is in place that will facilitate the preparation of a revenue budget for the next three years that is aligned to Council Plan priorities.

The refresh of the Medium-Term Financial Plan is key to understanding availability of financial resources alongside expected demand and service redesign, this will be developed in conjunction with the workforce plan and will incorporate the output from the Strategic Change programme that is now well established within the Council.

Strategic Change Programme

The Councils Strategic Change Programme was launched in June 2021 to develop and deliver business change projects across the Council. The Strategic Change Programme Office is resourced by a Project Implementation Coordinator and Project Officers. Each project on the Programme is assigned to a Project Officer who provides support depending on the nature of the project: from light touch assistance to full project delivery. The programme is overseen by a Strategic Change Executive chaired by the Director of Strategic Change and Communities. The number of projects in scope has increased from twenty two at launch date to a high of thirty five in January 2023. Update reports were presented to Cabinet during 2022-23, with the latest update presented in June 2023.

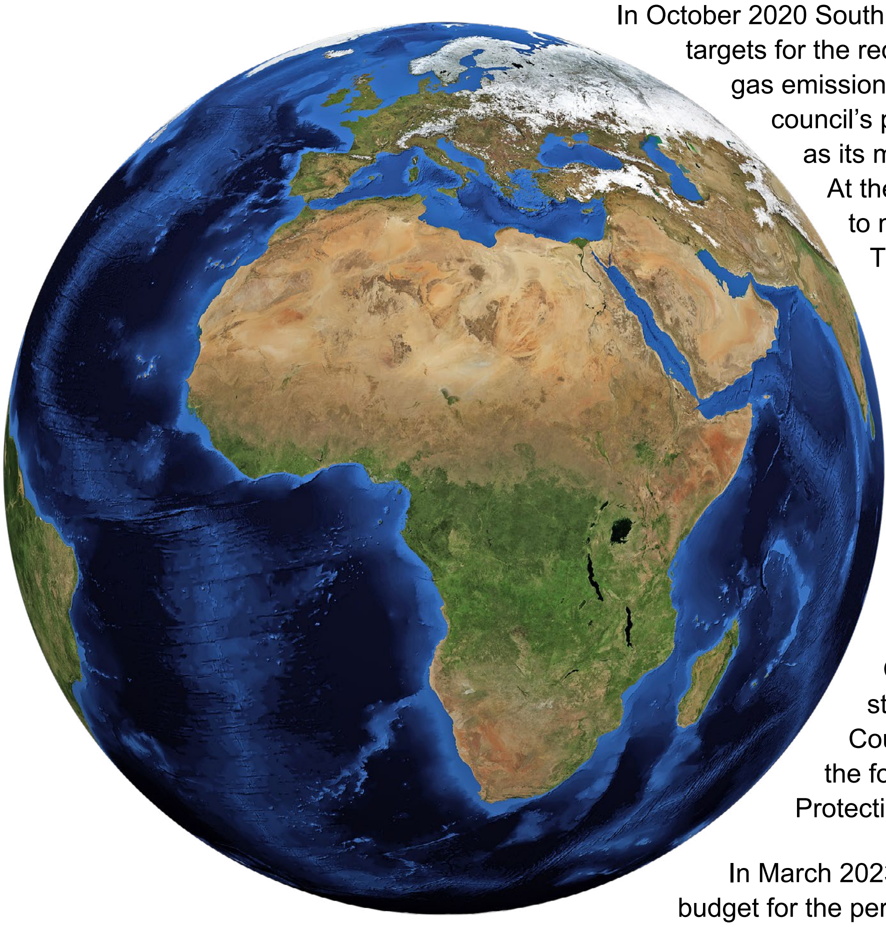
In the most recent update report to Cabinet in June 2023 it was agreed that, of the now remaining thirty three projects being managed within the Strategic Change Programme, eleven projects would be maintained on the programme, eight would be accelerated to completion and fourteeen would be de-scoped from the Programme.

At the most recent Strategic change Executive meeting in May 2023, three new projects were approved for addition to the Programme, taking the total number of projects on the Programme to 14.

Future updates of the Strategic Change Programme will be made bi-annually to the Service and Partnerships Performance Panel to ensure appropriate scrutiny of the Programme and its activity.

Climate Change

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



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

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

In March 2023, the council approved its third carbon budget for the period 2023-24. The carbon budget sets carbon emission targets for each directorate within the council, with the aim of reducing these in line with its carbon emissions target reduction. The carbon budget for 2023-24 considers the spend and trajectory the council needs to be on to meet its targets, as well as the historic carbon emissions required by individual service areas for service delivery. A ten-year projection has also been issued to budget holders to allow them to plan for longer term change projects and associated savings. Carbon budget information and how it can be developed is being considered as part of the refresh of the Sustainable Development and Climate Change Strategy.

Each year, in line with the Climate Change (Scotland) Act 2009, the Council reports on and makes available publicly via submission to the Scottish Government its Annual Climate Duty Report. The report covers a variety of information on climate change activity, governance arrangements and emissions data. The most recent report was considered by the Cabinet in November 2022 and reported a reduction in emissions of 36 percent from 2014-15 baseline information. The report can be found at can be found at Committee Agendas, Papers and Minutes.

Cost of Living Crisis

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

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

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

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

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

Revenues and Benefits Services - continue to assist customers facing financial hardship by administering one off covid-19 and cost of living related financial support initiatives during. The service provides ongoing support for customers who are in receipt of social security benefits or are on a low income by processing claims for Housing Benefit and Council Tax Reduction, Education Benefit Payments (Free School Meals and Clothing Grants), Discretionary Housing Payments, and the Scottish Welfare Fund (Crisis Grants and Community Care Grants).

Further work aligned to the Member/ Officer Working Group will take place in 2023-24 to develop a Financial Inclusion Strategy and Action Plan and that work will be undertaken to review customer/ client data relating to the cost of living crisis to inform the strategy and action plan going forward.

Key Risks

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

The Strategic Risk Register was updated during 2022-23 to ensure that any new and emerging risks were recognised and mitigating actions identified.

The information overleaf summarises the top strategic risk under each risk theme facing the Council, as determined during 2022-23, alongside the mitigating actions.

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

Risk theme	Governance	Protection	Resources
Risk title	External factors	Financial Inclusion	Workforce Planning
Potential risk	A range of external factors out with the Council's control such as the pandemic, Brexit, Ukraine, cost of living crisis, industrial action, disruptive weather or other, may adversely impact on the ability to fulfil Council objectives and deliver critical services.	Significant risk that the cost of living crisis, rising inflation and the current economic climate is having a detrimental impact on the local community, both public and employees.	There is a risk that workforce recruitment and retention issues are creating pressure on Service delivery in key areas and there is a risk that workforce planning arrangements may not be consistent across Council Services.
Potential effect	Requirement to re-allocate resources, failure to deliver services to an acceptable level or drive desired improvements. Restrictions on budget, reputational damage.	Specific low-income groups are hardest hit. Current crisis is bringing unaccustomed hardships to groups who have previously managed financially. Impact on lowest paid Council staff.	Services may not be delivered effectively or in line with statutory requirements or agreed standards. Additional unbudgeted spend may be incurred. Reliance on specialist or external organisations and contractors. Limited succession planning.
Mitigations	1. Continued Horizon scanning to anticipate and respond to risks. 2. Watching brief and continual discussion on funding requirements for any unanticipated emergencies. 3. Dissemination of information to officers and members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA). 4. The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). Chief Executive attends Strategic ALRP. 5. The Level of Interaction between Health / Councils and partners has increased and allows for more efficient collaboration in emergency planning. The HSCP Risk and Resilience Forum is well established. 6. 24/7 on call service in place via Civil Contingencies to respond to, and coordinate, Council emergency response to major incidents. 7. Staffing and resourcing arrangements are in place to support those individuals and families arriving in South Ayrshire from Ukraine."	1. Energy Price Guarantee (EPG) until April 2023. 2. Withdrawal of the National Insurance increase. 3. Increasing the Scottish Child Payment to £25 per week from 14 November 2022 4. Winter Heatin Payments paid. 5. Rent Freeze Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords. 6. Bridging Payments paid. 7. Best Start Grants. 8. 'One stop shop'website to help those struggling financially. 9. National media campaign. 10. The Community Planning Partnership has a Financial Inclusion Strategic Delivery Group who provide direction, identify any gaps in support and direct resources to areas of most need and demand. 11. A Member Officer Working Group for the Cost-of-Living Crisis has been established.	1. A corporate Workforce Plan (WFP) is now in place which runs to 2025. It links to the Council's strategic priorities 2. WFP training for CLT and Service Leads from the Local Government Association undertaken. 3. Sessions for Co-ordinators delivered in January 2023. 4. Drop-in sessions for Service Leads and Co-ordinators confirming workforce planning process undertaken. 5. Updated workforce profiles and digital skills survey results issued to all Service Leads.

A full copy of the Strategic Risk Register presented the Audit and Governance Panel in March 2023 can be found at: Committee Agendas, Papers and Minutes.

Acknowledgement

We would like to acknowledge the significant effort of all the staff across the Council, who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the financial position at 31 March 2023.

More information

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

south-ayrshire.gov.uk

Section 2: Statement of Responsibilities

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

The Council's responsibilities

The Council is required to:

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

The Head of Finance, ICT and Procurement's responsibilities

The Head of Finance, ICT and Procurement, 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, ICT and Procurement 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, ICT and Procurement 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 2023.

To be signed on behalf of South Ayrshire Council by the Leader of the Council
(Audited accounts only)

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

28 June 2023

Section 3: Annual Governance Statement

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

Scope of Responsibility

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. 2021-22 was the first full year of compliance with the CIPFA Financial Management Code 2019 (FM Code). The FM Code provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively. We have assessed our compliance and are satisfied that our governance and related processes meet the requirements of the Code. A copy of the Council's Framework is available on our website at 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 and Procurement (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 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 2023 and up to the date of approval of this statement of accounts.

The Governance Framework

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

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

Internal Financial Control

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

In particular the system includes:

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

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

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

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

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

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

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and considers the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks and priorities of the organisation. The plan, and any material changes to the plan during the year, is approved by the Audit and Governance Panel. The annual assurance statement from the Chief Internal Auditor for the 2022-2023 financial year states "overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023".

Internal Audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and assumed the risk of not acting. Matters arising from internal audit work are reported to all Members, Chief Executive, Head of Finance, ICT and Procurement (as Section 95 Officer), Head of Legal, HR and 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 reviews completed by Internal Audit during 2022-2023, twelve resulted in a ‘substantial assurance’ opinion, seven 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 implemented audit recommendations in order to enhance internal controls and to minimise the risks associated with audit findings.

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

Review of Effectiveness

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

Relating this, a year-end assessment against each of the 21 sub principles within the Council’s Framework has been undertaken and signed off by the respective Service Leads / Heads of Service. These assessments were scrutinised by the Audit and Governance Panel in June 2023, ahead of formal consideration of the Council’s unaudited Annual Accounts also in June 2023 as agreed with the Council’s external auditor.

2022-23 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 nineteen aspects are assessed as ‘Effective’ and two are effective but have scope for improvement.

Review of 2022-23 Planned Improvement Actions

The following improvement actions were identified in the 2021-22 Annual Governance Statement and progress is shown against each action in the table below. These Actions, where not fully implemented, have rolled over to the 2023-24 Improvement Action Programme:

Core Principle	2022-23 Improvement Action	Progress
Ensuring openness	Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	The new integrated assessment tool was agreed by Council in March 2023 as part of the Council Plan 2023/28. The impact assessment will encourage services to explore where priorities overlap and converge, allowing for a more joined up approach to tackling shared strategic challenges. A short life working group of local experts was created for designing and testing proposed options. The final version of the integrated assessment tool is scheduled to be agreed by Cabinet in September 2023. Once approved, the assessment tool will also incorporate governance to ensure climate change considerations are in line with delivery of the Council's Climate Change Strategy and Climate Change Policy (not fully implemented).
Defining outcomes	Business cases to be developed to include details as to how Ayrshire Growth deal projects will address Inclusive Growth	Good progress has been made with the development of business cases. The Full Business Case for the Commercial Build project was approved by the Cabinet and the AEJC. The Outline Business Case for Spaceport was approved by UKG and SG. The ASTAC business case was submitted to Government for approval and is under review, with the Full Business Case approval date proposed as August 2024. Digital and Roads projects are undertaking a re-scoping exercise. All business cases require to demonstrate how the Ayrshire Growth Deal Programme delivers on inclusive growth (implemented).
	Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy	The Sustainable Scottish Network (SSN) agreed a climate change impact assessment reporting tool. This will inform our new combined Impact Assessment to be introduced in September 2023. This Action has now been incorporated as part of the Delivering Good Governance Action for the development of the Council's Integrated Assessment Tool, incorporating equalities, health in all policies, Fairer Scotland Duty (not fully implemented).
	Revision of the Council's Land and Property Asset Management Plan	The Revision of the Council's Land and Property Asset Management Plan was delayed, as it was due to follow a report on Transforming our Estate being approved by the Council's Cabinet. The Transforming our Estate report was submitted to the Council's Cabinet in May 2023. The revision of the Council's Land and Property Asset Management Plan will subsequently be submitted to the Council Cabinet by end of September 2023 (not fully implemented).
Determining the actions	Review of the Health and Social Care Partnership Adult Mental Health Strategy	A review of the Health and Social Care Partnership Adult Mental Health Strategy did not commence in 2022/23 due to reduced staffing levels. This was delayed due to a restructure in Community Health and Care Services (not fully implemented).

	Contribute to the development and implementation of the Regional Economic Strategy being led by North Ayrshire Council	The Regional Economic Strategy has now been approved by the Ayrshire Economic Joint Committee. A detailed action plan will be developed over the coming month (implemented).
	Develop new Council Plan in partnership with Elected Members and Corporate Leadership Team, which will include refreshing the Council's corporate evaluation tool 'How Good is our Council'	The new Council Plan was developed and agreed by Council in March 2023 (implemented). Light touch self-evaluation has taken place in Service Planning ahead of a refreshed approach to the Council's corporate evaluation tool 'How Good is our Council' (HGIOC) (not fully implemented).
Developing the Council's Capacity	Review workforce planning to better align it to service planning	Corporate Working Group established to develop a Council Plan for 2022-25. The draft workforce plan was considered by Service and Performance Panel in October 2022 and formally approved by Cabinet in November 2022 (implemented).
Managing risks and performance	The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management	Oracle Fusion now operational, with some changes to financial reporting and management already in place. Having implemented the system, we are now at the stabilise stage where we learn and understand new techniques in terms of how to operate it. Further development will be undertaken during the next stage of the system life cycle (innovate) in order to drive further improvement (not fully implemented).

Other 2022-2023 Governance Developments

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

Following the Council Elections in May, a comprehensive induction programme was provided for Elected Members in May/June 2022 continuing after summer recess. A rolling programme of Member training is provided and includes a self-assessment/PDR toolkit introduced for Members during 2022-23. All Panel and Council Meetings were opened to the public, while remote and hybrid Panel and Council meetings continued to be live webcast throughout 2022-23.

The Council's political decision-making structures continue to be refined. During 2022-23 the Council's management structure supported delivery of the Council's strategic objectives. Chief Officers continue to work in conjunction with Service Leads to refine responsibilities to focus on service delivery and enhancements, as well as achieving balanced budgets. The Council's new enterprise resource planning system (Oracle Fusion) was developed for roll out in April 2023. This system will promote the adoption of best practice and help drive further improvement in financial management.

The new Council Plan 2023-28 was agreed by Full Council in March 2023. The Council Plan identifies key areas of focus over the next five years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. Council Services completed self-evaluation as part of the service planning process and new Service Plans for 2023-24 will be considered by Council in June 2023. The Council's performance management framework is designed to help deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis. Service Leads develop plans with clear targets that are based around the Council's priorities with quarterly reporting to Service and Partnerships Performance Panel and the Council's Leadership Team. Targets have been set for Local Government Benchmarking Framework indicators where appropriate.

Work through the Council's Corporate Change Programme took place to ensure a project approach to the delivery of key outcomes. The programme is underpinned by a governance framework focusing on benefit realisation and effective reporting. To ensure the appropriate level of governance is in place for the change programme, reports providing updates on the success of the programme were delivered to Cabinet in June 2022 and to the Council's Service and Performance Panel in October 2022. The Council's Strategic Change Executive, which oversees the change programme, receives bi-monthly programme updates which focus on benefits and the delivery of corporate change projects.

Review and evaluation of the Council's Future Operating Model took place during 2022-23. This work is ongoing with updates presented to the Council's Strategic Change Executive and Elected Members. A report on the progress of the Future Operating Model was presented to Cabinet in September 2022. Council commitments to the Council's purpose, vision and values and to highlighting employees' contribution to the Council's wider ambitions continued throughout 2022-23.

The Council's Corporate Workforce Plan (2022-2025) was approved by Cabinet in November 2022 following the Best Value Audit. A comprehensive training programme focusing on workforce planning roles and responsibilities was delivered to senior Council Officers. Training was also provided to all Service Leads by the Local Government Association (LGA). A standardised approach, developed in conjunction with the LGA model, has been adopted in developing the Council's workforce planning activities. The workforce plan includes a comprehensive action plan which will be taken forward by key, identified Services. New workforce planning and succession planning templates were developed and piloted using M365 functionality allowing services to consider and confirm workforce planning actions and activities.

Aspects of the workforce plan will evolve, reflecting new and changing demands, with the implementation working group meeting on a regular basis to review progress. An annual update on progress will be reported to the Council's Service and Partnerships Performance Panel, with actions incorporated within the Council's corporate performance reporting systems.

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 fifteen strategic risks identified as having the potential to significantly threaten the achievement of the Council's overarching objectives.

The Health and Social Care Partnership's six Locality Planning Partnerships have continued to meet over the past year. They are now meeting regularly in all 6 localities and many of them are now face to face meetings or, at least, hybrid.

In 2022-23 the Locality Planning Partnerships also led the distribution of around £0.130m of Health and Social Care Partnership (HSCP) monies essentially supporting the HSCP Wellbeing Pledge and supporting locality-based priorities.

Many smaller community/third sector organisations received small grants to support their local work. Integral to the programme this year was support for the Cosy Spaces initiative to mitigate against fuel bills and cost of living challenges. Key developments relating to Locality Planning are reported to the Strategic Planning Advisory Group.

Participatory Budgeting spend in the first 6 months of 2022-23 was reported to the Council's Service and Partnerships Performance Panel. The Council's 1% Participatory Budgeting activity target for financial year 2022-23, as derived from the information contained in the 2022-23 Finance Order FC5/2022, was £2.476m as defined by COSLA and Scottish Government as: 'The total estimated expenditure for revenue, as per the Local Government finance circular, less assumed Council tax intake'. The Council has exceeded the 1% Participatory Budgeting activity target for financial year 2022-23.

An annual report on the Local Outcomes Involvement Plan (LOIP) was presented to the Community Planning Board in October 2022 and work continues on the delivery of outcomes for the strategic themes. A new Local Outcomes Improvement Plan is currently being developed.

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 continued to improve how we publicly report on the Council's performance as part of our statutory duty to make performance information available to citizens and communities and involve them more in improving services. Place Planning sessions were carried out across South Ayrshire during 2022-23 these consultations were to inform key priorities for communities.

The Council's digital community engagement platform became available online in August 2022. This platform enables open, transparent and democratic engagement between the community and the Council.

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 Partnerships Performance Panel plays a key role in scrutiny by Elected Members.

South Ayrshire's Integrated Joint Board (IJB) Scheme is currently part of an ongoing review process with North and East Ayrshire Councils. This is following the completion of actions agreed by Council relating to the different roles and responsibilities performed by the IJB and the Council in the delivery of Health and Social Care Services last year.

An exercise to review the operational arrangements within the Ayrshire Roads Alliance (ARA) commenced in March 2023. This review is being undertaken by the Council's Strategic Change Team. The review will address any changes in the governance arrangements for ARA, should these be required.

A review of the Quay Zone in Girvan which is operated by South Carrick Community Leisure was presented to the Council's Partnership Panel in February 2023. The Panel was satisfied with the performance of the Quay Zone and its governance relative to the Service Agreement which the Council has in place. Funding for The Quay Zone was retained and approved by Cabinet in February 2023.

South Ayrshire Council decided to merge Service and Performance Panel and Partnership Panel to form Service and Partnerships Performance Panel at a meeting on 01 March 2023.

During 2022-23, 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.

2023-24 Improvement Actions

	Core Principle	Improvement Action
A	**Behaving with integrity**	Introduction of new procedures for the Conflict-of-Interest Register for Employees.
B	**Ensuring openness**	Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process with review of effectiveness and relevance reported to Panel (including governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy) (Link to A and C).
		Governance through reporting by Officers to ensure consultation data and findings are published.
		Review of Ayrshire Roads Alliance Operational Arrangements.
C	**Defining outcomes**	Revision of the Council's Land and Property Asset Management Plan.

D	**Determining the actions**	Review of the Health and Social Care Partnership Adult Mental Health Strategy.
		Refresh the Council's corporate evaluation tool 'How Good is our Council'.
E	**Developing the Council's capacity**	No actions planned.
F	**Managing risks and performance**	The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management.
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 2022-2023 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.

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

Section 4: Remuneration Report

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

Introduction

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

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

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

Arrangements for remuneration

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

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). Various amendments have been made since that time and the salaries payable to members were cited under the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2020 and came into force on 1 April 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 2022-2023 South Ayrshire Council had the following posts: 1 Leader, 1 Provost and 12 Senior Councillors. The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme. Remuneration of elected members for 2022-2023, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 19 May 2022. 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 and Senior Employees.

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 2022-2023 is available on the Council's website by following the link: https://www.south-ayrshire.gov.uk/media/9408/Members-expenses-2022-2023/pdf/Members_Expenses_2022-23.pdf?m=638233648006130000

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

Name	Post title	Gross salary & allowances	**2022-2023 Total remuneration**	**2021-2022 Total remuneration**
		£	**£**	**£**
*M Dowey	Leader of the Council/Senior Councillor (1)	37,709	**37,709**	**22,537**
**I Campbell	Provost	26,626	**26,626**	**-**
***M Kilpatrick	Senior Councillor (2)/Depute Provost	2,013	**2,013**	**-**
*A Clark	Senior Councillor (2)/Senior Councillor (1)	26,063	**26,063**	**22,537**
**I Davis	Senior Councillor (2)	23,855	**23,855**	**-**
**S Ferry	Senior Councillor (2)	23,855	**23,855**	**-**
**M Kilbride	Senior Councillor (2)	23,855	**23,855**	**-**
**L Lyons	Senior Councillor (2)	23,855	**23,855**	**-**
**R Pollock	Senior Councillor (2)	23,855	**23,855**	**-**
****R Shields	Senior Councillor (2)/Senior Councillor (1)	21,717	**21,717**	**-**
P Henderson	Senior Councillor (1)/ Leader of the Council	25,143	**25,143**	**37,223**
P Saxton	Senior Councillor (1)/Senior Councillor (2)	23,946	**23,946**	**25,012**
*****W Grant	Senior Councillor (1)/Depute Provost/Senior Councillor (2)	23,946	**23,946**	**25,012**
I Cavana	Senior Councillor (1)	23,467	**23,467**	**22,537**
B Connolly	Senior Councillor (1)	26,063	**26,063**	**22,537**
**K Bell	Senior Councillor (1)	21,496	**21,496**	**-**
**H Hunter	Senior Councillor (1)	19,507	**19,507**	**15,621**
******H Moonie	Provost	2,776	**2,776**	**27,917**
******I Cochrane	Senior Councillor (2)	2,450	**2,450**	**25,012**
******J Dettbarn	Senior Councillor (2)	2,450	**2,450**	**25,012**
******B McGinley	Senior Councillor (2)	2,450	**2,450**	**25,012**
******C Cullen	Senior Councillor (2)	2,450	**2,450**	**21,169**
******C MacKay	Senior Councillor (1)	2,208	**2,208**	**22,537**
******A Spurling	Senior Councillor (1)	2,241	**2,241**	**6,915**
		413,996	**413,996**	**346,590**

There were no non-cash expenses & benefits-in-kind paid during 2022-23 or 2021-22.

**Denotes that this member held the position of Senior Councillor (1) until the local election in May 2022 after which they took up a new position as noted.*

***Denotes that this member now holds the post of Leader of the Council, Depute Provost. Senior Council (2) and Senior Councillor (1) following the local election in May 2022.*
****Denotes that this member was appointed Senior Councillor (2)/Depute Provost on 1 March 2023.*
*****Denotes that this member held the post of Senior Councillor (1) following the local election in May 2022 until being appointed as a Senior Councillor (2) on 1 March 2023*
****** Denotes that this member held the position of Senior Councillor (2)/Depute Provost until the local election in May 2022 after which they took up the position of Senior Councillor (1).*
******* Denotes that this member no longer holds the post of Leader of the Council, Depute Provost. Senior Councillor (2) and Senior Councillor (1) following the local election in May 2022*

Note:

Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2022-2023 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 of the Council £39,148, Senior Councillor (2) £26,305 and Senior Councillor (1) £23,704.

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.

	2022-2023	2021-2022
	£	£
Salaries	642,743	610,425
Expenses	10,086	4,892
	652,829	**615,317**

The annual return of councillors' salaries and expenses for 2022-2023 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 2023		**2021-2022**
Name & post	Gross salary & allowances	**Total Remuneration**	**Total Remuneration**
	£	**£**	**£**
E Howat – Chief Executive	146,116	146,116	140,547
T Eltringham - Director of Health & Social Care Partnership	125,767	125,767	119,976
M Newall – Depute Chief Executive & Director of Housing	102,293	102,293	88,522
J Bradley – Director of Strategic Change & Communities	102,293	102,293	88,522
L McRoberts – Director of Education (i)	*110,610	*110,610	-
T Baulk – Head of Finance, ICT & Procurement	92,739	92,739	88,522
C Caves – Head of Legal and Regulatory Services	92,989	92,989	89,022
W Wesson – Chief HR Adviser	65,973	65,973	58,949
C McGhee – Chief Internal Auditor (ii)	59,503	59,503	**16,869
D Gillies – Director of Place (iii)	78,946	78,946	108,197
	977,229	**977,229**	**799,126**

*(i) L McRoberts commenced employment with South Ayrshire Council on 11 April 2022. * £113,268 full year equivalent*
*(ii) C McGhee commenced employment with South Ayrshire Council on 13 December 2021. ** £55,918 full year equivalent*
(iii) D Gillies left the employment of South Ayrshire Council on 15 September 2022.

Figures above include the following election fees: 2022-2023: E Howat £325, C Caves £250, W Wesson £50 2021-2022: E Howat £1,500 and C Caves £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 2022-23. There was a payment in respect of the early retirement of one senior employee of South Ayrshire Council**.**

d) Officers' remuneration (subject to audit)

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

Remuneration Bands	Number of Employees 2022-2023	Number of Employees 2021-2022
£50,000 - £54,999	159	153
£55,000 - £59,999	112	60
£60,000 - £64,999	67	46
£65,000 - £69,999	53	20
£70,000 - £74,999	17	3
£75,000 - £79,999	7	4
£80,000 - £84,999	4	2
£85,000 - £89,999	2	7
£90,000 - £94,999	8	-
£95,000 - £99,999	-	1
£100,000 - £104,999	2	-
£105,000 - £109,999	-	1
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
£125,000 - £129,999	1	-
£140,000 - £144,999	-	1
£145,000 - £149,999	1	1
	434	**299**

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 2022-23 were as follows:

Full time pay	Contribution rate 2022-2023
On earnings up to £23,000	5.50%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.50%
On earnings above £38,601 and up to £51,400	9.50%
On earnings above £51,401	12.00%

Full time pay	Contribution rate 2021-2022
On earnings up to £22,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.50%
On earnings above £37,401 and up to £49,900	9.50%
On earnings above £49,901	12.00%

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

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

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

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

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

The pension entitlements for senior councillors for the year to 31 March 2023 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 2023	For year to 31 March 2022		As at 31 March 2023	Difference from 31 March 2022
		£	£		£	£
*M Dowey	Leader of the Council/Senior Councillor (1)	7,278	4,350	Pension	2,808	702
				Lump sum	-	-
**I Campbell	Provost	5,028	-	Pension	2,413	532
				Lump sum	-	-
***M Kilpatrick	Senior Councillor (2)/Depute Provost	389	-	Pension	6,561	697
				Lump sum	1,895	189
*A Clark	Senior Councillor (2)/Senior Councillor (1)	5,030	4,350	Pension	4,871	632
				Lump sum	-	-
**I Davis	Senior Councillor (2)	4,604	-	Pension	2,361	480
				Lump sum	-	-
**S Ferry	Senior Councillor (2)	4,552	-	Pension	458	458
				Lump sum	-	-
**M Kilbride	Senior Councillor (2)	4,552	-	Pension	458	458
				Lump sum	-	-
**L Lyons	Senior Councillor (2)	4,604	-	Pension	2,276	394
				Lump sum	-	-
**R Pollock	Senior Councillor (2)	4,604	-	Pension	2,361	480
				Lump sum	-	-
****R Shields	Senior Councillor (2)/Senior Councillor (1)	4,191	-	Pension	414	414
				Lump sum	-	-
P Henderson	Senior Councillor (1)/ Leader of the Council	4,853	7,184	Pension	3'438	456
				Lump sum	-	-
P Saxton	Senior Councillor (1)/Senior Councillor (2)	4,622	4,827	Pension	7,352	774
				Lump sum	1,979	208
*****W Grant	Senior Councillor (1)/Depute Provost/Senior Councillor (2)	4,622	4,827	Pension	5,150	554
				Lump sum	-	-
I Cavana	Senior Councillor (1)	1,126	4,350	Pension	10,148	5,862
				Lump sum	1841	1,276
B Connolly	Senior Councillor (1)	5,030	4,350	Pension	4,930	726
				Lump sum	-	-
**K Bell	Senior Councillor (1)	4,149	-	Pension	454	454
				Lump sum	-	-
******H Moonie	Provost	536	5,388	Pension	7,371	-
				Lump sum	2,010	-
******I Cochrane	Senior Councillor (2)	473	4,827	Pension	5,156	490
				Lump sum	-	-
******J Dettbarn	Senior Councillor (2)	473	4,827	Pension	2,847	374
				Lump sum	-	-
******B McGinley	Senior Councillor (2)	473	4,827	Pension	5,148	493
				Lump sum	-	-
******C Cullen	Senior Councillor (2)	473	4,084	Pension	2,128	371
				Lump sum	-	-
******C MacKay	Senior Councillor (1)	426	4,350	Pension	2,287	371
				Lump sum	-	-
		72,088	**62,541**		**89,115**	**17,845**

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

**Denotes that this member held the position of Senior Councillor (1) until the local election in May 2022 after which they took up a new position as noted.*
***Denotes that this member now holds the post of Leader of the Council, Depute Provost. Senior Council (2) and Senior Councillor (1) following the local election in May 2022.*
****Denotes that this member was appointed Senior Councillor (2)/Depute Provost on 1 March 2023.*
*****Denotes that this member held the post of Senior Councillor (1) following the local election in May 2022 until being appointed as a Senior Councillor (2) on 1 March 2023*
****** Denotes that this member held the position of Senior Councillor (2)/Depute Provost until the local election in May 2022 after which they took up the position of Senior Councillor (1).*
******* Denotes that this member no longer holds the post of Leader of the Council, Depute Provost. Senior Councillor (2) and Senior Councillor (1) following the local election in May 2022*

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 2023 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-Mar-23 £**	**For year to 31-Mar-22 £**		**As at 31-Mar-23 £**	**Difference from 31-Mar-22 £**
E Howat – Chief Executive	28,200	27,126	Pension	82,794	6,308
			Lump Sum	135,248	6,491
T Eltringham – Director of Health & Social Care Partnership	24,273	23,155	Pension	68,328	2,970
			Lump Sum	109,287	-
M Newall – Depute Chief Executive & Director of Housing	19,742	17,085	Pension	63,316	13,039
			Lump Sum	111,817	24,587
J Bradley – Director of Strategic Change & Communities	19,742	17,085	Pension	40,031	8,227
			Lump Sum	45,992	10,113
L McRoberts – Director of Education (i)	*21,348	-	Pension	1,970	1,970
			Lump Sum	-	-
T Baulk – Head of Finance & ICT	17,899	17,085	Pension	43,888	2,181
			Lump Sum	61,523	-
C Caves – Head of Legal, HR and Regulatory Services	17,899	17,085	Pension	24,653	2,645
			Lump Sum	11,069	480
W Wesson – Chief HR Adviser	12,723	11,377	Pension	24,074	2,020
			Lump Sum	25,927	2,405
C McGhee – Chief Internal Auditor *(ii)*	11,484	**3,256	Pension	21,793	2,290
			Lump Sum	28,688	1,807
D Gillies – Director of Place	10,015	20,924	Pension	42,331	611
			Lump Sum	50,576	-
	183,325	**154,178**		**993,305**	**88,144**

*(i) L McRoberts commenced employment with South Ayrshire Council on 11 April 2022 * £21,930 full year equivalent*
*(ii) C McGhee commenced employment with South Ayrshire Council on 13 December 2021 ** £10,792 full year equivalent*

Exit packages of employees (subject to audit)

The table below sets out the number and costs of exit packages for both 2022-2023 and 2021-2022 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.

	2022-2023			2021-2022		
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	3	34,875	-	2	9,727	-
£20,001 - £80,000	4	141,235	-	6	167,386	65,435
£80,001 - £100,000	-	-	-	2	194,334	-
£100,001+	3	488,138	106,223	-	-	-
Total	**10**	**664,248**	**106,223**	**10**	**371,447**	**65,435**

There were no compulsory redundancies during 2022-2023 or 2021-2022.

Trade union facility time (not subject to audit)

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

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

Percentage of working hours spent on Trade Union facility time	No	FTE
0%	-	-
1 – 50%	40	36.65
51 – 99%	-	-
100%	-	-
	40	**36.65**

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

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

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

Section 5: Core Financial Statements

I) Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

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 2021-22 Cost of Service directorate structure has been restated to align to the new Council structure that took effect in September 2022.The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

2021-2022 (restated)						2022-2023			
Council			Group			Council			Group
Expend	Income	Net	Net			Expend	Income	Net	Net
£'000	£'000	£'000	£'000			£'000	£'000	£'000	£'000
51,713	(28,218)	23,495	23,495	Chief Executive's Office		53,049	(26,851)	26,198	26,198
130,554	(19,345)	111,209	111,209	Education		138,594	(19,653)	118,941	118,941
69,315	(14,410)	54,905	54,697	Housing, Operations and Development		76,220	(14,551)	61,669	61,462
36,082	(32,832)	3,250	3,250	Housing Revenue Account		34,433	(33,671)	762	762
29,281	(8,324)	20,957	20,702	Strategic Change and Communities		44,423	(10,996)	33,427	33,178
97,281	-	97,281	97,281	Social Care: Contribution to IJB		106,305	-	106,305	106,305
143,265	(144,057)	(792)	(792)	Social Care: Provision of Services		129,740	(137,792)	(8,052)	(8,052)
7,043	(9,491)	(2,448)	(2440)	Miscellaneous Services		8,441	(1,119)	7,322	7,312
-	-	-	495	Common Good Funds		-	-	-	605
564,534	**(256,677)**	**307,857**	**307,897**	**Cost of services**		**591,205**	**(244,633)**	**346,572**	**346,711**
		483	483	Loss on disposal of non-current assets				3,744	3,744
				Financing and investment income and expenditure:					
		15,475	15,475	Interest payable and similar charges				17,875	17,875
		(272)	(272)	Interest and investment income			*Note 9*	(1,305)	(1,305)
		2,627	2,627	Net interest on the net defined benefit liability			*Note 26*	813	813
		-	(9,443)	Share of (surplus) on provision of services by associates				-	(9,489)
		(307,208)	(307,208)	**Taxation and non-specific grant income**			*Note 20*	(335,774)	(335,774)
		18,962	**9,559**	**Deficit on the provision of services**				**31,925**	**22,575**
		3,960	3,960	(Surplus) on the revaluation of property, plant and equipment				(15,893)	(15,893)
		62	62	Deficit/(surplus) on financial assets measured at fair value				(63)	(63)
		(130,937)	(130,937)	Actuarial (gains)/ losses on pension fund assets and liabilities			*Note 17*	(66,785)	(66,785)
		-	(1,991)	Share of other comprehensive income and expenditure of associates				-	15,159
		(126,915)	**(128,906)**	**Other comprehensive (income) and expenditure**				**(82,741)**	**(67,582)**
		(107,953)	**(119,347)**	**Total comprehensive (income) and expenditure**				**(50,816)**	**(45,007)**

II) Movement in Reserves Statement for the year ended 31 March 2023

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 102 to 104.

2022-2023	Council Reserves								**Share of Group**	**Total Group Reserve**
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Other Statutory Funds	Capital fund	**Total usable reserve**	**Unusable reserves**	**Total Council reserves**	Usable and unusable	**Usable and unusable**
	£000	£000	£000	£000	£000	**£000**	**£000**	**£000**	£000	**£000**
Balance at 31 March 2022	39,877	9,531	6,379	1,682	1,472	**58,941**	**377,894**	**436,835**	55,811	**492,646**
Movement in reserves during 2022-2023										
(Deficit)/ surplus on the provision of services	(39,020)	7,095	-	-	-	**(31,925)**	-	**(31,925)**	9,350	**(22,575)**
Other comprehensive income and expenditure	-	-	-	-	-	**-**	**82,741**	**82,741**	(15,159)	**67,582**
Total comprehensive income and expenditure	(39,020)	7,095	-	-	-	**(31,925)**	**82,741**	**50,816**	(5,809)	**45,007**
Adjustments between accounting basis and funding basis (Note 4)	44,406	(13,347)	3,099	(567)	1,191	**34,782**	**(34,782)**	**-**	-	**-**
Net increase/ (decrease) before transfers	5,386	(6,252)	3,099	(567)	1,191	**2,857**	**47,959**	**50,816**	(5,809)	**45,007**
Transfers to/from earmarked reserves (Note 5)	2,481	-	-	44	(2,525)	**-**	**-**	**-**	-	**-**
Increase/ (decrease) in 2022-2023	7,867	(6,252)	3,099	(523)	(1,334)	**2,857**	**47,959**	**50,816**	(5,809)	**45,007**
Balance at 31 March 2023	47,744	3,279	9,478	1,159	138	**61,798**	**425,853**	**487,651**	50,002	**537,653**

2021-2022	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 2021	37,373	14,254	3,697	1,845	2,744	**59,913**	**268,969**	**328,882**	44,417	**373,299**
Movement in reserves during 2021-2022										
(Deficit)surplus on the provision of services	(14,590)	(4,372)	-	-	-	**(18,962)**	-	**(18,962)**	9,403	**(9,559)**
Other comprehensive income and expenditure	-	-	-	-	-	**-**	**126,915**	**126,915**	1,991	**128,906**
Total comprehensive income and expenditure	(14,590)	(4,372)	-	-	-	**(18,962)**	**126,915**	**107,953**	11,395	**119,347**
Adjustments between accounting basis and funding basis (Note 4)	15,833	(351)	2,682	(174)	-	**17,990**	**(17,990)**	**-**	-	**-**
Net increase/ (decrease) before transfers	1,243	(4,723)	2,682	(174)	-	**(972)**	**108,925**	**107,953**	11,394	**119,347**
Transfers to/from earmarked reserves (Note 5)	1,261	-	-	11	(1,272)	**-**	**-**	**-**	-	**-**
Increase/ (decrease) in 2020-2021	2,504	(4,723)	2,682	(163)	(1,272)	**(972)**	**108,925**	**107,953**	11,394	**119,347**
Balance at 31 March 2022	39,877	9,531	6,379	1,682	1,472	58,941	377,894	436,835	55,811	**492,646**

III) Balance Sheet as at 31 March 2023

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".

2021-2022				2022-2023	
Council £'000	**Group £'000**		*Note*	**Council £'000**	**Group £'000**
794,093	808,101	Property, plant and equipment	*6*	888,316	903,141
6,175	6,175	Heritage assets	*7*	6,175	6.175
8,930	8,930	Intangible assets	*8*	9,356	9,356
6,424	6,424	Long-term investments	*9*	1,033	1,033
-	-	Other Long-term assets (Pensions)	*26*	22,566	22,566
815,622	**829,630**	**Long-term assets**		**927,446**	**942,271**
50,000	50,000	Short-term investments	*9*	30,000	30,000
-	-	Assets held for sale	*13*	641	641
727	729	Inventories	*10*	720	722
50,249	50,249	Short-term debtors	*11*	46,341	46,343
16,692	16,692	Cash and cash equivalents	*12*	10,626	10,626
117,668	**117,670**	**Current assets**		**88,328**	**88,332**
(64,049)	(64,049)	Short-term borrowing	*9*	(83,725)	(83,725)
(89,962)	(90,125)	Short-term creditors	*14*	(76,457)	(76,601)
(677)	(697)	Short-term provisions	*15*	(1,005)	(1,025)
(5,792)	(4,605)	Other short-term liabilities	*16*	(5,580)	(4,750)
(160,480)	**(159,476)**	**Current liabilities**		**(166,767)**	**(166,101)**
(799)	(799)	Long-term provisions	*15*	(846)	(846)
-	40,828	Investments in associates/joint ventures		-	34,537
(226,217)	(226,217)	Long-term borrowing	*9*	(272,481)	(272,481)
(2,615)	(2,615)	Other long-term liabilities (finance leases)	*23*	(2,469)	(2,469)
(17,001)	(17,001)	Other long-term liabilities (pensions)	*26*	-	-
(89,343)	(89,374)	Other long-term liabilities	*9*	(85,560)	(85,590)
(335,975)	**(295,178)**	**Long-term liabilities**		**(361,356)**	**(326,849)**
436,835	**492,646**	**Net assets**		**487,651**	**537,653**
58,941	58,941	Usable reserves		61,798	61,798
377,894	377,894	Unusable reserves	*17*	425,853	425,853
-	55,811	Group reserves		-	50,002
436,835	**492,646**	**Total reserves**		**487,651**	**537,653**

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

28 June 2023

IV) Cash Flow Statement for the year ended 31 March 2023

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.

2021-2022				2022-2023	
Council	Group			Council	Group
£'000	£'000		*Note*	£'000	£'000
18,962	**9,559**	**Deficit on the provision of services**		**31,925**	**22,575**
		Adjustments to deficit on the provision of services for non-cash movements:			
(27,550)	(27,550)	Depreciation of property, plant and equipment	*6*	(23,799)	(23,799)
(1,894)	(1,894)	Impairment of property, plant and equipment		(7,973)	(7,973)
(1,225)	(1,225)	Amortisation of intangible assets	*8*	(1,709)	(1,709)
(17,699)	(17,771)	(Increase)/ decrease in creditors		9,916	9,938
18,794	18,794	Increase/ (decrease) in debtors		(9,860)	(9,860)
205	205	Increase/ (decrease) in inventories	*10*	(7)	(7)
(30,415)	(30,415)	Movement in pension asset/liability	*4*	(27,218)	(27,218)
(636)	(636)	Carrying amount of non-current assets sold		(3,867)	(3,867)
(31)	(31)	Other non-cash items		(1,105)	(1,105)
(60,451)	(60,523)			(65,622)	(65,600)
		Adjustment for items included in the deficit on the provision of services that are investing or financing activities			
-	9,443	Net (increase)/ decrease in short term investments		(25,454)	(15,965)
153	153	Proceeds from sale of non-current assets		123	123
15,279	15,279	Capital grants received		28,465	28,465
15,432	24,875			3,134	12,623
(26,057)	**(26,089)**	**Net cash flows used in operating activities**		**(30,563)**	**(30,402)**
		Investing activities			
85,687	85,687	Purchase of non-current assets		121,390	121,390
10,147	10,147	Purchase of short-term investments		-	-
(153)	(153)	Proceeds from sale of non-current assets		(123)	(123)
(15,723)	(15,691)	Other receipts from investing activities		(21,872)	(22,033)
79,958	79,990			99,395	99,234
		Financing activities			
(51,274)	(51,274)	Cash receipts from short-term and long-term borrowing		(65,951)	(65,951)
3,789	3,789	Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts		3,826	3,826
2,048	2,048	Other payments for financing activities		(641)	(641)
(45,437)	(45,437)			(62,766)	(62,766)
34,521	**34,553**	**Net cash flows from Investing and Financing activities**		**36,629**	**36,468**
8,464	**8,464**	**Net decrease/(increase) in cash and cash equivalents**		**6,066**	**6,066**
(25,156)	(25,156)	Cash and cash equivalents at the beginning of the reporting period		(16,692)	(16,692)
(16,692)	**(16,692)**	**Cash and cash equivalents at the end of the reporting period**	*12*	**(10,626)**	**(10,626)**

Section 6: Notes to the Core Financial Statements

Note 1: Expenditure and Funding analysis

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

2021-2022 (restated)				2022-2023		
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**
17,316	6,179	23,495	Chief Executive's Office	18,818	7,380	26,198
104,612	6,597	111,209	Education	112,771	6,170	118,941
42,224	12,681	54,905	Housing, Operations and Development	49,375	12,294	61,669
2,431	819	3,250	Housing Revenue Account	4,003	(3,241)	762
16,937	4,020	20,957	Strategic Change and Communities	20,227	13,200	33,427
97,281	-	97,281	Social Care: Contribution to IJB	106,305	-	106,305
(6,802)	6,010	(792)	Social Care: Provision of Services	(14,474)	6,422	(8,052)
5,790	(8,238)	(2,448)	Miscellaneous Services	(8,401)	15,723	7,322
279,789	**28,068**	**307,857**	**Net Cost of Services**	**288,624**	**57,948**	**346,572**
(276,308)	(12,587)	(288,895)	Other Income and Expenditure	(287,758)	(26,889)	(314,647)
3,481	**15,481**	**18,962**		**866**	**31,059**	**31,925**
51,627			**Opening General Fund and HRA balance**	**49,408**		
(3,481)			**Less/Plus (deficit)/surplus on General Fund and HRA balance in the year**	**(866)**		
1,262			**Transfer from earmarked reserves**	**2,481**		
49,408			**Closing General Fund and HRA balance as at 31 March**	**51,023**		

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.

2022-2023	**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 Office	4,102	3,121	157	7,380
Education	867	4,509	794	6,170
Housing, Operations and Development	6,357	5,640	297	12,294
Housing Revenue Account	(4,096)	816	39	(3,241)
Strategic Change and Communities	9,763	3,258	179	13,200
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	6,114	308	6,422
Miscellaneous Services	12,776	2,947	-	15,723
Net cost of services	**29,769**	**26,405**	**1,774**	**57,948**
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,285)	813	(417)	(26,889)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	**2,484**	**27,218**	**1,357**	**31,059**

2021-2022 (restated)	**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	2,929	3,410	(160)	6,179
Education	2,211	4,863	(477)	6,597
Housing, Operations and Development	7,159	5,788	(266)	12,681
Housing Revenue Account	(24)	882	(40)	818
Strategic Change and Communities	720	3,444	(143)	4,021
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	6,272	(262)	6,010
Miscellaneous Services	(11,367)	3,129	-	(8,238)
Net cost of services	**1,628**	**27,788**	**(1,348)**	**28,068**
Other Income and Expenditure from the Expenditure and Funding Analysis	(14,797)	2,627	(417)	(12,587)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	**(13,169)**	**30,415**	**(1,765)**	**15,481**

Note 1: Adjustments for Capital Purposes

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

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

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

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those 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:

	2022-2023 £000	2021-2022 £000
Expenditure		
Employee benefit expenses	248,048	228,369
Other service expenses	310,489	308,122
Depreciation, amortisation and impairment	33,481	30,670
Interest payments	17,875	15,475
(Gain) or Loss on the disposal of assets	3,744	483
Total Expenditure	**613,637**	**583,119**
Income		
Fees, charges and other service income	(244,633)	(256,677)
Interest & investment income	(1,305)	(272)
Income from Council Tax, non-domestic rates	(95,023)	(83,695)
Government grants and contributions	(240,751)	(223,513)
Total Income	**(581,712)**	**(564,157)**
Deficit on the provision of services	**31,925**	**18,962**

Note 2: 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 2022-23 the Council recognised a £21.720m retrospective adjustment within the Movement in Reserves Statement relating to a PPP Service Concession Arrangement flexibility, permitted by Finance Circular 10/2022. Further detail on this adjustment is provided in Note 24: Public private partnerships and similar contracts.

Note 3: Events after the Balance Sheet date

The unaudited Annual Accounts were authorised for issue on 28 June 2023.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types: those that existed at the balance sheet date where the accounts should be adjusted to reflect these (an adjusting event); and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material (a non-adjusting event). There are no such events to report for 2022-23.

Note 4: 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.

2022-2023

	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Repairs & renewals fund £000	Capital fund £000	Net movement £000
Adjustments primarily involving the capital grants unapplied account:						
Application of grants to capital financing transferred to the capital adjustment account	-	-	121	567	1,372	**(2,060)**
Adjustments primarily involving the capital adjustment account: *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:*						
Charges for depreciation and impairment of non-current assets	(20,418)	(11,354)	-	-	-	**31,772**
Amortisation of intangible assets	(1,709)	-	-	-	-	**1,709**
Capital grants and contributions applied	20,997	10,031	(3,220)	-	(2,563)	**(25,245)**
Net gain or (loss) on sale of non-current assets	(3,741)	(3)	-	-	-	**3,744**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	7,644	1,349	-	-	-	**(8,993)**
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	(21,720)					**21,720**
Capital expenditure charged against the general fund and HRA balances	2,338	14,101	-	-	-	**(16,439)**
Adjustments primarily involving the financial instruments adjustment account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	315	103	-	-	-	**(418)**
Adjustments primarily involving the employee benefit statutory mitigation account: Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,735)	(39)	-	-	-	**1,774**
Adjustments primarily involving the pensions reserve: Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)	(26,377)	(841)	-	-	-	**27,218**
Total adjustments	**(44,406)**	**13,347**	**(3,099)**	**567**	**(1,191)**	**34,782**

Figures for 2021-2022 are provided in an additional table below for the purposes of comparison.

2021-2022	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	-	-	115	174	**(289)**
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	(13,730)	(15,715)	-	-	**29,445**
Amortisation of intangible assets	(1,225)	-	-	-	**1,225**
Capital grants and contributions applied	14,140	1,139	(2,797)	-	**(12,482)**
Net gain or (loss) on sale of non-current assets	(482)	(1)	-	-	**483**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	8,985	1,249	-	-	**(10,234)**
Capital expenditure charged against the general fund and HRA balances	4,319	14,489	-	-	**(18,808)**
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	301	116	-	-	**(417)**
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	1,309	39	-	-	**(1,348)**
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 26)	(29,450)	(965)	-	-	**30,415**
Total adjustments	**(15,833)**	**351**	**(2,682)**	**174**	**17,990**

Note 5: Accumulated usable reserves and Transfers to or from other statutory reserves

Accumulated useable reserves - This note details the movement during the year on all useable reserves held by the Council at 31 March 2023, along with the purpose of each fund held.

Reserve:	31 March 2022	Movements during the year	31 March 2023	Purpose
	£000	£000	£000	
General Fund balance uncommitted	5,943	1,499	7,442	This balance represents 3.19% of future budgeted expenditure.
Affordable Housing	1,482	(300)	1,182	Contributes towards the provision of new build social housing.
Efficiency & Improvement Fund	1,489	(212)	1,277	Used to provide short-term enabling funding to promote and support service redesign.
Workforce Change Fund	1,127	4,805	5,932	Used to meet the severance and other employee related costs arising from any Council's workforce service redesign measures.
Earmarked Funds	15,754	10,245	25,999	Various projects for which funds have been identified prior to 31 March 2023 but where spending plans exist in future years.
Covid-19	14,082	(8,170)	5,912	Covid-19 funds received up to 31 March 2023 but where spending plans exist in future years.
General Fund Balance	39,877	7,867	47,744	
Housing Revenue Account	9,531	(6,253)	3,278	£1.213m is earmarked to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.065m to be held as a contingency for unexpected or emergency situations.
Housing Revenue Account Balance	9,531	(6,253)	3,278	
<u>Other reserves</u>				
Capital grants unapplied	6,379	3,099	9,478	Records amounts that have been credited to the Comprehensive Income and Expenditure Statement but not yet applied to fund capital expenditure.
Capital fund	1,472	(1,334)	138	Used for financing capital expenditure and the repayment of the principal of loans
Repair and renewals fund	1,682	(523)	1,159	Used to assist with abnormal repairs and maintenance to Council properties where these arise in an emergency and where there is no mainline budget available, or where the use of the fund is planned as part of the budget process. It may also be used to facilitate asset improvement and savings/ efficiencies.
Other Reserves Balance	9,533	1,242	10,775	
Total Useable Reserves	58,941	2,857	61,798	

Transfer to or from other statutory reserves - This note sets out the amounts set aside from the General Fund in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2022-2023. Figures for 2021-2022 are provided in an additional table below for the purposes of comparison.

2022-2023

	General Fund Balance	Repairs and Renewals Fund	Capital Fund
	£000	**£000**	**£000**
Contribution to Repair and Renewal Fund from General Fund	44	(44)	-
Contribution from Capital Fund to General Fund	(2.525)	-	2,525
Total adjustments	**(2,481)**	**(44)**	**2,525**

2021-2022

	General Fund Balance	Repairs and Renewals Fund	Capital Fund
	£000	**£000**	**£000**
Contribution to Repair and Renewal Fund from General Fund	11	(11)	-
Contribution to Capital Fund from General Fund	(1,273)	-	1,273
Total adjustments	**(1,262)**	**(11)**	**1,273**

Note 6: Property, Plant and Equipment

This note details the movement in Property, Plant and Equipment (PPE) during 2022-23. The valuation bases, useful lives and depreciation methods used are disclosed below.

2022-2023

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation								
At 1 April 2022	**278,453**	**254,143**	**115,334**	**38,090**	**2,008**	**2,467**	**69,481**	**759,976**
Additions in year	11,974	29,813	1,368	3,405	352	0	59,621	**106,533**
Disposals in year	(99)	(3,419)	-	-	-	(120)	(1,170)	**(4,808)**
Revaluation adjustments to revaluation reserve	-	8,566	2,405	2	-	9	-	**10,982**
Revaluation adjustments to CIES	-	(9,788)	1,086	-	-	9	-	**(8,693)**
Other reclassifications*	5,332	35,166	0	675	465	(693)	(43,161)	**(2,216)**
At 31 March 2023	**295,660**	**314,481**	**120,193**	**42,172**	**2,825**	**1,672**	**84,771**	**861,774**
Depreciation and impairment								
At 1 April 2022	**-**	**3,973**	**-**	**27,033**	**-**	**-**	**431**	**31,437**
Depreciation charge for the year	10,077	5,653	2,883	2,756	-	30	-	**21,399**
Depreciation/Impairment written to revaluation reserve	-	(2,918)	(1,981)	(2)	-	(10)	-	**(4,911)**
Impairment losses to CIES	-	(2,148)	(902)	-	-	-	605	**(2,445)**
On disposals	-	(220)	-	-	-	-	(431)	**(651)**
Other reclassifications	-	7	-	(13)	-	(6)	-	**(12)**
At 31 March 2023	**10,077**	**4,347**	**-**	**29,774**	**-**	**14**	**605**	**44,817**
Net book value at 31 March 2023	**285,583**	**310,134**	**120,193**	**12,398**	**2,825**	**1,658**	**84,166**	**816,957**
Nature of asset holding								
Owned	285,583	307,576	-	12,398	2,825	1,658	84,166	**694,206**
Finance lease	-	2,558	-	-	-	-	-	**2,558**
PPP	-	-	120,193	-	-	-	-	**120,193**
	285,583	**310,134**	**120,193**	**12,398**	**2,825**	**1,658**	**84,166**	**816,957**

2021-2022 Comparator

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2021	**324,971**	**248,469**	**113,010**	**34,451**	**653**	**2,354**	**42,606**	**766,514**
Additions in year	16,812	7,112	1,357	3,663	620	-	50,562	**80,126**
Disposals in year	(48)	(190)	-	-	-	-	-	**(238)**
Revaluation adjustments to revaluation reserve	(80,883)	321	665	-	-	28	(6)	**(79,875)**
Revaluation adjustments to CIES	-	(6,184)	302	-	-	85	(11)	**(5,808)**
Other reclassifications*	17,601	4,615	-	(24)	735	-	(23,670)	**(743)**
At 31 March 2022	**278,453**	**254,143**	**115,334**	**38,090**	**2,008**	**2,467**	**69,481**	**759,976**
Depreciation and impairment								
At 1 April 2021	**52,760**	**5,762**	**-**	**24,897**	**-**	**77**	**259**	**83,755**
Depreciation charge for the year	14,479	5,845	2,825	2,162	-	31	-	**25,342**
Depreciation/Impairment written to revaluation reserve	(67,239)	(3,869)	(1,941)	(2)	-	(108)	-	**(73,159)**
Impairment losses to CIES	-	(3,798)	(884)	-	-	-	194	**(4,488)**
On disposals	-	(2)	-	-	-	-	-	**(2)**
Other reclassifications	-	35	-	(24)	-	-	(22)	**(11)**
At 31 March 2022	**-**	**3,973**	**-**	**27,033**	**-**	**-**	**431**	**31,437**
Net book value at 31 March 2022	**278,453**	**250,170**	**115,334**	**11,057**	**2,008**	**2,467**	**69,050**	**728,539**
Nature of asset holding								
Owned	278,453	247,452	-	11,057	2,008	2,467	69,050	**610,487**
Finance lease	-	2,718	-	-	-	-	-	**2,718**
PPP	-	-	115,334	-	-	-	-	**115,334**
	278,453	**250,170**	**115,334**	**11,057**	**2,008**	**2,467**	**69,050**	**728,539**

Infrastructure Assets (Note 1 below)

2021-22 £000		2022-23 £000
59,942	**Net book value at 31 March 2022**	**65,553**
7,573	Expenditure	7,769
245	Reclassifications	437
(2,207)	Depreciation	(2,400)
65,553	**Net book value at 31 March 2022**	**71,359**
728,539	Other PPE Assets (tables above)	816,957
794,092	**Total Property Plant and Equipment assets**	**888,316**

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

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

Depreciation

As highlighted in Significant Accounting Policies, Note 30 Section 7 to these accounts on pages 87 to 89 under "Property, plant and equipment", depreciation is provided for all assets with a determinable life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below:

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

Revaluation programme

The Council's programme for the revaluation of property, plant and equipment, ensures all such assets required to be measured at fair value are re-valued at least every five years. The measurement basis used for determining the gross carrying amount, the valuers and the significant assumptions applied in estimating the fair values are disclosed separately in Significant Accounting Policies, Note 30 Section 7 to these accounts on pages 87 to 89 under "Property, plant and equipment".

In both 2021-22 and 2022-23 the asset revaluation methodology has been adapted to ensure that the carrying amount of assets held in the balance sheet at the year-end does not differ materially from the current value at that date. The process encompassed using revaluation evidence from properties valued during the year by Council staff or contracted valuers and consideration of appropriate industry indices to determine if a material change in valuation had occurred during the year. Where a material change had been determined then all assets not valued during the year within the given category have been adjusted to reflect the current value.

Gross Book Values are analysed by year of valuation below:

	Council Dwellings £000	Other Land and Buildings £000	Schools PPP Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Total £000
Carried at historic cost	-	17,101	-	42,172	0,738	60,011
Valued at current value as at:						
31 March 2023	295,660	253,400	120,193	-	0,407	669,660
31 March 2022	-	17,877	-	-	0,190	18,068
31 March 2021	-	15,798	-	-	0.064	15,862
31 March 2020	-	172	-	-	-	172
31 March 2019	-	10,133	-	-	272	10,405
Total cost or valuation	**295,660**	**314,481**	**120,193**	**42,172**	**1,672**	**774,178**

Commitments under capital contracts

The Council approved capital investment programmes for General Services and Housing for 2022-2023 for construction or enhancement of property, plant and equipment, as outlined in the table below.

	General Services	Housing	2023-24 Total	2022-23 Total
Expenditure	**£000**	**£000**	**£000**	**£000**
Capital investment	98,145	75,740	173,885	197,482
	98,145	**75,740**	**173,885**	**197,482**
Sources of finance				
Prudential borrowing	54,407	53,671	108,078	164,087
Capital grants, contributions and other receipts	44,738	14,559	59,297	24,490
Capital funded from current revenue	-	7,510	7,510	8,905
	98,145	**75,740**	**173,885**	**197,482**

Note 7: Heritage assets

Valuation	Fine Arts	Other Heritage Assets	Civic Regalia	Total Heritage Assets
	£000	**£000**	**£000**	**£000**
1 April 2022	2,205	3,777	193	6,175
31 March 2023	**2,205**	**3,777**	**193**	**6,175**
1 April 2021	2,115	1,066	151	3,332
Revaluations during the year	90	2,711	42	2,843
31 March 2022	**2,205**	**3,777**	**193**	**6,175**

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 21 December 2021

Christie's December 5 January 2022

Civic regalia and other civil effects

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

Lyon and Turnball 21 December 2021

Note 8: 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 2023 £000	31 March 2022 £000
Balance at start of year:		
Gross carrying amounts	13,265	10,618
Accumulated amortisation	(4,335)	(3,110)
Net carrying amount at start of year	8,930	7,508
Purchases	1,465	2,647
Reclassifications*	679	-
Amortisation for the period	(1,709)	(1,225)
Net carrying amount at end of the year	**9,356**	**8,930**
Comprising:		
Gross carrying amounts	15,400	13,265
Accumulated amortisation	(6,044)	(4,335)
	9,356	**8,930**

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

Note 9: 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 2023 £000s	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s
Amortised Cost	252	5,706	-	-	30,000	50,000	46,341	50,249
Fair value through other comprehensive income - other	781	718	-	-	-	-	-	-
Total financial assets	1,033	6,424	-	-	30,000	50,000	46,341	50,249
Non-financial assets	-	-	-	-	-	-	-	-
Total	**1,033**	**6,424**	**-**	**-**	**30,000**	**50,000**	**46,341**	**50,249**

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023 £000s	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s
Amortised Cost Note *1**	(272,481)	(226,217)	-	-	(83,725)	(64,049)	(76,457)	(89,962)
Total financial liabilities	(272,481)	(226,217)	-	-	(83,725)	(64,049)	(76,457)	(89,962)
Finance lease liabilities	(2,470)	(2,615)	-	-	(145)	(141)	-	-
PPP	(85,560)	(89,342)	-	-	(3,783)	(3,685)	-	-
Total Non-financial liabilities	(88,030)	(91,957)	-	-	(3,928)	(3,826)	-	-
Total	**(360,511)**	**(318,174)**	**-**	**-**	**(87,653)**	**(67,875)**	**(76,457)**	**(89,962)**

**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:

	2022-2023		2021-2022	
	(Surplus)/deficit on the provision of services £000s	Other comprehensive income and expenditure £000s	(Surplus)/deficit on the provision of services £000s	Other comprehensive income and expenditure £000s
Net (gains)/losses on:				
Financial assets measured at amortised cost	(1,305)	-	(272)	-
Financial assets measured at fair value through other comprehensive income	-	(63)	-	62
Financial liabilities measured at amortised cost	17,610	-	15,518	-
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	(543)	-	-	-
Total net losses/(gains)	**15,762**	**(63)**	**15,246**	**62**
Interest revenue:				
Financial assets measured at amortised cost	(1,305)	-	(272)	-
Financial assets measured at fair value through other comprehensive income	-	(63)	-	62
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments (Note2*)	(543)	-	-	-
	(1,848)	**(63)**	**(272)**	**62**
Interest expense	**17,610**	**-**	**15,518**	**-**

**Note 2 - Loan of £543k for counterparty Ayr Gaiety Partnership has been fully impaired in 2022-23 as Council has agreed to write off the full loan balance on 1st April 2023.*

Fair values of assets and liabilities

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

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

Fair value of financial assets and financial liabilities

As at 31 March 2023, the fair values of financial assets and financial liabilities are calculated as follows:

Table 1	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	**£000s**	**£000s**	**£000s**	**£000s**
PWLB	211,183	173,577	178,232	206,118
LOBO (Option)	33,200	33,336	33,200	48,254
Market Debt	36,000	35,095	16,000	18,532
Short Term Borrowing	75,000	75,619	62,000	61,888
Sub Total Borrowing	**355,383**	**317,627**	**289,432**	**334,792**
PPP Liability	89,343	98,303	93,027	121,831
Short Term Finance Lease Liability	145	145	141	141
Long Term Finance Lease Liability	2,469	2,469	2,615	2,615
Short Term Creditors	76,457	76,457	89,962	89,962
	168,414	**177,374**	**185,745**	**214,549**
Total Liabilities	**523,797**	**495,001**	**475,177**	**549,341**

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

Table 2	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	**£000s**	**£000s**	**£000s**	**£000s**
PWLB	211,183	201,375	178,232	245,736
LOBO (Option)	33,200	39,357	33,200	58,608
Market Debt	36,000	36,728	16,000	20,983
Short Term Borrowing	75,000	75,619	62,000	61,894
Sub Total Borrowing	**355,383**	**353,079**	**289,432**	**387,221**
PPP Liability	89,343	106,301	93,027	133,144
Short Term Finance Lease Liability	145	145	141	141
Long Term Finance Lease Liability	2,469	2,469	2,615	2,615
Short Term Creditors	76,457	76,457	89,962	89,962
	168,414	**185,372**	**185,745**	**225,862**
Total Liabilities	**523,797**	**538,451**	**475,177**	**613,083**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes several 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 on 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £173,577m (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 2023**		**31 March 2022**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets	**£000s**	**£000s**	**£000s**	**£000s**
Long term investments	1,033	1,015	6,424	6,798
Investments	30,000	30,377	50,000	49,813
Current asset debtors	46,341	46,341	50,249	50,249
	77,374	**77,733**	**106,673**	**106,860**

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes several 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 on 31 March 2023) arising from a commitment to receive interest from lenders above current market rates.

Note 10: Inventories

	Consumable Stores		**Maintenance Materials**		**Property Acquired or Constructed for Sale**		**Total**	
As at 31 March	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	341	131	341	348	45	43	727	522
Purchases	1,649	1,356	1,414	1,558	1,604	1,293	4,667	4,207
Recognised as an expense in year	(1,677)	(1,145)	(1,417)	(1,565)	(1,599)	(1,290)	(4,693)	(4,000)
Written off balances	9	(1)	-	-	-	(1)	8	(2)
Reversals of write-offs in previous years	4	-	6	-	-	-	10	-
Balance outstanding at year end	**326**	**341**	**344**	**341**	**50**	**45**	**720**	**727**

Note 11: Debtors

	2022-2023	**2021-2022**
	£000	**£000**
Trade receivables	28,976	38,325
Prepayments	5,015	3,344
Other receivable amounts	12,351	8,580
Total	**46,341**	**50,249**

Note 12: Cash and cash equivalents

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

	2022-2023	2021-2022
	£000	£000
Cash held by the authority	49	46
Bank current accounts	(2,578)	(459)
Short term/Callable deposits held with UK banks	13,155	17,105
Total cash and cash equivalents	**10,626**	**16,692**

Note 13: Assets held for sale

	2022-2023	2021-2022
	£000	£000
Balance outstanding at start of year	-	-
Assets reclassified as Held for Sale	641	-
Balance outstanding at year end	**641**	**-**

Note 14: Creditors

	2022-2023	2021-2022
	£000	£000
Trade Creditors	55,728	69,940
Other payable amounts	20,729	20,022
Total	**76,457**	**89,962**

Note 15: Provisions

	Short	Long	Total
	£000	£000	£000
Balance as at 1 April 2022	**677**	**799**	**1,476**
Additional/(reduced) provisions made in 2021-22	338	72	410
Amounts used in 2022-23	(10)	(25)	(35)
Balance as at 31 March 2023	**1,005**	**846**	**1,851**

The Council has made a provision in respect of several potential claims outstanding at 31 March 2023, including for employee-related claims, the Council's share of the former Strathclyde Regional Council's insurance claims and other potential insurance claims against the Council.

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

Note 16: Other short-term liabilities

	31 March 2023 £000	31 March 2022 £000
Public Private Partnership (PPP)	3,782	3,685
Amounts owed to Common Good	751	1,057
Amounts owed to Trusts and others	902	909
Finance Lease	145	141
	5,580	**5,792**

Note 17: Unusable reserves

Summary of year-end balances

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

	2022-2023 £000	2021-2022 £000
Revaluation reserve	154,885	141,976
Capital adjustment account	264,996	268,219
Financial Instrument adjustment account	(10,150)	(10,567)
Financial instruments measured at fair value reserve	741	678
Pension reserve	22,566	(17,001)
Employee statutory mitigation account	(7,185)	(5,411)
	425,853	**377,894**

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:

	2022-2023 £000	2021-2022 £000
Balance at 1 April	**141,976**	**153,096**
Upward revaluation of assets	16,943	12,898
Downward valuation of assets and impairment losses not charged to the deficit on the provision of services	(1,050)	(16,858)
Surplus on revaluation of non-current assets not posted to the deficit on the provision of services	**(15,893)**	**(3,960)**
Difference between fair value depreciation and historical cost depreciation	(1,945)	(6,344)
Accumulated gains on assets sold or scrapped	(1,039)	(816)
Amount written off to the Capital Adjustment Account	**(2,984)**	**(7,160)**
Balance at 31 March	**154,885**	**141,976**

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 4 on page 47 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2022-2023 £000	2021-2022 £000
Balance at 1 April	**268,219**	**250,399**
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	(31,772)	(29,445)
Amortisation of intangible assets	(1,709)	(1,225)
Amounts of non-current assets written off on disposal or sale as part of the (loss) on disposal to the CIES	(3,744)	(483)
Adjusting amounts written out of the revaluation reserve	2,984	7,160
Net written out amount of the cost of non-current assets consumed in the year	(34,241)	(23,993)
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	25,246	12,483
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	2,060	288
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	(12,727)	10,234
Capital expenditure charged against the general fund and HRA balances	16,439	18,808
Balance at 31 March	**264,996**	**268,219**

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.

	2022-2023 £000	2021-2022 £000
Balance at 1 April	**(10,567)**	**(11,400)**
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	408	407
Fair value effective interest rate adjustment in line with statutory requirements	9	10
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	**417**	**417**
Balance at 31 March	**(10,150)**	**(10,567)**

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

	2022-2023 £000	2021-2022 £000
Balance at 1 April	**678**	**740**
(Downward)/upward revaluation of investments	63	(62)
Balance at 31 March	**741**	**678**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. For the current financial year, the overall pension asset of £265.031 million has been adjusted for the asset ceiling calculation required by IAS19/IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction, resulting in a revised pension asset of £22.566m shown in the table below.

	2022-2023 £000	2021-2022 £000
Balance at 1 April	**(17,001)**	**(117,523)**
Re-measurement of the net defined benefit asset	309.250	130,937
Asset ceiling adjustment	(242,465)	-
Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(48,922)	(49,709)
Employer's pension contributions and direct payments	21,704	19,294
Balance at 31 March	**22,566**	**(17,001)**

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.

	2022-2023 £000	2021-2022 £000
Balance at 1 April	**(5,411)**	**(6,759)**
Settlement or cancellation of accrual made at the end of the preceding year	5,411	6,759
Amounts accrued at the end of the current year	(7,185)	(5,411)
Balance at 31 March	**(7,185)**	**(5,411)**

Note 18: Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2022-2023 the Council collected £21.634m (£20.577m 2021-2022) and paid over £21.234m (£20.177m 2021-2022) and received £0.400m (£0.400m 2021-2022) for providing this service. The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2022-2023 the Council billed £41.272m (£27.640m 2021-2022) on their behalf and received £30.913m (£23.358 2021-2022) in income from the Non-Domestic Rates Pool.

Business Support grants were administered on behalf of the Scottish Government in 2022-2023 to local businesses in response to the Covid-19 pandemic which amounted to £2.118 (2021-2022: £17.568m). Further cost of living grant was administered in 2022-23 which has been classed as Agency services which amounted to £5.425.

Note 19: External audit cost

The Council has incurred costs of £0.327m in 2022-2023 in respect of fees payable regarding external audit services carried out under the Code of Practice (£0.290m 2021-2022).

Note 20: Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022-2023:

	31 March 2023	31 March 2022
Credited to taxation and non-specific grant income	**£000**	**£000**
General revenue grant	209,723	204,345
Covid-19 grants	-	3,888
Receipted capital income	31,028	15,280
Non-domestic rates income	30,913	23,358
Council tax income	64,110	60,337
Total	**335,774**	**307,208**

	31 March 2023	31 March 2022
Credited to services	**£000**	**£000**
Covid-19	322	1,726
Department of Work and Pensions	23,749	24,748
Education	21,357	19,747
Education Maintenance Allowance	293	332
Electric Vehicles	29	68
Health Authorities	136	127
Leader	308	329
Modern Apprentices	117	144
Other Grants and Contributions	1,854	1,563
Police	30	30
School Milk	-	9
Social Work	31,356	44,609
Townscape Heritage Initiative	46	38
Zero Waste	-	90
Total	**79,597**	**93,560**

Note 21: 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 2022-23 are shown in the Remuneration Report. During 2022-23 works and services to the value of £6.151m (of which £0.000m remained unpaid at 31 March 2023) (2021-22 £7.602m of which £0.006m remained unpaid at 31 March 2022) were commissioned from the Energy Agency and Strathclyde Partnership for Transport. Ian Cochrane, Councillor has declared an interest as a member of both these companies and Philip Saxton, Councillor has declared an interest as a member of the board of Energy Agency. Contracts were entered into in full compliance with the Council's standing orders. There was a material balance outstanding on the Energy Agency contract of £0.275m as at 31 March 2023

During 2022-23 there were no grants paid to voluntary organisations wherein Members of the Council had an interest (Nil in 2021-22). Details of the transactions during 2022-23 are available by emailing CFTenquires@south-ayrshire.gov.uk.

Officers of the Council - During 2022-2023 Mike Newall - Depute Chief Executive and Director of Housing, Operations and Development declared an interest in Freeport Scotland Ltd as director. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. Mike Newall was appointed by The Council as director of the company and the Council has a 37% share in the company. The Council did not receive any lease income during 2022-23 and there was no management fee received during 2022-2023.

In addition, Mike Newall 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 did not receive any payment respect of this appointment. During 2022-23 works and services to the value of £71.652m (of which NIL was unpaid at 31 March 2023) was commissioned from the HUB South West Scotland Ltd (2021-22 £44.291m of which £0.245m remained unpaid at 31 March 2022). No material balances were outstanding on this contract as at 31 March 2023.

Total remuneration paid to senior officers is shown in the Remuneration Report Section 4 at page 31. No remuneration was paid to the Council as a result of these appointments

South Ayrshire Integration Joint Board – The South Ayrshire Integration Joint Board was established on 1 April 2015 as a partnership between South Ayrshire Council and NHS Ayrshire and Arran Health Board and is responsible for planning and overseeing the delivery of a full range of community health and social work/social care services, including those for older people, adults, children and families, people in the Criminal Justice System and allied health professions. In the year 2022-23 the following South Ayrshire Council financial transactions were made with South Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2022-23 £000	2021-22 £000
Contribution made to South Ayrshire Integration Joint Board	106,305	93,602
Commissioning income received from South Ayrshire Integration Joint Board	115,970	111,149

The Council funded an in year overspend of £3.277m in the 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 and 2021-22. The final repayment of £0.802m was received in 2022-23 in line with the agreed repayment plan.

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 £16.601m during 2022-2023 (£39.256m 2021-2022).

Note – the £16.601m incudes credit of £9.548m of Covid income included in the £39.256m in 21-22.

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 2023.

Ayr Renaissance LLP - established by the Council as a separate arm's length Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by the Council. The contribution from the Council to the LLP's running costs for the year ended 31 March 2023 was £0.002m (2021-22: £0.006m). No material balances were outstanding as at 31 March 2023 or 31 March 2022. The LLP is expected to be wound up during 2023-24.

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 22: 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 2023 £000	31 March 2022 £000
Opening capital financing requirement	**399,007**	**350,044**
Capital investment		
Property, plant and equipment	116,031	88,273
Intangible assets	1,455	2,647
	117,486	90,920
Sources of finance		
Capital Receipts	(123)	(153)
Government grant and other contributions	(28,046)	(12,771)
Capital funded from current revenue	(16,439)	(18,798)
Repayment of PPP/finance lease	(3,827)	(3,790)
Loans fund principal repayments	(7,238)	(6,445)
Application of PPP retrospective flexibility	21,720	-
Application of PPP in year flexibility	2,071	-
Closing capital financing requirement	**484,611**	**399,007**
Explanation of movements during the year		
Increase in the underlying need to borrow	89,431	52,753
(Decrease) in finance lease obligations	(142)	(221)
(Decrease) in PPP finance lease creditor	(3,685)	(3,569)
Increase in capital financing requirement	**85,604**	**48,963**

Note 23: 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 2023 £000	31 March 2022 £000
Property, plant and equipment	**2,558**	**2,718**

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 2023	31 March 2022
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	145	141
Non-Current	2,469	2,615
Finance costs payable in future years	674	728
Minimum lease payments	**3,288**	**3,484**

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
No later than one year	200	199	145	141
Later than one year and not later than five years	798	798	630	614
Later than five years	2,287	2,487	1,836	2,001
	3,285	**3,484**	**2,611**	**2,755**

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 2023	31 March 2022
	£000	£000
No later than one year	1,283	1,526
Later than one year and not later than five years	1,384	1,678
	2,667	**3,204**

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 2023	31 March 2022
	£000	£000
Minimum lease payments	1,856	1,718
	1,856	**1,718**

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 2023	31 March 2022
	£000	£000
No later than one year	786	786
Later than one year and not later than five years	1,273	1,364
Later than five years	10,669	10,909
	12,728	**13,059**

Note 24: 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 2022 (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	6,545	3,782	7,374	**17,701**
Payable within two to five years	29,328	15,605	28,638	**73,571**
Payable within six to ten years	46,407	19,984	32,214	**98,605**
Payable within eleven to fifteen years	48,723	26,804	31,157	**106,684**
Payable within sixteen to twenty years	18,868	20,226	11,483	**50,577**
Payable within twenty-one to twenty-five years	1,198	2,941	469	**4,608**
Total	**151,069**	**89,342**	**111,335**	**351,746**

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:

	2022-2023	2021-2022
	£000	**£000**
Balance outstanding at start of year	**93,027**	**96,596**
(Reductions) during the year	(3,685)	(3,569)
Balance outstanding at year end	**89,342**	**93,027**

Application of PPP Service Concession Arrangement Flexibilities

In accordance with Accounting Policy 12 on page 89 and in line with Finance Circular 10/2022, the Council has applied the permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-23 on a retrospective annuity basis with a useful life of 40 years. The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset.

The current repayment charges have been compared against an annuity repayment profile based on the estimated useful asset lives for the each of the three SCA arrangements. The most appropriate asset life is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. The calculation of the repayment charges of each SCA or Public Private Partnership (PPP) scheme using the asset life annuity basis is compared to the current charges which are made over the contract period. By applying the flexibility, a one-off combined pre-2022-23 retrospective saving of £21.720m as detailed in the table below will be achieved.

PPP debt repayment	**Current repayment**	**Revised repayment**	**(Reduction)/ Cost**
	£000	**£000**	**£000**
Pre 2022-23	34,342	12,622	**(21,720)**
Paid in 2022-23	3,685	1,614	**(2,071)**
Payable within two to five years	15,409	7,418	**(7,991)**
Payable within six to ten years	19,679	11,879	**(7,800)**
Payable within eleven to fifteen years	25,288	15,624	**(9,664)**
Payable within sixteen to twenty years	23,750	20,551	**(3,199)**
Payable within twenty-one to twenty-five years	5,216	27,035	**21,819**
Payable within twenty-six to forty years	-	30,626	**30,626**
Total	**127,369**	**127,369**	**-**

In addition to the one-off retrospective element, an in-year saving occurs in scheduled debt repayments in 2022-23, of £2.071m. This will be followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Over the full asset life of the SCAs the total repayment for the debt liability remains the same.

Impact on CIES and Balance Sheet.

The reprofiling of the debt liability repayments increases the Capital Financing Requirement (CFR) by £21.720m as at 1 April 2022. The increase in the CFR (Note 18) will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2023 has the following impact on the 2022-23 Balance sheet (Capital Adjustment Account) and Movement in Reserves statement:

	£000 Retrospective	**£000 In-year**	**£000 Total**
Capital Adjustment Account (Note 18)	21,720	2,071	**23,791**
Movement in Reserves Statement (Note 5)	(21,720)	(2,071)	**(23,791)**

Note 25: Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2022-23, incurring liabilities of £0.770m (£0.437m 2021-22). The total is payable to 10 (2021-22: 10) employees from directorates detailed in the analysis provided. Termination benefits exclude ill health retirals'. Further detail can be found within the Exit packages note contained in the Remuneration report on page 38.

Number	Directorate
1	Education
1	Housing Operations and Development
1	Health and Social Care Partnership
7	Strategic Change and Communities
10	

Note 26: 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/index.aspx?articleid=14493.

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 2022-2023 and the prior year 2021-2022.

Comprehensive Income and Expenditure Statement (CIES)	**2022-2023 £000**	**2021-2022 £000**
Cost of Services:		
Service cost comprising:		
Current service cost	47,437	46,585
Past service cost (including curtailments)	672	497
Financing and investment income and expenditure:		
Net interest expense/ (income)	813	2,627
Total post-employment benefit charged to the deficit on the provision of services	**48,922**	**49,709**
Other post-employment benefits charged to the CIES:		
Re-measurement of the net defined benefit liability comprising:		
Return on the plan assets	50,544	(53,693)
Actuarial (gains) arising on changes in demographic assumptions	(7,735)	(6,445)
Actuarial (gains) and losses arising on changes in financial assumptions	(404,387)	(73,032)
Other	52,328	2,233
Total post-employment benefit charged to the CIES	**(260,328)**	**(81,228)**
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	**(27,218)**	**(30,415)**
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contribution payable to the scheme	**21,704**	**19,294**

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:

	2022-2023 £000	2021-2022 £000
Present value of the defined benefit obligation: funded	(704,098)	(1,001,507)
Present value of the defined benefit obligation: unfunded	(25,772)	(31,829)
Fair value of pension fund assets	994,901	1,016,335
Surplus/(Deficit)	**265,031**	**(17,001)**
Asset Ceiling Adjustment	**(242,465)**	**-**
Net Asset/(Liability) arising from defined benefit obligations	**22,566**	**(17,001)**

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

	2022-2023 £000	2021-2022 £000
Opening balance at 1 April	**1,033,336**	**1,062,152**
Current service cost	47,437	46,585
Past service cost	672	497
Interest cost	28,276	21,511
Contributions by scheme participants	5,974	5,266
Re-measurement gains and (losses):		
Actuarial (gains) arising on changes in demographic assumptions	(7,735)	(6,445)
Actuarial (gains) and losses arising from changes in financial assumptions	(404,387)	(73,032)
Other losses/ (gains)	52,328	2,233
Benefits paid	(24,174)	(23,575)
Unfunded benefits paid	(1,857)	(1,856)
Closing balance at 31 March	**729,870**	**1,033,336**

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

	2022-2023 £000	2021-2022 £000
Opening fair value of the scheme assets	**1,016,335**	**944,629**
Interest income	27,463	18,884
Re-measurement gains and (losses):		
Return on the plan assets	(50,544)	53,693
Contributions from employers	19,847	17,438
Contributions from employees in the scheme	5,974	5,266
Other losses/(gains)	-	-
Benefits paid	(24,174)	(23,575)
Closing fair value of the scheme assets	**994,901**	**1,016,335**

Analysis of pension fund assets

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

At 31 March 2023

Asset category	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	2022-2023 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	44,510	123	44,633
Manufacturing	54,045	1,431	55,476
Energy and Utilities	4,980	-	4,980
Financial Institutions	21,105	75	21,180
Health and Care	35,331	58	35,389
Information Technology	34,308	96	34,404
Sub-total equity	**194,279**	**1,783**	**196,062**
Debt securities (corporate bonds incl. non-investment grade)	**-**	**-**	**-**
Private equity	**-**	**244,535**	**244,535**
Real estate (UK property)	**-**	**82,029**	**82,029**
Investment funds and unit trusts:			
Equities	4,286	325,417	329,703
Bonds	-	114,738	114,738
Commodities	-	388	388
Infrastructure	-	6,389	6,389
Other	-	2,209	2,209
Sub-total investment funds and unit trusts	**5,638**	**449,141**	**453,427**
Cash and cash equivalents (all)	**13,760**	**5,088**	**18,848**
Totals	**212,325**	**782,576**	**994,901**

At 31 March 2022

Asset category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2021-2022 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	47,567	45	47,612
Manufacturing	44,630	154	44,784
Energy and utilities	10,497	80	10,577
Financial institutions	27,892	98	27,990
Health and Care	33,856	106	33,962
Information technology	59,016	-	59,016
Sub-total equity	**223,458**	**483**	**223,941**
Debt securities (corporate bonds non-investment grade)	**-**	**-**	**-**
Private equity	**-**	**198,961**	**198,961**
Real estate (UK property)	**-**	**85,711**	**85,711**
Investment funds and unit trusts:			
Equities	5,638	370,695	376,333
Bonds	-	102,649	102,649
Commodities	-	349	349
Infrastructure	-	892	892
Other	-	1,637	1,637
Sub-total investment funds and unit trusts	**5,638**	**476,222**	**481,860**
Cash and cash equivalents (all)	**25,518**	**344**	**25,862**
Totals	**254,614**	**761,721**	**1,016,335**

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 2023. The significant assumptions used by the actuary have been:

Mortality assumptions:	**2022-2023**	**2021-2022**
Longevity at 65 for current pensioners		
Male	19.3	19.6
Female	22.2	22.4
Longevity at 65 for future pensioners		
Male	20.5	21.1
Female	24.2	24.5
Financial assumptions:		
Rate of inflation/pension increase rate	3.0%	3.2%
Rate of increase in salaries	3.7%	3.9%
Rate for discounting scheme liabilities	4.8%	2.7%

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 2023	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.1% decrease in real discount rate	2%	13,282
0.1% increase in the salary increase rate	0%	1,569
0.1% increase in the pension increase rate	2%	11,902

Asset and liability matching strategy

The Strathclyde Pension Fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt-edged investments with maturities that match the benefits payments, as they fall due. A large proportion of the assets relate to investment funds and unit trusts 46% (2021-22 47%), equities 20% (2021-22 22%) and private equity 25% (2021-22 20%). The scheme also invests in properties 7% (2021-22 8%) and in cash 2% (2021-22 3%). 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 2022-2023 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 2023 is £19.847m. 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 27: 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 23.6% 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 for the period from 1 April 2022 is 23.6% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

  iv) While a valuation was carried out as 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 2023 will be published in October 2023.

The Council paid £11.8m (£10.9m 2021-2022) for employer's contributions. As a proportion of the total contributions into the Teachers Superannuation Scheme during the year ended 31 March 2023 (£667.7m), the Council's own contributions paid for the period ending 31 March 2023 equates to approximately 1.77%. The total expected Employer's contributions for the period to 31 March 2024 is £12.9m.

Note 28: Contingent assets and liabilities

At 31 March 2023 the Council had no material contingent assets. Having received notice of several potential insurance and other claims, the Council recognises that it has a potential liability which may require to be met where claims are successful. Accordingly, it has agreed to meet any liability in excess of provisions made in the financial statements from uncommitted reserves. These include:

- A share of potential liabilities arising from claims lodged against the former Strathclyde Regional Council (SRC) on a geographical basis. These potential liabilities include shared liability in connection with Municipal Mutual Insurance (MMI) Limited, one of SRC's insurers. Following the Supreme Court ruling in 2012 on Employers' Liability Insurance "Trigger" Litigation, the Council have made provision to meet clawback of estimated payments made by MMI Limited for known claims and recognise a contingent liability for claims that may be incurred but are yet to be reported.

- The Limitation (Childhood Abuse) (Scotland) Act 2017 removed the three-year time bar on survivors of abuse bringing forward claims for compensation. This applies to all claims from 1964 onwards and a potential cost to the Council exists in respect of claims which may arise under the legislation.

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

Note 29: Nature and extent of risks arising from financial instruments

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

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

Overall procedures for managing risk

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

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

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By adopting a Treasury Policy Statement and treasury management clauses within its financial regulations and standing orders; and
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
  - (i) The Council's overall borrowing
  - (ii) The maximum and minimum exposures to fixed and variable interest rates
  - (iii) The management of interest rate exposure
  - (iv) The maximum annual exposures to investments maturing beyond a year

(v) By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance (regulations – Scotland).

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

Actual treasury performance is required to be reported quarterly.

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 3 March 2022 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2022-23 was set at £606m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £564m. This is the expected level of debt and other long-term liabilities during the year.
- The management of fixed and variable interest rate exposure.
- The maximum and minimum exposures to the maturity structure of debt are shown at Page 10– Treasury Management Limits on Activity.

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

Credit Risk

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

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures.

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 2022-23 was approved by Council on 3 March 2022 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 £43.155m 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 2023 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 £49.199m (2021-22 £51.749m) against which a provision of £9.915m (2021-22 £8.755m) 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 £10.706m of the £49.199m gross debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2022-2023	2021-2022
	£000	£000
Less than three months	514	407
Three to six months	369	72
Six months to one year	2,358	2,130
More than one year	7,466	3,644
Total	**10,706**	**6,253**

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 2022-23 of borrowing in the short-term markets and longer term PWLB borrowing.

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

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

	Maturity limit %	Maturing debt Maturing in period %	Actual 2022-2023 £000	Actual 2021-2022 £000
Less than one year	25	22	78,725	64,049
Between one and two years	25	5	16,570	13,725
Between two and five years	50	6	19,909	5,075
Between five and ten years	75	6	20,507	15,410
More than ten years	90	61	219,673	191,174
Principal element of borrowing		**100**	**355,384**	**289,433**

Market Risk

Interest rate risk

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

The Council has several strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set which provides maximum limits for fixed and variable rate interest rate exposure. The central treasury team will monitor interest rates within the year to adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rate borrowing would be postponed. According to this assessment strategy, at 31 March 2023, 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 2022-2023 £000	Actual 2021-2022 £000
Increase in interest payable on variable rate borrowings	945	796
Increase in interest receivable on variable rate investments	(248)	(223)
	697	**573**

Other presentational changes	Actual 2022-2023 £000	Actual 2021-2022 £000
Decrease in “fair value” of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	**26,295**	**42,624**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 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 £0.781m in Freeport (Scotland) Ltd, which allows the Council voting rights within the company. The Council is consequently exposed to losses arising from movements in the prices of the shares.

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

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

Foreign Exchange Risk

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

Section 7: Policies, Judgements and Assumptions

Note 30: Significant accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2022-2023 financial year and its financial position at the year end of 31 March 2023. 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 2022-23* 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 because of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. These termination benefits are charged on an accruals basis as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to a termination; when it has a detailed formal plan for the termination, and it is without realistic possibility of withdrawal.

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

Post-employment benefits

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

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

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

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

The Local Government pension scheme

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

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

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

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

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

Discretionary benefits

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

6. Financial assets

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

There are three main classes of financial assets measured at:

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

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

Financial assets measured at amortised cost

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

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

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

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

Financial assets measured at fair value through profit or loss

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

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

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

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

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

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

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

Expected credit loss model

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

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

7. Financial liabilities

Borrowing

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

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

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

8. Government grants and contributions

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

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

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

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

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

9. Leases

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

The Council as Lessee

Finance leases

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

Lease payments are apportioned between:

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

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

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

Operating leases

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

The Council as Lessor

Operating leases

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment. There were no prior period adjustments relating to the financial year 2022-2023.

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

11. Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Disposals and non-current assets held for sale

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

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

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

Disposal and Derecognition of Infrastructure Assets

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

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

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

Depreciation

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

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

Service Concession Arrangement flexibility application

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

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

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

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

Annuity method for revised repayment of debt liability

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

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

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

Useful Economic Life

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

Capital Financing Requirement

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

Accounting Treatment

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

13. Provisions, contingent assets and liabilities

Provisions

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

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

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

Contingent assets and liabilities

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

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

14. Reserves

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

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

Usable reserves

The Council has several statutory reserve funds within this category. The 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 managing the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Council.

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

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

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

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

15. Revenue expenditure funded from capital under statute

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

16. VAT

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

17. Fair value measurement

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

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

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

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

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

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

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

Note 31: 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 2022-2023 Code:

a) **Standards, amendments, and interpretations effective in the current year:** In the current year, the Council has applied several amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

   - **Amendment to IAS16:** Property, Plant and Equipment – Proceeds before intended Use.
   - Annual Improvements to IFRS Standards 2018–2020
   - **Amendments to IAS 37:** Onerous Contracts, cost of fulfilling a contract.
   - Annual Improvements to IFRS Standards 2018-2020 Cycle.

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

c) **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 2024.
   - **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.

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 2024. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

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.

It is the Council's intention to adopt IFRS 16 on 1 April 2024. Due to the need to reassess lease calculations, together with uncertainty around expected future leasing activity, a quantification of the expected impact of applying the standard in 2023-24 is currently impracticable. However, the Council does not expect the implementation of this standard to have a material impact on the financial statements.

Note 32: Critical judgements in applying accounting policies

In applying the Significant Accounting Policies set out in Note 30 Section 7 to these accounts on pages 81 to 93, 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.

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

Note 33: Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Pension liability

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

Effect if the results differ from assumption: The effects on the net pension's asset of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate would result in a reduction of £13.282m in the pension asset.

Property, Plant and Equipment

Uncertainties: Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may create uncertainty around the valuations of the assets and their existing lives.

Effect if the results differ from assumption: If the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £2.528m if useful lives were reduced by 1 year.

Public Private Partnership (PPP)

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

Effect if results differ from assumptions: Any increase in these indices above that which are set in the funding model will require the Council to identify and allocate additional funding to the scheme. For instance, a 0.5% increase in the index rate used in the model would result in an increase of £13.217m in unitary charge payments over the remaining term of the arrangements.

Collection levels of arrears

Uncertainties: At 31 March 2023, the Council had a balance of trade receivables, excluding Council Tax and Non-domestic rates, of £31.417m. A review of significant balances suggested that an allowance for potential impairment losses of £9.498m was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.

Effect if results differ from assumptions: If collection rates were to deteriorate, a 10% increase in the amount of potential impairment losses would require an additional amount of £0.950m to be set aside as an allowance.

Section 8: Housing Revenue Account

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

I) HRA Income and Expenditure Statement for the year ended 31 March 2023

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.

2021-22 £000	Expenditure	2022-23 £000	2022-23 £000
11,969	Repairs and maintenance	14,070	
6,938	Supervision and management	7,414	
15,715	Depreciation and impairment of property, plant and equipment	11,354	
1,141	Other expenditure	1,199	
187	Increase in bad debt provision	281	
35,950	**Total expenditure**		**34,318**
	Income		
(31,926)	Dwelling rents	(32,635)	
(349)	Non-dwelling rents	(374)	
(557)	Other income	(685)	
(32,832)	**Total income**		**(33,694)**
132	HRA share of Corporate and Democratic Core		139
3,250	**Net expenditure/(income) from HRA service as included in the Council Comprehensive Income and Expenditure statement**		**763**
	Other Operating Expenditure		
1	(Gain) or loss on sale of HRA non-current assets		3
2,244	Interest payable and similar charges		2,360
(67)	Interest and investment income		(214)
83	Net interest on the net defined benefit liability		25
(1,139)	Non-specific grant income		(10,032)
4,372	**Deficit/(surplus) for the year on HRA services**		**(7,095)**

II) Movement on the HRA Statement for the year ended 31 March 2023

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.

2021-2022 £000		2022-2023 £000
(14,254)	**Balance on the HRA at the end of the previous year**	**(9,531)**
4,372	Deficit/(surplus) for the year on the HRA Income and Expenditure Statement	(7,095)
351	Adjustments between accounting basis and funding basis under statute*	13,348
4,723	**Net decrease/(increase) in HRA balance**	**6,253**
(9,531)	**Balance on the HRA at the end of the current year**	**(3,278)**

*Represents net movement of all adjustments

Note 1: Provisions

A provision of £1.133m (2021-2022: £0.985m) is included in the Balance Sheet for doubtful debts in respect of mainstream housing rents. During 2022-2023, a total of £0.133m (2021-2022: £0.144m) was written off in respect of housing rent arrears.

Note 2: Accommodation

At 31 March 2023, the Council held various types of accommodation and had the following number and types of houses:

	2022-2023	2021-2022
Type of accommodation		
One and two apartment	2,369	2,599
Three apartment	3,525	3,503
Four apartment	1,990	1,981
Five or more apartment	171	171
	8,055	**8,254**

	2022-2023	2021-2022
Area of accommodation		
Ayr	4,736	4,933
Troon	962	965
Prestwick	733	732
Maybole	699	700
Girvan	925	924
	8,055	**8,254**

Note 3: Rent arrears & void property lost rent

At 31 March 2023, rent arrears amounted to £1.748m (2021-2022: £1.587m), being 5.17% (2021-2022: 4.86%) of gross rent collectable. The rental income lost due to void properties amounted to £0.662m in 2022-23 (2021-2022: £0.559m).

Note 4: HRA surplus/ (deficit)

The deficit for the year of £6.253m, when combined with the accumulated surplus brought forward from 2021-2022 of £9.531m, results in a final 2022-23 accumulated surplus of £3.278m at 31 March 2023. £1,213m is required to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.065m 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

2021-2022 £000		2022-2023 £000
80,575	Gross council tax levied and contributions in lieu	83,654
	Deduct:	
(8,424)	Council tax benefits/reduction (net of government grants)	(8,612)
(9,197)	Other discounts and reductions	(9,670)
(2,071)	Write-off of uncollectable debts and allowances for impairment	(1,971)
60,883	**In year council tax income**	**63,401**
(546)	Adjustment to prior years' council tax	709
60,337	Transfer to General Fund	**64,110**

Note 1: Council tax income

Council tax is based on the value of a domestic property, together with a personal element which considers the number of the property's occupants and their circumstances.

Each property is placed in one of eight valuation bands (A to H) in accordance with their valuation as at 1 April 1991. The council tax charge levied for each property is calculated in proportion to the council tax charge for a Band D property by applying fractions. A discount of 25 per cent on the council tax charge is made where there is only one resident aged 18 or over living in a property, or in some other circumstances where residents can be disregarded. Individuals in care, students and people who are severely mentally impaired are some examples where council tax would not be applicable. Reductions in council tax payable are also granted for disabled people in certain circumstances.

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

Valuation band	2022-23 Charge per band £
A	922.64
B	1,076.41
C	1,230.19
D	1,383.96
E	1,818.37
F	2,248.94
G	2,710.26
H	3,390.70

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 £1.182m (2021-2022: £1.482m) 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 2022-2023

	Valuation band								
Council tax band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Total number of properties	7,264	12,773	8,974	8,466	9,680	5,223	3,334	302	**56,016**
Less exemptions/deductions	484	420	280	177	183	87	36	3	**1,670**
Less adjustment for single discount	950	1,389	933	720	693	287	150	5	**5,127**
Less adjustment for double discount	96	160	119	101	96	45	26	5	**648**
Reduction in tax base due to Council Tax Reduction	2,405	2,794	1,394	622	372	105	29	1	**7,722**
Effective number of properties	**3,329**	**8,010**	**6,248**	**6,846**	**8,336**	**4,699**	**3,093**	**288**	**40,849**
Band D equivalent factor (D)	**240**	**280**	**320**	**360**	**473**	**585**	**705**	**882**	
Band D equivalent number of properties	2,219	6,230	5,554	6,846	10,953	7,636	6,057	705	**46,200**
Class 17 & 24 dwellings				3					**3**
Total	**2,219**	**6,230**	**5,554**	**6,849**	**10,953**	**7,636**	**6,057**	**705**	**46,203**
Less provision for non-collection 3.25 per cent (adjusted for impact of Council Tax Reduction)									1,502
Council tax base 2022-2023									**44,701**

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.

2021-2022 £000		2022-2023 £000
58,241	Gross rates levied and contributions in lieu	59,552
	Deduct:	
(27,561)	Reliefs and other deductions	(14,513)
(614)	Write-off of uncollectable debts and allowance for impairment	(901)
30,066	**Net non-domestic rate income**	**44,138**
(2,426)	Adjustment to previous years' national non-domestic rates	(2,867)
27,640	**Total non-domestic rate income**	**41,271**
	National non-domestic rate pool:	
23,358	Non-domestic rate income retained by the authority	30,913
(27,640)	Contribution (to)/ from national non-domestic rate pool	(41,271)
(4,282)		**(10,358)**

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 2022-2023

Commercial subjects	Number	Rateable Value £000
Shops	1,395	33,438
Public houses	111	3,417
Offices (Including banks)	844	8,579
Hotels, boarding houses, etc.	71	5,394
Industrial and freight transport subjects	1,015	20,881
Leisure, entertainment, caravans and holiday sites	635	7,148
Garages and petrol stations	93	1,321
Cultural	32	823
Sporting subjects	548	1,043
Education and training	69	9,896
Public service subjects	174	6,655
Communications (non-formula)	17	1,528
Quarries, mines etc.	8	525
Petrochemical	3	57
Religious	89	1,019
Health medical	89	4,391
Other	207	1,249
Care facilities	53	3,330
Advertising	29	62
Undertaking	22	3,450
Total all subjects	**5,504**	**114,206**

Rate levied 2022-2023: 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 is detailed in the notes to the Group Accounts below on pages 103 to 104 The subsidiary, associate and joint venture entities share a common accounting period ending 31 March 2023.

The subsidiaries are The Common Good Fund and Ayr Renaissance LLP. The Council effectively controls 100% of the Common Good Fund, which is overseen by elected members through the appropriate Council panel. Ayr Renaissance LLP is in the process of being wound up, which is expected to be concluded during 2023-2024. 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 £50.002m (2021-22: increase net assets by £55,811m), 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 39 to 43.

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 39 to 80. 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 30 Section 7 to these accounts on pages 81 to 93.

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 39 to 43, 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 2022-2023, South Ayrshire Council contributed £1.783m or 5.00% (2021-22: £1.799m) of the Board's estimated running costs. Its share of the year-end net asset of £23.720m (2021-2022: £24.398m) 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 2022-2023, South Ayrshire Council contributed £0.263m or 6.49% (2021-22: £0,265m) of the Board's estimated running costs. Its share of the year-end net asset of £0.327m (2021-2022: £0.300m) 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 2022-2023, South Ayrshire Council contributed £0.859m or 33.33% (2021-22: £0.859m) of the Board's estimated running costs. Its share of the year-end net asset of £1.778m (2021-2022: £1.778m) 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 £0.002m for running costs during 2022-2023 (2021-22: £0.006m).

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 2022-2023 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 2022-2023

	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	14,407	25,380	335	1,829	690	9,915
Share of liabilities	(109)	(982)	(35)	(51)	(105)	-
Share of revenues	(730)	(3,820)	(266)	(865)	(6)	(134,096)
Share of (surplus)/deficit	40	(362)	(9)	177	-	2,982

Share of Subsidiary and Associate - Assets and Liabilities 2021-2022

	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	14,967	25,014	349	634	692	14,352
Share of liabilities	(87)	(1,294))	(22)	(59)	(107)	-
Share of revenues	(741)	(3,820)	(263)	(866)	(2)	(137,677
Share of (surplus)/deficit	139	(389)	(28)	175	-	(9,249)

Note 4: Contingent liabilities

At 31 March 2023 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 2023

2022-2023	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 2022	355	931	**1,286**	13,112	**13,112**	**14,398**
Movement in reserves during 2022-2023						
(Deficit) on the provision of services	(139)	-	**(139)**	-	**-**	**(139)**
Other comprehensive income and expenditure	-	(195)	**(195)**	816	**816**	**621**
Increase/ (Decrease) in 2022-2023	(139)	(195)	**(334)**	816	**816**	**482**
Balance at 31 March 2023	216	736	**952**	13,928	**13,928**	**14,880**

2021-2022	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 2021	395	938	**1,333**	13,744	**13,744**	**15,077**
Movement in reserves during 2021-2022						
(Deficit) on the provision of services	(40)	-	**(40)**	-	**-**	**(40)**
Other comprehensive income and expenditure	-	(7)	**(7)**	(632)	**(632)**	**(639)**
Increase/ (Decrease) in 2021-2022	(40)	(7)	**(47)**	(632)	**(632)**	**(679)**
Balance at 31 March 2022	355	931	**1,286**	13,112	**13,112**	**14,398**

II) Common Good Income and Expenditure Account for the year ended 31 March 2023

2021-2022		**Ayr**	**Prestwick**	**Troon**	**Maybole**	**Girvan**	**2022-2023**
£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	Expenditure						
701	Property costs	694	52	-	-	51	**797**
1	Donations and contributions	-	-	-	-	-	**-**
67	Other expenditure	83	-	-	-	-	**83**
769		**777**	**52**	**-**	**-**	**51**	**880**
	Income						
722	Rents and other income	635	30	-	-	51	**716**
7	Interest on investments	21	4	-	-	-	**25**
729		**656**	**34**	**-**	**-**	**51**	**741**
(40)	**(Deficit)/surplus for year**	**(121)**	**(18)**	**-**	**-**	**-**	**(139)**
395	Surplus brought forward	56	253	35	2	9	**355**
355	**Accumulated surplus**	**(65)**	**235**	**35**	**2**	**9**	**216**

III) Common Good Balance Sheet as at 31 March 2023

31 March 2022		31 March 2023
£000		£000
13,318	Property, plant and equipment	14,135
13,318	**Non-current assets**	**14,135**
2	Inventory	2
1,187	Loans fund investment	830
1,189	**Current assets**	**832**
(58)	Creditors	(37)
(20)	Provisions	(20)
(31)	Deferred income	(30)
(109)	**Current liabilities**	**(87)**
14,398	**Net assets**	**14,880**
1,286	Usable Reserves - Revenue and Capital reserves	952
13,112	Unusable Reserve - Revaluation Reserve	13,928
14,398	**Net reserves**	**14,880**

Note 1: Valuation of Property, Plant and Equipment

Property valuations were carried out by RICS professional staff within the Council or by qualified third party agencies contracted by the Council and are at valuation dates between 2018-2019 and 2022-2023, dependent on the category of asset. Further detail on the property valuation methodology is as described in Accounting Policy 11 contained in Section 7: Policies, Judgements and Assumptions, Note 30 of the Council annual accounts

Note 2: Movement in Property, Plant and Equipment

2021-2022 Movements	**Ayr**	**Prestwick**	**Troon**	**Girvan**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Value as 1 April 2021	**12,511**	**633**	**162**	**11**	**13,317**
Revaluations, impairments and transfers	747	70	-	-	817
Value as at 31 March 2022	**13,258**	**703**	**162**	**11**	**14,134**

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 2023 was 56, of which 51 are under the control of South Ayrshire Councillors (ex-officio) and five are partly controlled by external trustees. The following tables summarise those Trusts which are controlled solely by South Ayrshire Councillors:

2021-2022		Registered charitable trusts	Other trusts	2022-2023
£000	**Revenue accounts**	**£000**	**£000**	**£000**
400	Opening balance	117	239	356
5	Income for year	3	9	12
(49)	Expenditure during year	(52)	(9)	(61)
356	**Closing balance**	**68**	**239**	**307**
	Balance Sheet as at 31 March			
	Assets			
123	Investments	17	101	118
395	Current assets	72	274	346
518	**Total assets**	**89**	**375**	**464**
	Reserves			
356	Revenue	68	239	307
69	Available for sale financial instrument reserve	1	64	65
93	Capital reserve	20	72	92
518	**Total reserves**	**89**	**375**	**464**

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2023, split between those trusts with charitable status and those without.

Charitable Trusts

Name	Original Purpose	Loans Fund Investment	External Investment	Total
		£000	**£000**	**£000**
South Ayrshire Charitable Trust (SC045677)	The prevention and relief of poverty and relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantages.	30	14	44
South Ayrshire Council Charitable Trusts (SC025088)	Various educational purposes; prizes/bursaries; social purposes; war memorial maintenance.	39	-	39
McKechnie Trust (SC012759)	Founding and operation of library and reading rooms in Dalrymple Street, Girvan (purpose superseded by establishment of local authority public library); McKechnie Institute building is now a museum and exhibition centre	3	3	6
Total charitable trusts		**72**	**17**	**89**

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 Universities for three to five years per conditions of scheme.	154	101	255
Sundry Mortifications	Maintenance of lairs in perpetuity.	48	-	48
Various	Non-charitable Trusts with closing balances of less than £25,000.	72	-	72
Total non-charitable trusts		**274**	**101**	**375**
Total trusts		**346**	**118**	**464**

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 2022 £000 Capital	31 March 2022 £000 Revenue	Income £000 Capital	Income £000 Revenue	Expenditure £000 Capital	Expenditure £000 Revenue	31 March 2023 £000 Capital	31 March 2023 £000 Revenue	31 March 2023 £000 Total
South Ayrshire Charitable Trust (SC045677)	15	79	-	2	(1)	(51)	14	30	44
South Ayrshire Council Charitable Trusts (SC025088)	4	34	-	1	-	-	4	35	39
McKechnie Trust (SC012759)	3	4	-	-	-	(1)	3	3	6
Total charitable trusts	**22**	**117**	**-**	**3**	**(1)**	**(52)**	**21**	**68**	**89**

Non-charitable Trusts

Capital and Revenue	31 March 2022 £000 Capital	31 March 2022 £000 Revenue	Income £000 Capital	Income £000 Revenue	Expenditure £000 Capital	Expenditure £000 Revenue	31 March 2023 £000 Capital	31 March 2023 £000 Revenue	31 March 2023 £000 Total
John McMaster Bursary Fund	104	157	-	6	(3)	(9)	101	154	255
Sundry Mortifications	20	27	-	1	-	-	20	28	48
Non-charitable trusts with closing balances of less than £25,000	16	55	-	1	(1)	-	15	56	71
Total non-charitable	**140**	**239**	**-**	**9**	**(4)**	**(9)**	**136**	**239**	**375**
Total	**162**	**356**	**-**	**12**	**(5)**	**(61)**	**157**	**307**	**464**

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 2023 of £0.930m (2021/22: £0.913m). 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

TO BE INSERTED UPON COMPLETION OF THE AUDIT PROCESS

Section 15: Glossary of Terms

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

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

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

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

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

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

Audit of accounts
An independent examination of the Council's financial affairs.

Balance sheet
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Capital expenditure
Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital financing
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including: borrowing, leasing, capital receipts, grants, and revenue funding.

Capital programme
The capital schemes the Council intends to carry out over a specified period.

Capital receipt
The proceeds from the disposal of land or other non-current assets.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Community assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are municipal parks.

Consistency
The concept that the accounting treatment of like terms within an accounting period and from one period to the next are the same.

Contingent asset/liability

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core
The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

Creditor
Amounts owed by the Council for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

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

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

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

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

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

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

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

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

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

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

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

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

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee.

IFRS
International Financial Reporting Standards.

Impairment
A reduction in the value of a non-current asset to its below carrying amount on the Balance Sheet.

Infrastructure assets
Non-current assets belonging to the Council that cannot be transferred or sold on which expenditure is only recoverable through the continued use of the asset created.

Intangible assets
An intangible (non-physical asset) item may be defined as an asset when access to the future economic benefits it represents is controlled by the Council. This Council's intangible assets comprise solely of computer software licences.

Interest cost (pensions)
For a defined benefit scheme, the expected increase during the period of the scheme liabilities as benefits are one period closer to settlement.

Inventories
Items of raw materials and stores the Council has procured and holds in expectation of future use. Examples are consumables stores, raw materials and products and services in intermediate stages of completion.

Liability
A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period.

Net book value
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

National nondomestic rates pool
All non-domestic rates collected by local authorities are remitted to the national pool and thereafter distributed to councils by the Scottish Government.

Non distributed costs
These are overheads from which no user now benefits and as such are not apportioned to services.

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

Past service cost (pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods because of the introduction of, or improvement to retirement benefits.

Pension scheme liabilities
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post-employment benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment e.g. pensions in retirement.

Prior year adjustment
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)
A Central Government Agency, which provides loans for one year and over to councils at interest rates only marginally higher than those at which the Government can borrow.

Rateable value
The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

Related parties
Bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. For the Council's purposes, related parties are deemed to include Elected Members, the Chief Executive, the Executive Directors and their close family and household members.

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

Reserves
The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

Residual value
The net realisable value of an asset at the end of its useful life.

Revenue expenditure
The day-to-day expenses of providing services.

Significant interest
The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

Temporary borrowing
Money borrowed for a period of less than one year.

The Code
The Code of Practice on Local Authority Accounting in the United Kingdom.

Trust funds
Funds administered by the Council for such purposes as prizes, charities and specific projects.

Useful economic life
The period over which the local authority will derive benefits from the use of a non-current asset.

South Ayrshire Council
County Buildings
Wellington Square
Ayr
KA7 1DR

0300 123 0900
south-ayrshire.gov.uk

Comhairle Siorrachd Àir a Deas
Making a Difference Every Day

Appendix 2

South Ayrshire Council
Charitable Trust Funds

2022/23 Trustees' Annual Report and Financial Statements

(Unaudited)

South Ayrshire Council Charitable Trust Funds (Unaudited)

Contents

South Ayrshire Council Charitable Trust Funds (Unaudited)

Trustees' Annual Report

The Trustees present their Annual Report and Financial Statements in respect of the following charitable trusts, registered with the Office of the Scottish Charity Regulator (OSCR) and administered on behalf of the Trustees by South Ayrshire Council:

SC012759 McKechnie Library Trust (McKechnie)
SC025088 South Ayrshire Council Charitable Trusts (SAC CT)
SC045677 South Ayrshire Charitable Trust (SACT)

Principal address

South Ayrshire Council
County Buildings
Wellington Square
Ayr
KA7 1DR

Auditor

Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
United Kingdom
G2 1BT

Trustees

SAC CT; SACT:

South Ayrshire Council Charitable Trust Funds (Unaudited)

Trustees' Annual Report (continued)

Trustees (continued)

McKechnie:

Alec Clark
Ian Fitzsimmons (resigned 5 May 2022)
Peter Henderson
Gavin Scott (appointed 6 May 2022)

The resignation and appointment of Trustees as noted above was a consequence of the local government election held on 5 May 2022.

Founding documents and purpose

McKechnie:
The founding document is a Disposition and Settlement by Thomas McKechnie dated 7 May 1886. The purpose was the founding and operation of a library and reading rooms in Dalrymple Street, Girvan. This purpose was superseded by the establishment of a local authority public library and the McKechnie Institute building owned by the Trust is now a museum and exhibition centre.

SAC CT:
The Trust was set up from Trust document. The purposes of the Trust are to fund maintenance of the War Memorial at Turnberry golf course and prizes/ bursaries for specific schools in South Ayrshire.

SACT:
The Trust was established by the approval of the South Ayrshire Charitable Trust Deed by South Ayrshire Council on 18 December 2014. The purposes of the Trust are:
a) the prevention and relief of poverty; and
b) the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage in South Ayrshire.

Within this Trust, funds are restricted by geographical area (refer below). A further restrictive purpose (for relieving ill-health) was previously in place over certain funds within the Troon area; however these funds have now been fully disbursed.

Trustee recruitment and appointment

McKechnie:
Per the Trust's founding deed, the Trustees are the "Chief Magistrate of Girvan along with the Factor of Bargany Estate". The Trustees are now deemed to be the elected councillors of Girvan and South Carrick ex-officio.

SAC CT; SACT:
The Trustees are Elected Members of South Ayrshire Council ex-officio. Training is provided to Elected Members on the role and responsibilities of Trustees, both in general and specifically related to the objectives of the Trusts. Training is refreshed following local government elections.

South Ayrshire Council Charitable Trust Funds (Unaudited)

Trustees' Annual Report (continued)

Summary of main achievements of the Trusts during the financial year

McKechnie:
The McKechnie Institute building is leased to South Ayrshire Council indefinitely, subject to tacit relocation, for the sum of £10 per annum which is not normally requested.

The Trust made no disbursements during the financial year. Funds are held for maintenance of the McKechnie Institute which is leased to South Ayrshire Council on a tenant repairing lease. Accordingly, opportunities for disbursement of the Trust's funds do not frequently present themselves. However, further consideration will be given as to how these funds can best be utilised in the future for the purpose of the Trust.

SAC CT; SACT:
Decisions for the disbursement of funds are delegated to committees of Trustees comprising councillors for the areas of Ayr; Prestwick and Monkton; Troon; Coylton; Maybole; Girvan; and Barr. All funds for Troon, Maybole and Barr are now exhausted and funds remaining for Girvan are held as external investments that South Ayrshire Council officers are working to realise. The remaining committees convene at least annually and through an application process approved the following disbursements in 2022/23:

	Number	Amount £
Ayr	9	45,000
Coylton	1	450
Total	**10**	**45,450**

All disbursements were made to various community groups including community interest companies, community groups, churches and foodbanks for a range of projects determined by the committees to be in keeping with the purposes of the Trusts. One disbursement was made to an individual during the year.

Reserves policy

The Trusts have the ability to spend all funds as approved by the Trustees, restricted by the appropriate geographical area or school. The Trustees' intent is to reduce the Trusts' reserves through the awarding of grants, prizes and bursaries which meet the Trusts' objectives.

At the end of the financial year, unrestricted reserves and reserves with restrictions totalled £72,120 (2021/22: £121,281). A combined deficit of £49,161 was recorded for the financial year (2021/22: deficit of £39,257), primarily due to the decisions taken by the Trustees to expend the Trusts' reserves on their stated objectives and to a lesser extent, the costs of administering the Trusts being greater than income from investments as a result of low interest rates.

The Trusts' reserves are held within South Ayrshire Council's loans fund and external investments.

South Ayrshire Council Charitable Trust Funds (Unaudited)

Trustees' Annual Report (continued)

Other information

The Head of Finance, ICT and Procurement for South Ayrshire Council is the designated officer with responsibility for the proper administration of the Trusts' financial affairs and is also responsible for keeping proper accounting records that are up to date and which ensure that financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

The administration of predecessor trusts in the Girvan area to South Ayrshire Charitable Trust transferred to South Ayrshire Council during 2012/13. Difficulties – including the impact in previous years of Covid-19 restrictions – continue to be encountered in transferring these predecessor trusts' assets, as investments continue to be held in the names of former Trustees on behalf of those trust. The process of transferring these shareholdings to the current Trustees remains ongoing and is expected to conclude during 2023/24.

At 31 March 2023, £1,622 of income was received but remained uncashed and not accounted for in the Statement of Receipts and Payments on page 5. When the transfer of shareholdings is complete, all uncashed income will be appropriately accounted for in the Statement of Receipts and Payments in that financial year.

The investment in 3½% War Stock was redeemed but not received as the stock is still held in the names of former trustees. Accordingly, this is shown in the Statement of Balances on page 6 as the stock held remains an asset of South Ayrshire Charitable Trust.

To be signed on behalf of the Trustees (audited financial statements only)

South Ayrshire Council Charitable Trust Funds (Unaudited)

Statement of Receipts and Payments for the year ended 31 March 2023

	Note	SC012759 (McKechnie): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2023 £
Receipts:					
Investment income	6, 9	84	912	1,507	2,503
Total receipts		**84**	**912**	**1,507**	**2,503**
Payments:					
Grants	7	-	-	(45,450)	(45,450)
Governance costs	10	(128)	(366)	(5,720)	(6,214)
Total payments		**(128)**	**(366)**	**(51,170)**	**(51,664)**
Surplus/ (deficit) for the year		**(44)**	**546**	**(49,663)**	**(49,161)**

Comparative information	Note	SC012759 (McKechnie): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2022 £
Receipts:					
Investment income	6, 9	18	181	826	1,025
Total receipts		**18**	**181**	**826**	**1,025**
Payments:					
Grants	7	-	-	(31,538)	(31,538)
Governance costs	10	(114)	(226)	(8,404)	(8,744)
Total payments		**(114)**	**(226)**	**(39,942)**	**(40,282)**
Deficit for the year		**(96)**	**(45)**	**(39,116)**	**(39,257)**

South Ayrshire Council Charitable Trust Funds (Unaudited)

Statement of Balances as at 31 March 2023

	Note	SC012759 McKechnie £	SC025088 SAC CT £	SC045677 SACT £	Total 2023 £
Investments	9	**2,586**	**-**	**14,700**	**17,286**
Bank and cash:					
Unrestricted funds		3,583	-	-	3,583
Restricted funds	2	-	34,873	29,896	64,769
Permanent endowment funds	3	-	3,768	-	3,768
Total current assets		**3,583**	**38,641**	**29,896**	**72,120**
Total assets		**6,169**	**38,641**	**44,596**	**89,406**

Comparative information	Note	SC012759 McKechnie £	SC025088 SAC CT £	SC045677 SACT £	Total 2022 £
Investments	9	**2,586**	**-**	**14,972**	**17,558**
Bank and cash:					
Unrestricted funds		3,627	-	-	3,627
Restricted funds	2	-	34,327	79,559	113,886
Permanent endowment funds	3	-	3,768	-	3,768
Total current assets		**3,627**	**38,095**	**79,559**	**121,281**
Total assets		**6,213**	**38,095**	**94,531**	**138,839**

Martin Dowey
Trustee

28 June 2023

Peter Henderson
Trustee

28 June 2023

Tim Baulk
Head of Finance, ICT and Procurement

28 June 2023

South Ayrshire Council Charitable Trust Funds (Unaudited)

Notes to the Financial Statements

1 Basis of financial statements

These financial statements have been prepared on a receipts and payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006 (as amended).

2 Restricted funds

The Trusts' restricted funds are analysed as follows:

	2023 £	2022 £
SC025088 SAC CT	**34,873**	**34,327**
SC045677 SACT:		
Ayr	26,709	76,280
Prestwick	415	436
Coylton	443	465
Girvan	2,329	2,378
Total SC045677 SACT	**29,896**	**79,559**
Total restricted funds	**64,769**	**113,886**

3 Permanent endowment funds

Permanent endowment funds are held with South Ayrshire Council for the benefit of the Trusts as a capital fund. In keeping with the Trusts' reserves policy, redeemed investments continue to be effectively held as a permanent endowment. Income earned from these funds is available for the charitable purposes and is added to unrestricted funds.

4 Taxation

The Trusts are not liable to either income or capital gains tax on their charitable activities. Irrecoverable VAT is included as part of the expense to which it relates.

5 Trustees' remuneration and expenses

No remuneration or expenses were paid to the Trustees or any connected persons during either the current or prior financial year.

South Ayrshire Council Charitable Trust Funds (Unaudited)

Notes to the Financial Statements (continued)

6 Related party transactions

The McKechnie Institute is leased to South Ayrshire Council on a full tenant repairing lease. The rental charge of £10 per annum is not currently requested from the lessee.

The Trusts received interest income of £2,323 from South Ayrshire Council during the financial year (2021/22: £691) as analysed below. All financial transactions are made through South Ayrshire Council's bank accounts.

	2023 £	2022 £
SC012759 McKechnie	**84**	**18**
SC025088 SAC CT:		
Interest on revenue balances	800	169
Interest on capital balances	112	12
Total SC025088 SAC CT	**912**	**181**
SC045677 SACT:		
Ayr	1,249	470
Prestwick and Monkton	10	6
Coylton	11	4
Girvan	57	12
Total SC045677 SACT	**1,327**	**492**
Total income from related party transactions	**2,323**	**691**

7 Grants

SC045677 SACT:		
Ayr	45,000	25,802
Prestwick and Monkton	-	5,236
Coylton	450	500
Total grants	**45,450**	**31,538**

South Ayrshire Council Charitable Trust Funds (Unaudited)

Notes to the Financial Statements (continued)

8 Bank and cash balances

During the financial year the Trusts' bank and cash balances were held and administered by South Ayrshire Council on behalf of the Trustees.

9 External investments

	2023 £	2022 £
SC012579 McKechnie:		
£2,586.46 nom value 3½% War Stock (redeemed but not received)	**2,586**	**2,586**
SC045677 SACT:		
2088 BMO UK High Income Trust plc (Comp 3A Ordinary and 1B Ordinary)	6,744	7,016
£1,100 nominal value 3% London County Consolidated Stock	616	616
£7,340 nominal value 3½% War Stock (redeemed but not received)	7,340	7,340
Total SACT investments	**14,700**	**14,972**
Total investments	**17,286**	**17,558**

Investments are entirely in respect of the Girvan area and are valued at market value.

	2023 £	2022 £
Interest received on external investments:		
SC045677 SACT	**180**	**334**

South Ayrshire Council Charitable Trust Funds (Unaudited)

Notes to the Financial Statements (continued)

10 Governance costs

	2023 £	2022 £
SC012759 McKechnie:		
Preparation of financial statements	78	64
Audit fee	50	50
Total SC012759 McKechnie	**128**	**114**
SC025088 SAC CT:		
Preparation of financial statements	316	176
Audit fee	50	50
Total SC025088 SAC CT	**366**	**226**
SC045677 SACT:		
Legal and administrative costs	1,500	4,250
Preparation of financial statements	3,320	3,254
Audit fee	900	900
Total SC045677 SACT	**5,720**	**8,404**
Total governance costs	**6,214**	**8,744**

Governance costs are allocated based on a combination of staff time spent on legal, administrative and financial tasks and the volume of transactions for each Trust.

11 McKechnie Institute

The McKechnie Institute is heritage asset and it is the opinion of the Trustees that it is neither practicable to obtain a valuation at a cost commensurate with the benefits to the users of the financial statements, nor possible to obtain a reliable cost or valuation. Accordingly, the asset is not presently recognised on the Trust's Balance Sheet.

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

TO BE INSERTED UPON COMPLETION OF THE AUDIT PROCESS

Appendix 3

South Ayrshire Council
Equality Impact Assessment
Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx

Further guidance is available here: https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/

1. Policy details

Policy Title	Annual Accounts 2023/23
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes **Consider the 'Three Key Needs' of the Equality Duty**	**Level of Negative and/or Positive Impact** **(High, Medium or Low)**
Eliminate unlawful discrimination, **harassment and victimisation**	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

General Duty and other Equality Themes **Consider the ‘Three Key Needs’ of the Equality Duty**	**Level of Negative and/or Positive Impact** **(High, Medium or Low)**
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	~~**YES**~~ **NO**
Rationale for decision: **This report asks Members to consider the unaudited Annual Accounts for 2022/23. Their decision on this has no specific equality implications**	
Signed : Tim Baulk **Head of Service** **Date:** 16 June 2023	