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21 June 2023

To: Councillors Henderson (Chair), Bell, Cullen, Kilpatrick, McGinley, Ramsay, Scott and Weir.

All other Elected Members for information only

Dear Councillors

AUDIT AND GOVERNANCE PANEL

You are requested to participate in the above Panel to be held **on Wednesday, 28 June 2023 at 10.00 a.m.** for the purpose of considering the undernoted business.

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

Yours sincerely

CATRIONA CAVES
Head of Legal and Regulatory Services

B U S I N E S S

1. Declarations of Interest.
2. Call-ins from Cabinet.
3. Minutes of previous meeting of 31 May 2023 (copy herewith).
4. Action Log and Work Programme (copy herewith).

External Audit Reports

5. External Audit Reports – Progress to 31 March 2023 – Submit report by the Head of Finance, ICT and Procurement (copy herewith).
6. Best Value Thematic Work in South Ayrshire Council 2022/23 - Submit report by the Chief Executive (copy herewith).

7./

Internal Audit Reports

7. Annual Accounts 2022/23 – Submit report by the Head of Finance, ICT and Procurement (copy herewith). Appendices 1 and 2 – now attached.
8. Corporate Lets – Submit report by the Director of Strategic Changes and Communities (copy herewith).
9. Internal Audit Annual Report 2022/23 - Submit report by the Chief Internal Auditor (copy herewith).

Other Governance Reports

10. Delivering Good Governance – 2022/23 Assessment – Submit report by the Head of Legal and Regulatory Services (copy herewith).
11. Treasury Management Annual Report 2022/23 – Submit report by the Head of Finance, ICT and Procurement (copy herewith).

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

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AUDIT AND GOVERNANCE PANEL.

Minutes of a hybrid webcast meeting on 31 May 2023 at 10.00 a.m.

Present in
County Hall: Councillors Peter Henderson (Chair), Kenneth Bell, Brian McGinley, Cameron Ramsay, Gavin Scott and George Weir.

Present
Remotely: Councillor Chris Cullen.

Apology: Councillor Mary Kilpatrick.

Also
Present
in County Hall: Councillors Ian Cavana, Alec Clark, Ian Davis and Martin Dowe.

Attending in
County Hall: E. Howat, Chief Executive; J. Bradley, Director of Strategic Change and Communities; T. Baulk, Head of Finance, ICT and Procurement; G. Hunter, Assistant Director – Communities; W. Carlaw, Service Lead – Democratic Governance; J. Tait, Service Lead – Thriving Communities; N. Gemmell, Service Lead – Revenues and Benefits; C. McGhee, Chief Internal Auditor; D. Urquhart, Senior Investigations Officer; A Gibson, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending
Remotely: L. Duncan, Chief Finance Officer, Health and Social Care; and A. Kerr, Audit Scotland.

Opening Remarks.

The Chair

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

1. Sederunt and Declarations of Interest.

The Chair called the Sederunt for the meeting and having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct. It was noted that Councillor Weir, who was a Member of this Panel and who was one of the Members responsible for the call-in (item 2 below) would not be able to vote on the item with the other Panel Members and would require to leave the meeting prior to the Panel's deliberations on this matter.

2. **Call in from Cabinet of 23 May 2023 – “Temporary Senior Communities Officer - Glendoune”.**

Reference was made to the Minutes of the Cabinet of 23 May 2023 (Page 5, paragraph 9) when the Cabinet had decided to approve funding of £50,000, to be used to extend the temporary Senior Communities Officer post for a further twelve months to build on the positive work that had been established in the area.

A response by officers to the matters raised in the call-in had been issued prior to the meeting.

The Panel was advised that the report had been the subject of a call-in ([copy herewith](#)), details of which were outlined by Councillor George Weir when he introduced and spoke to the call-in. He advised that, in his opinion, premises not already having been secured for a community space in Glendoune for Glendoune Community Association, was a backwards step and asked if there was a legal requirement for the Council to provide the current adjacent tenant, Girvan Attractions with accommodation. He also acknowledged the excellent work that had been undertaken by the Temporary Senior Communities Officer. The Service Lead – Thriving Communities advised that the Council was committed to developing the space at Glendoune and that, to date, no suitable alternative accommodation for the adjacent tenants had been secured; and that alternative options to provide funding in the future, such as the UK Prosperity Fund, could potentially be used for this purpose. The Head of Finance, ICT and Procurement confirmed that, as this was Covid Recovery funding and was allocated from central government, the funding allocated for capital purposes could be used for revenue purposes. He also confirmed that Covid Recovery Funding was allocated for a two year period which was due to end in June 2023.

The Chair advised that it was important that training for officers and Members in relation to the requirement for Equality Impact Assessments in Panel reports was rolled out as soon as possible.

Following questions from Members of the Panel, it was noted that the current adjacent tenants, were a key organisation in Girvan and that the sites which had been looked at so far for their relocation had been unsuitable, but it was hoped to identify new premises for them in the next six to twelve months.

A Member of the Panel advised of his concern that Girvan Attractions were still in this site, when it had originally been a temporary arrangement.

The Portfolio Holders for Tourism, Culture and Rural Affairs and Corporate and Strategic spoke on behalf of the decision taken at the Cabinet meeting on 23 May 2023 and reiterated the good work that Girvan Attractions did and the importance of finding them suitable accommodation to continue their good work.

Following a question from a Member of the Panel, it was noted that officers would actively look to extend the post of the Temporary Senior Communities Officer after the funding had expired in twelve months time with external funding.

The Director of Strategic Change and Communities advised of the ongoing work with colleagues in the Estates Section of the Council to establish suitable alternative accommodation for Girvan Attractions. She also advised of the importance of not alienating the Group and to let them to continue the good work they did in Girvan.

A Member of the Panel advised that workforce planning should consider the challenges of many posts on the front-line in the Council being temporary and the difficulties this brings. Another Member of the Panel advised that, as this post was temporary, it was not a great motivator to the individual in post.

The Chief Executive reminded members of the options open to this Panel in determining this call-in.

As previously indicated, Councillor Weir left the meeting at this point.

A Member of the Panel moved a Motion that the decision of the Cabinet of 23 May 2023 be upheld and requested a roll-call vote. Another Panel Member seconded this.

The Panel agreed to adjourn for five minutes.

Upon reconvening, the Service Lead – Democratic Governance called the roll as follows:-

Councillor Henderson – Motion
 Councillor Bell – Motion
 Councillor Cullen – Motion
 Councillor McGinley – Motion
 Councillor Ramsay – Motion
 Councillor Scott - Motion

The Panel therefore, following review

Decided: to uphold the decision of the Cabinet.

Councillor Weir re-joined the meeting at this point.

3. **Minutes of Previous Meeting.**

The Minutes of the meeting of 22 May 2023 ([issued](#)) were submitted and approved.

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

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

The Head of Finance, ICT and Procurement provided the Panel with an update of the status of the Action Log and Work Programme outlining that there were no outstanding actions at present.

The Panel

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

External Audit Reports.

5. Audit Scotland – Integration Joint Boards – Financial Analysis 2021/22.

There was submitted a report ([issued](#)) of 17 May 2023 by the Head of Finance, ICT and Procurement advising of the Audit Scotland report 'Integration Joint Boards – Financial Analysis 2021/22'.

Members of the Panel advised that although the issues had been identified, there required to also be solutions identified. It was further noted that there were difficulties in attracting people to work in this sector and concerns expressed that the aging workforce put further pressure on this Service. The Chief Finance Officer, Health and Social Care advised that there was a Workforce Plan in place to mitigate issues and that attempts were being made to recruit staff into the Sector, such as working with colleges.

A Member of the Panel advised that the aging demographic in South Ayrshire was a concern.

Following an issue raised by a Member of the Panel in relation to Members requiring information to be issued to them earlier, it was agreed that the Chief Executive would look at providing Audit Scotland Reports to Members prior to the issue of Panel papers the week before the meeting.

Having considered the findings outlined in the Audit Scotland report 'Integration Joint Boards – Financial Analysis 2021/22' as detailed in Appendix 1 of the report, the Panel

Decided: to note the position in relation to South Ayrshire Council, as outlined in paragraph 4.2 of the report.

6. Audit Scotland – Resourcing the Benefit Service - A Thematic Study.

There was submitted a report ([issued](#)) of 17 May 2023 by the Head of Finance, ICT and Procurement advising of the Audit Scotland report 'Resourcing the Benefit Service - A Thematic Study'.

The Head of Finance and ICT gave an introduction to the report.

Having heard a Member of the Panel enquire about the increasing levels of demand in relation to the Scottish Welfare Fund, the Service Lead – Revenues and Benefits advised of the difficulties the Service faced in supporting the Scottish Welfare Fund. It was further noted that the Service was currently stretched and that resources were finite.

Having considered the findings outlined in the Audit Scotland report 'Resourcing the Benefit Service - A Thematic Study' as detailed in Appendix 1 of the report, the Panel

Decided: to note the local arrangements in place, as detailed in paragraph 4.3 of the report.

Internal Audit Report.

7. Corporate Fraud Team – Activity Report and Update on 2022/23 National Fraud Initiative.

There was submitted a report ([issued](#)) of 17 May 2023 by the Internal Audit Corporate Fraud Team

- (1) advising of the Corporate Fraud Team's (CFT) activity from 1 October 2022 to 31 March 2023; and
- (2) providing an update on the progress of the 2022/23 National Fraud Initiative exercise.

The Senior Investigations Officer gave an introduction to the report.

A Member of the Panel advised of the excellent work undertaken the Corporate Fraud Team and that their work should be better publicised

Clarification was sought and provided to a Member relating to Appendix 1 of the report, which showed the activity of the Corporate Fraud Team and that the figures identified were the amount of money that would be lost if the cases had not been investigated.

Having heard a Member of the Panel enquire how the numbers of total target investigations were arrived at, as detailed in Appendix 2 of the report and having heard the Chief Internal Auditor, it was noted that the approach of the Team in respect of the National Fraud Initiative had been agreed at a meeting of the Cabinet in January 2023.

Following a question from a Member of the Panel as to why there were no financial savings listed relating to Covid-19 Business Grants, as detailed in Appendix 1 of the report, the Senior Investigations Officer advised that this information had been reported in previous reports to the Council.

Having heard a Member of the Panel, it was noted that the target National Fraud Initiative investigations being carried out were seen to be of high risk and would be the minimum number of investigations completed.

It was agreed that it would be helpful if a Members' Briefing was provided regarding the work of the Corporate Fraud Team. The Chief Internal Auditor agreed to take this matter forward.

Having considered the CFT activity for the six month period to 31 March 2023, the Panel

Decided: to note the update on Corporate Fraud Team activity and the 2022/23 National Fraud Initiative (NFI).

The meeting ended at 11.20 a.m.

Audit and Governance Panel

Agenda Item No. 4

Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
1.	31 May 2023	Audit Scotland Reports	To provide Audit Scotland Reports to Members prior to the issue of Panel papers the week before the meeting	Chief Executive	Response from the Chief Executive – “Audit Scotland reports are circulated to all members on receipt together with an indication of when report will be considered by AGP”	YES
2.	31 May 2023	Corporate Fraud Team – Activity Report and Update on 2022/23 National Fraud Initiative	To provide a Members Briefing regarding the work of the Corporate Fraud Team	Chief Internal Auditor	Being organised – will be reported once taken place.	NO

Audit and Governance Panel

Work Programme 2023

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1.	Annual Accounts 2022/23	Report to this Panel	Head of Finance, ICT and Procurement	28 June 2023 (Yearly)	Report to this Panel
2.	External Audit Progress Reports – Progress to 31 March 2023	Report to Panel	Head of Finance, ICT and Procurement	28 June 2023 (Regular reports throughout the year)	Report to this Panel
3.	Corporate Lets	Report to Panel	Director of Strategic Change and Communities	28 June 2023	Report to this Panel
4.	Delivering Good Governance – 2022/23 Assessment	Report to Panel	Head of Legal and Regulatory Services	28 June 2023 (Yearly)	Report to this Panel
5.	Internal Audit Annual Report 2022/23	Report to Panel	Chief Internal Auditor	28 June 2023 (progress reported quarterly)	Report to this Panel
6.	Treasury Management Annual Report 2022/23	Report to Panel	Head of Finance, ICT and Procurement	28 June 2023 (Annually)	Report to this Panel
7.	Best Value Thematic Work in South Ayrshire Council 2022/23	Report to Panel	Chief Executive	28 June 2023	Report to this Panel
8.	Best Value Action Plan 2023/24 - Update	Report to this Panel	Director of Strategic Change and Communities	6 September 2023 (Quarterly)	

Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
9.	Strategic Risk Management	Report to this Panel	Head of Legal and Regulatory Services	6 September 2023 (Biannually)	
10.	External Audit Reports – Progress to 30 June 2023	Report to Panel	Head of Finance, ICT and Procurement	6 September 2023 (Quarterly)	
11.	Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2022/23 (ii) Progress of Annual Internal Audit Plan 2023/24 (iii) Implementation of Internal Audit Action Plans	Report to Panel	Chief Internal Auditor	6 September 2023	
12.	Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee	Report to Panel	Chief Internal Auditor	6 September 2023	
13.	Audit Scotland: Local Government in Scotland Overview 2023	Report to Panel	Director of Strategic Change and Communities	6 September 2023	
14.	Corporate Fraud Team Activity Report	Report to this Panel	Chief Internal Auditor	8 November 2023 (Biannually)	
15.	Annual Audit Plan 2023/24	Report to Panel	Head of Finance, ICT and Procurement	March 2024 (Yearly)	

South Ayrshire Council

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

Subject: External Audit Reports – Progress to 31 March 2023

1. Purpose

1.1 The purpose of this report is to provide Members with an update on the progress that the Council is making in relation to external audit improvement actions.

2. Recommendation

2.1 It is recommended that the Panel scrutinises the progress against the Council’s external audit improvement actions as presented in this report

3. Background

3.1 The Final Report on the 2021/22 Audit was presented to the Audit and Governance Panel (AGP) of 23 November 2022 (Special). This report covers progress against the two recommended improvement actions from that report.

3.2 The 2021/22 Audit Dimensions and Best Value Audit report to Members was presented to the AGP of 28 June 2022 (Special). There were no new recommended improvement actions arising from that report. Progress against the External Audit actions resulting from the October 2021 Best Value Assurance report were presented to the Audit and Governance Panel on 9 November 2022.

3.3 All External Audit actions from previous External Audit reports on the financial statement of the Council up to and including the 2020/21 financial statements are now complete.

4. Proposals

4.1 Progress to 31 March 2023 is summarised below:

Status of External Audit Actions as at 31 March 2023	Completed since 31 Dec 2022	On Target	Not on Target	Total
Annual Report on 2021/22 Audit – Nov 22	1	-	1	2
Overall	1	-	1	2

4.2 During the reporting period, one actions was completed, one action is now overdue due to ongoing National discussions. Until these discussions are completed the action will remain outstanding. It is therefore requested that the due date for this action be delayed until 31 December 2023 to allow the discussions to conclude. The latest update against the one outstanding action is provided in [Appendix 1](#).

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 None.

7. Human Resources Implications

7.1 None.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

10. Sustainable Development Implications

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

11. Options Appraisal

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

12. Link to Council Plan

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

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

Background Papers **Report to Audit and Governance Panel of 22 June 2022 - [External Audit Reports – Progress to 31 March 2022](#)**


Report to Audit and Governance Panel of 7 September 2022 – [Best Value Action Plan 2021/22 – Update](#)

Report to Audit and Governance Panel of 9 November 2022 – [Best Value Action Plan 2021/22 - Update](#)

Person to Contact **Tim Baulk, Head of Finance, ICT and Procurement
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Email tim.baulk@south-ayrshire.gov.uk**

Date: 16 June 2023

External Audit Reports - Showing actions still to be completed

Report Title	Action	Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Completed Date
EA2021/22 Final report on the 2021/22 Audit	<p>Recommendation: The Council should revisit its UEL policy to consider whether alternative UEL's should be set for different types of assets.</p> <p>Management Response: Useful Economic Lives for Infrastructure Assets will be considered alongside national guidance and initiatives on this matter.</p>	31-Mar-2023	Tim Baulk; Tom Simpson	13-Jun-2023 National position remains unchanged at present - Statutory override in place for 2022-23. Watching brief on national developments currently in place. Action needs to be delayed for a further 6 months to allow further national discussions to take place.		10%		

South Ayrshire Council

**Report by Chief Executive
to Audit and Governance Panel
of 28 June 2023**

**Subject: Best Value Thematic Work in South Ayrshire Council
2022/23**

1. Purpose

1.1 The purpose of this report is to advise the Panel of the initial findings from Audit Scotland's recent Best Value thematic work in South Ayrshire.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 considers the draft Audit Scotland report on Best Value thematic work in South Ayrshire Council 2022/23 (attached as Appendix 1);

2.1.2 considers the draft improvement action plan included in Appendix 1 of the Audit Scotland report; and

2.1.3 provides feedback on the report and action plan and remits the draft Audit Scotland report and improvement action plan to Cabinet on 29 August 2023 for approval.

3. Background

3.1 When discussing the Local government in Scotland Overview 2022, the Accounts Commission noted: 'Councils are operating in a complex and increasingly volatile, unprecedented, and unpredictable environment. Strong leadership from Councils is needed now more than ever, with new and returning Councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources'.

3.2 [The Accounts Commission's Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities, and recovery. The 2021 Code of Audit practice sets out the Best Value work required to report on these priorities. This includes reporting nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

- 3.3 As outlined in the Annual Audit Plan 2022/23 reported to the Audit and Governance Panel on 22 March 2023, the audit of Best Value in Councils is fully integrated within annual audit work.
- 3.4 Best Value at the Council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of the Council's approach to demonstrating improvement in the effective use of resources and public performance reporting. Auditors will also follow up findings reported previously in the Council's 2021 Best Value Assurance Report to assess the pace and depth of improvement.
- 3.5 In addition to the annual work on Best Value, thematic reviews as directed by the Accounts Commission will be undertaken. In 2022/23, the focus will be on the effectiveness of Council leadership in developing new local strategic priorities following the elections in May 2022. The conclusions and judgements from this review will be reported in a separate report to management and summarised in the annual audit report to Members.
- 3.6 At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The programme of Controller reports will commence in October 2023 with South Ayrshire to be the first Council considered by the Accounts Commission in October 2023.
- 3.7 The Commission has directed auditors to report on the effectiveness of the leadership in the development of the Council's strategic priorities.
- 3.8 In carrying out the work auditors have considered the following questions:
- 3.8.1 How clear is the new Council vision and its priorities?
 - 3.8.2 How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
 - 3.8.3 How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
 - 3.8.4 How good are the delivery plans and is there alignment of financial, workforce, asset, and digital plans with the Council's priorities?
 - 3.8.5 Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

4. Proposals

- 4.1 The Audit Scotland draft report (attached as Appendix 1) concludes on the effectiveness of the Council's leadership of the development of the Council's strategic priorities, following the recent local government elections.
- 4.2 At exhibit 7 of the draft Audit Scotland report, they also detail their review of the Council's progress against the 2021 Best Value Assurance Report recommendations.

- 4.3 A draft improvement action plan is included at Appendix 1 of the Audit Scotland report. This sets out audit recommendations in key areas, and the Council's planned response including responsible officers and dates for implementation.
- 4.4 Meetings have taken place between Audit Scotland and the Chief Executive/Directors to discuss the initial findings of the Best Value thematic work. The initial findings are based on engagement with Leader and Chair/Vice Chair of Audit and Governance Panel and evidence presented by officers.
- 4.5 The key messages from the draft Audit Scotland report are outlined in Appendix 2.
- 4.6 It is proposed that Members:
- 4.6.1 consider the draft Audit Scotland report on Best Value thematic work in South Ayrshire Council 2022/23 (attached as Appendix 1);
 - 4.6.2 consider the draft improvement action plan included in Appendix 1 of the Audit Scotland report; and
 - 4.6.3 provide feedback on the report and action plan and remit the draft Audit Scotland report and improvement action plan to Cabinet on 29 August 2023 for approval.

5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

6. Financial Implications

- 6.1 Not applicable.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 Risk Implications of Adopting the Recommendations

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

8.2 Risk Implications of Rejecting the Recommendations

- 8.2.1 Rejecting the recommendations would result in reputational damage and criticism from Audit Scotland, the Accounts Commission and the Scottish Government.

9. Equalities

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an

Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 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 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

Background Papers [**Audit Scotland Best Value Assurance Report – South Ayrshire Council – October 2021**](#)

Report to Audit and Governance Panel of 22 March 2023 - [Annual Audit Plan 2022/23](#)

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Date: 19 June 2023

Leadership in the development of the council's strategic priorities

Best Value thematic work in South Ayrshire
Council 2022/23



Prepared by Audit Scotland

June 2023

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Key messages

- 1** The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. To achieve the council's priorities the leadership of the council, senior officers, and elected members, are committed to increasing the pace of change in the council.
- 2** Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. In September 2022, there was a restructuring of the Corporate Leadership Team, and a number of changes in senior officer posts over the last year. The current Chief Executive is retiring in the autumn which will bring further change.
- 3** The [2021 Best Value Assurance Report](#) said that the council's pace of improvement needed to increase in some key Best Value areas. The council made progress with recommendations made in the report but failed to effectively measure its performance against targets for the priorities in the previous council plan to March 2023. Senior officers acknowledge this and are now focussed on developing a framework to support delivery of the new Council Plan.
- 4** In June 2023, the Council is due to discuss and approve service plans, which demonstrate how the council aims to deliver on its priorities and align its resources to these. The plans include service performance targets that will be monitored.
- 5** A performance management framework to report progress against the Council Plan targets is due to be discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023.
- 6** The results of prior consultation responses were used when developing the new Council Plan priorities. The council then sought comments from citizens on the proposed priorities.
- 7** To support community priorities the council has published two Place Plans for Ayr North and Girvan. Whilst community engagement took place, and priorities have been identified for other place plans, these have not yet been approved by members and published. The Council Plan says it is taking a

place-based approach to planning services. These Place Plans therefore need to be published to demonstrate the focus for this approach.

- 8** The council approved a balanced budget for 2023/24 in March 2023 before the council's priorities were agreed. In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. There is evidence of public consultation being reflected in the agreed budget.
- 9** The council has in place medium and longer-term financial plans which show an estimated gap of between £28.7 and £39.5 million by 2025/26. Given the significant financial challenges faced by the council, difficult decisions will need to be made by members on how resources are used and how services are delivered.
- 10** In October 2022 a Director of Strategic Change and Communities was appointed, whose remit includes overseeing the council's Strategic Change Programme. This is the focus for changing how services are delivered in the future. It was recognised that the current programme was unachievable and required refocus. In June 2023, a revised programme containing 11 projects is being considered by the Cabinet. Benefits tracking for each project has been developed.
- 11** There has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic. There is some self-evaluation across services but more needs to be done to challenge services across the council. Plans to reintroduce a corporate self-evaluation tool need to be progressed.
- 12** The council's own overall performance taken from national benchmarking data shows an improving position over time. At April 2023, 51 per cent of national indicators were in the top two quartiles of Scottish councils, but this has fallen from 57 per cent, showing that the pace of improvement has slowed compared to others. The council's self-evaluation should include understanding and reporting its performance in relation to other councils.
- 13** The South Ayrshire Community Planning Partnership Local Outcomes Improvement Plan (LOIP) is due to be refreshed with partners later in 2023. Alignment with the Council Plan is being considered as part of this.
- 14** In the Council Plan, the commitment to reducing inequalities is expressed through its reference to 'everyone' in the community benefitting from each outcome. Equalities is a cross cutting theme to be considered when decisions are made. A new Impact Assessment approach is under development. In September, the Cabinet is to consider a paper setting out how the council will measure its success in reducing inequalities.

- 15** Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes. The council is demonstrating good practice by setting a carbon budget. However, it is unclear how progress will be monitored on the crosscutting theme.
 - 16** Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value, these are included at [Appendix 1](#) of this report. It sets out the council's response to audit recommendations made and we will report on the progress over the term of our audit appointment.
-

Scope of the audit

1. When discussing the Local government in Scotland Overview 2022, the Accounts Commission noted: “Councils are operating in a complex and increasingly volatile, unprecedented, and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”
2. This report concludes on the effectiveness of the council’s leadership of the development of the council’s strategic priorities, following the recent local government elections.
3. [The Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities, and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2020 Best Value reporting requirements

Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.¹
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

¹ The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire, and West Dunbartonshire.

4. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership in the development of the council's strategic priorities.



5. In carrying out the work auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset, and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

6. At [exhibit 7](#) of this report, we also detail our review of the council's progress against the [2021 Best Value Assurance Report](#) recommendations.

7. An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

8. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003](#), [Best Value Statutory Guidance 2020](#).

Council vision and priorities

The Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. In June 2023, the Council is due to discuss and approve service plans which will include performance targets. These will support meaningful assessment of the plan's outcomes and impact.

9. A council focused on achieving Best Value will be able to demonstrate that elected members and officers have a clear vision and priorities for the area.

10. [The Local government in Scotland Overview 2022](#) highlighted the pivotal role that Scotland's councils have in supporting and working with communities as they respond to the impacts of Covid-19, with a clear vision and priorities for its area key to this.

11. The previous Council Plan 2018-22 was approved in March 2018, with a midterm refresh approved in March 2020. In this plan the council's priorities were:

- Fair and effective leadership: leadership that promotes fairness
- Closing the gap: reduce poverty and disadvantage
- Grow well, live well, age well: Health and care systems that meet people's needs
- South Ayrshire works: Make the most of the local economy
- Stand up for South Ayrshire: Increase the profile and reputation of South Ayrshire and the Council
- A better place to live: Enhanced environment through social, cultural, and economic activities.

12. Due to the council elections in May 2022, members agreed in January 2022 that the Council Plan 2018-22 should be extended until March 2023 to allow any new administration time to set its strategic priorities.

13. The council set out its new priorities in March 2023, in its Council Plan 2023-28 with its vision 'to make a difference every day'. To achieve this, its priorities, and outcomes, [exhibit 1](#), are aimed at promoting collaboration between services and partners with the plan's place-based approach looking to achieve improved outcomes and wellbeing for the council's communities, the local economy and environment. The 2023 Council Plan set out the new focus for the new council.

Prior council consultation responses were used when developing the new Council Plan 2023-28. The council then sought comments from citizens on the proposed priorities

14. The council engaged with the Improvement Service and the priorities and outcomes identified in the Council Plan 2023-28 have been influenced by the Shaping Places for Wellbeing Programme, [Place and Wellbeing Outcomes](#). This is a joint initiative between Public Health Scotland and the Improvement Service which aims 'to improve Scotland's wellbeing by reducing the significant inequality in the health of its people while addressing the health of our planet.' Ayr is one of six project towns chosen for focussed support through the programme since 2022. Activities include local project work, local learning cohort and national leadership cohort discussions. The aim is to find new ways of working, nationally, and locally, to deliver on the Place and Wellbeing Outcomes. This programme provided a framework for the council's new plan. It is too early to identify the impact of this programme in South Ayrshire.

15. The council plan says that its priorities 'require the participation and meaningful involvement of those with local lived knowledge of their community.' However, when developing the new council vision, priorities and outcomes, the council did not directly consult with its communities. The council stated this was due to feedback from communities on 'consultation fatigue.' Officers therefore felt that the above programme, with input from elected members and officers as representatives of the community was the best approach to take. Feedback from previous council wide consultations with communities was also used along with Place Plans consultation to help inform the plan. While these are useful ways to gather views from the community, the Best Value guidance is clear that communities should be directly consulted in a council's strategic planning.

16. After the priorities and outcomes were identified, the council undertook a public online consultation on the new plan which ran from 20 December 2022 to 10 February 2023. It is not clear how the feedback from this consultation impacted on the council's plans. Work is now ongoing to develop the detailed service plans and new performance management framework due to be considered by the Council in June 2023, with the first performance reporting on the new Council Plan scheduled for November 2023.

Exhibit 1

Council Plan 2023-28 priorities and outcomes

Priority	Outcomes
1. Spaces and Places	<p>Moving around and the environment: Everyone can access streets, places and spaces that are well connected, well designed, and maintained.</p> <p>Play, Sport and Recreation: Everyone can access a range of high quality, safe, well maintained, accessible places with opportunities for play, sport, and recreation.</p>
2. Live, Work, Learn	<p>Education and lifelong learning: Everyone benefits from high quality education and lifelong learning and is supported to learn and fulfil their potential.</p> <p>Work and economy: Everyone benefits from a local economy that provides opportunities for people and helps our businesses flourish.</p> <p>Housing: Everyone can find a good quality home that they can afford, that meets their needs and is in an area where they feel safe and connected.</p>
3. Civic and Community Pride	<p>Pride in South Ayrshire: Everyone (residents, visitors, and tourists) can enjoy attractive destinations and people are proud to live in our towns and villages and celebrate our culture and heritage.</p> <p>Community Engagement: Everyone has the opportunity to influence and contribute to what happens in their local area.</p>

Source: South Ayrshire Council

17. Alongside these priorities, the plan highlights cross-cutting strategic themes. These will be considered by the council in all its decision making to ensure key national and local priorities are always considered when it is developing new policies, strategies, and initiatives. These cross-cutting themes are:

- Equalities and the Fairer Scotland Duty
- United Nations Convention on the Rights of the Child (UNCRC)
- Sustainability, climate change and biodiversity

- Our Ageing Population
- Trauma Informed Practice
- The Promise
- Best Value.

18. The council has committed to including the above themes in a new integrated impact assessment it is developing. It anticipates that this will encourage council services to explore where priorities overlap with its partners, allowing for a more joined up approach to tackling shared strategic challenges. The Integrated Impact Assessment approach is due to be approved by Cabinet in September 2023.

19. The council plan also recognises the important role that enabling services such as Finance, IT and Procurement play in contributing to the achievement of the plan's priorities and outcomes.

20. The vision, priority areas and associated outcomes in the new Council Plan provide a high-level strategic framework for the council. Focus is now needed from the detailed service plans. These will contain the measurable actions to which the success and impact of the plan will be measured against.

The Local Outcomes Improvement Plan (LOIP) is due to be refreshed. Alignment with the Council Plan is being considered as part of this

21. The Council Plan says that its priorities drive collaboration between services and partners. South Ayrshire Community Planning Partnership (CPP) has two strategic themes as agreed areas of focus for the LOIP. These are:

- supporting older people to live in good health.
- closing the poverty-related outcomes gap for children and young people.

22. Under the strategic themes there are five supporting improvement priorities:

- reducing social isolation and loneliness
- support for people living with dementia and their carers
- improving outcomes for care experienced children and care leavers
- providing support for young people who are carers
- employability and lifelong learning.

23. The [2021 Best Value Assurance Report](#) (2021 BVAR) commented positively on the structure and content of the LOIP. This has helped partners to focus on the small number of improvement priorities, noted above, where joint working is

likely to be most effective, with these improvement priorities linking well into the LOIP's two wider strategic themes.

24. The CPP refreshed its LOIP in 2019 to reflect work on mental health issues, building safer communities and tackling violence against women. The latest annual progress report on the LOIP was published in October 2022. Work will take place during 2023 to refresh the LOIP to identify a new set of priority areas for it from April 2024 onwards. The council's revised priorities and service delivery plans are being considered when developing the new LOIP.

Despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan. A performance management framework for the Council Plan targets is due to be discussed by the Council in June 2023

25. The next step for the council is to clearly set out what performance it wants to achieve in its priority areas. To report effectively on its progress towards meeting its priorities, new service plans have been developed by each council service. These are due to be submitted to members for review and scrutiny in June 2023. From our review of the proposed service plans, we are pleased to see that they show the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact.

26. Previously, performance against each of the priorities in the Council Plan was reported to members once a year. The council has committed to more regular reporting on progress. Service plans will be monitored by Council Leadership Team quarterly, with reports going to Service and Partnerships Performance Panel (S&PP) in quarters two and four. Elected members will also be retrained on Pentana and shown how to view real time updates on all service plans. An annual report will be produced every December for approval by Council. Any new additions to the Council Plan or completed targets removed will go to the S&PP Panel and thereafter to Council for approval.

27. The council's 2021 BVAR was critical of its performance management framework and reporting, including its use of key performance indicators. Targets were not assigned to these which made the monitoring of performance, and outcomes, against each priority area of the Council Plan 2018-22 difficult to determine. However, the pace of change in response to this 2021 BVAR recommendation has been slow. The council updated its performance management framework in 2022. At the time officers explained that it was considered difficult to set retrospective targets for all areas of the old Council Plan and instead focus was on ensuring the required improvements were made to the new plan.

28. In August 2022, the council reported its 2021/22 performance against 81 measures associated with achieving the strategic objectives from its Council Plan 2018-22 (extended until 2023). Only three of these measures had targets and so it is difficult to ascertain how performance differed from what was expected. Further performance reports were produced in November 2022 and April 2023, but they only included information on the 23 indicators that could be

reported quarterly. The April 2023 report noted that the next performance report will relate to the new Council Plan 2023-2028 and is scheduled to be presented in November 2023.

Action plan recommendation 1

29. The council's annual performance report, considered by members in December 2022, remains focused on areas of positive performance with less information about areas of poorer performance and how they will be addressed. The annual performance report is organised around the council's priorities, but the lack of a summary and dearth of targets meant it was difficult to ascertain the council's progress against its priorities. The plans for performance measures with agreed targets should allow the council to effectively monitor and demonstrate progress against its new Council Plan priorities.

The council should review the content of the performance section of its website to ensure its reporting is clear and balanced and meets the requirements of the new statutory performance indicator direction

30. The quality of public performance reporting still has scope for improvement, particularly in relation to the accessibility of the information published on the council's website. The council does have a dedicated public performance reporting webpage, but there is a lack of up-to-date information published on this. Additionally, the performance reports lack a summary of how many indicators have improved or declined, as a whole or by priority area, making it difficult to get an overall sense of how the council is doing against each priority. The council has not yet set out how it will report performance relating to January – March 2023 and its annual performance against the former plan for 2022/23.

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

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities)
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

32. The council should review the content of the performance section of its website to ensure it meets the requirements of the new SPI direction.

The council’s overall performance per national benchmarking shows an improving position over time

33. The Accounts Commission’s [Local Government in Scotland Overview 2023](#) says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

34. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

35. Due to the difficulty in assessing the council’s progress based on its own performance reporting, we have considered the results of the latest LGBF data.

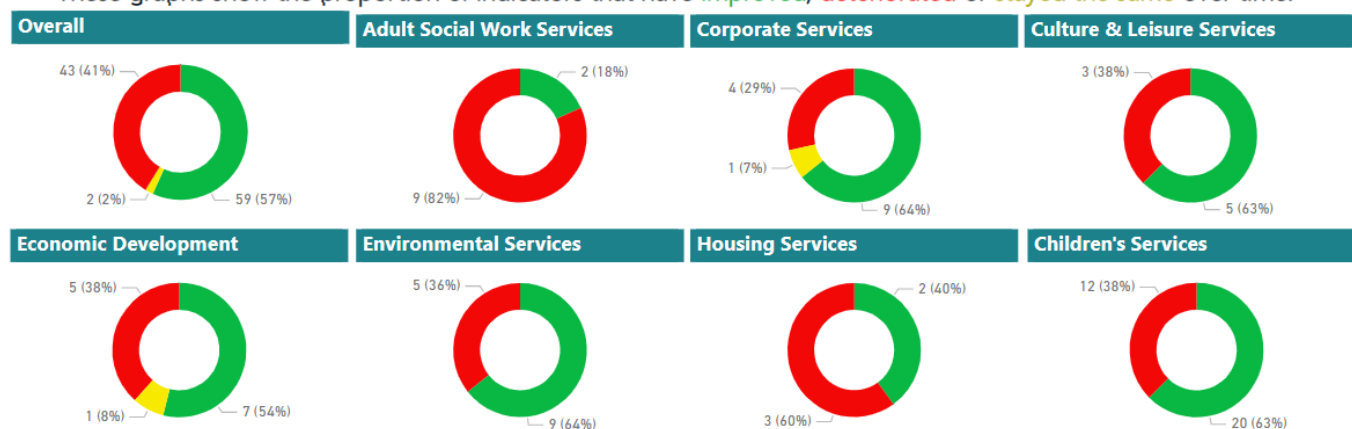
36. The most recent [National Benchmarking Overview Report 2021/22](#) by the Improvement Service was published in March 2023. This report will be considered by the council’s Service and Partnerships Performance Panel in June 2023 along with council specific commentary on where improvement activity is planned or already underway.

37. In analysing the LGBF data it is recognised that local policy choices about council services and strategic priority areas will have an impact on the results. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population, such as that of South Ayrshire, increases demand for social care services. Rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

38. At April 2023, [exhibit 2](#) shows the council’s 2021/22 performance across services when compared with the relevant data’s base year. Based on the indicators within each service area, the council shows an overall improving position over time.

Exhibit 2 South Ayrshire Council LGBF results – trend since base year

These graphs show the proportion of indicators that have **improved**, **deteriorated** or **stayed the same** over time.



Source: Improvement Service – LGBF 2021/22

While the 2021/22 indicators reflect challenges with adult social care services, a recent inspection reported a ‘good’ assessment in all areas, with particular strengths identified in integrated working and leadership

39. In line with national pressures the indicators reflect challenges with adult social care services. The council has been focussed on making improvements in the services and expect the 2022/23 indicators to reflect an improving picture in some areas.

40. A February 2023 joint inspection by the Care Inspectorate and Healthcare Improvement Scotland concluded a ‘good’ assessment in all areas covered, with particular strengths identified in integrated working and leadership. The report acknowledged the significant demands placed on the service due to high levels of deprivation, a growing and ageing population, and the impact of the pandemic.

41. Particular ongoing challenges with the number of delayed discharges are a focus for the council. South Ayrshire Council is the worst performing council for delayed discharges in Scotland and has been one of the three poorest performing councils in each of the past four years. Its average delayed rate of 179 days for 2021/22 is significantly worse than the national average (77 days) and since the base year (107 days in 2016/17) there has been a clear decline in this area.

42. In its January 2022 [Social care briefing](#) Audit Scotland noted that current issues experienced by the social care sector, for example workforce pressures, are being felt nationally. The council notes that workforce challenges around recruitment and retention have led to a reduction in the capacity within in-house and external care provision in care at home and care homes. This has resulted in a significant increase in the number of people and the length of time that they must wait. South Ayrshire Council has a high proportion of commissioned care (around 80 per cent). These care providers have struggled to recruit and retain staff, even more so than the council. As a result, the number of commissioned hours has fallen from 10,000 hours pre-pandemic to 6,700 hours per week. As well as working with its partners, including the South Ayrshire Integration Joint Board, in response to these issues, the council has taken the following actions:

- Establishment of a new team to review those awaiting care
- 10 additional beds in council run home
- Support from other parts of the council's workforce
- A dedicated post to improve recruitment
- A new fast track training course in partnership with Ayrshire College which includes 12 hours paid employment and guarantee of interview.

43. Officers have also highlighted areas of performance not covered by the LGBF, for example mental health services, where investment in work with adults with incapacity and provision of reports where people require compulsory detention is recognised as high performing by the Mental Welfare Commission.

Housing performance has declined in three out of the five indicators but improvements in the service have been made and all indicators in this area are in the top two quartiles

44. The council's Local Housing Strategy (LHS) 2017-2022 is part of the capital programme with a delivery target of 675 affordable homes over the five years of the strategy. The strategy was subsequently extended to March 2023, with a revised target of 844. Despite delays caused by the Covid-19 pandemic, the council and its partners have sustained a steady pace in affordable housing completion. The council estimates that 748 properties will have been delivered by March 2023.

45. The council's new LHS 2023-28 is currently under development and is due for approval in August 2023. The LHS has taken into consideration fuel poverty, the rising living costs together with the need to improve the efficiency of homes from both a social and environmental perspective. To ensure homes are affordable, rent levels for new build properties will be set on or below the local housing allowance and new build properties will aim to be cheaper to heat through measures that will include enhanced floor and roof insulation. As well as being cheaper to run, improvements to energy efficiency will help the council meet outcomes set out in its Climate Change and Sustainable Development Strategy 2019-2024.

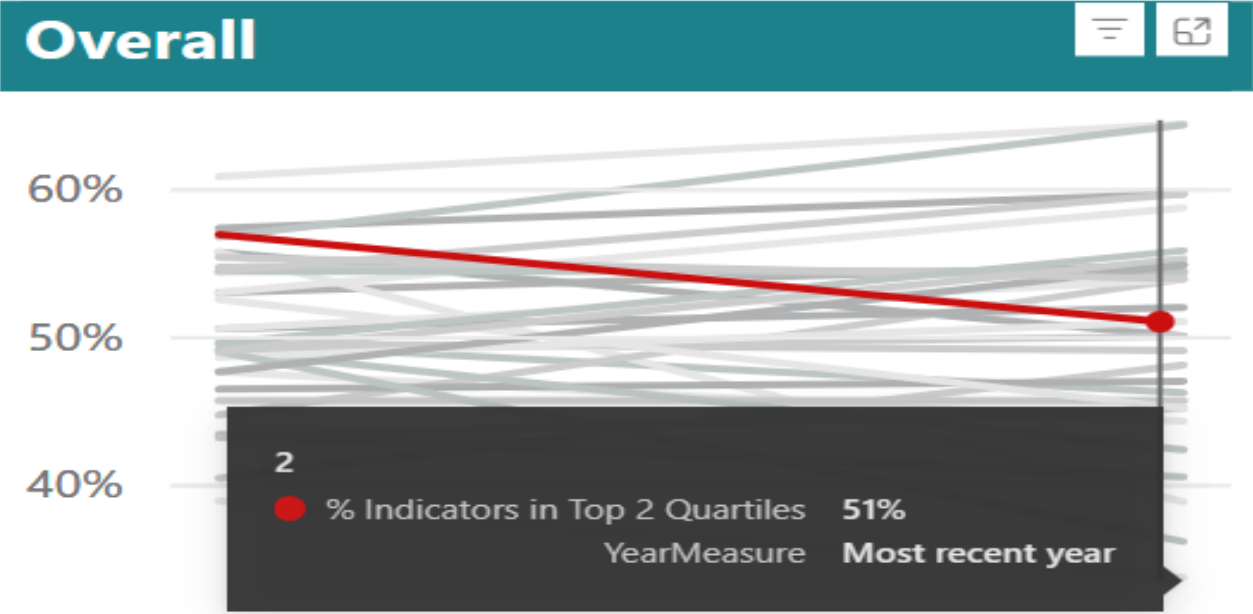
46. The council is in the top five councils in Scotland in terms of the percentage of council dwellings that meet the Scottish Housing Quality Standards and the proportion of council dwellings that are energy efficient. For all five Housing Services indicators in 2021/22, the council is in the top two quartiles nationally, up from 60 per cent in the top two when compared with the data's base year (2013/14).

47. Performance relating to loss of income from rent arrears and voids is strong, with both significantly below the national average.

While 51 per cent of national indicators are in the top two quartiles of councils, this has fallen from 57 per cent, showing the rate of service improvement has slowed compared to others

48. Of the 104 indicators reported in the 2021/22 LGBF data, 59 (57%) of these have improved for the council since the base year. However, the number of indicators in the top two quartiles has decreased from 57% in the base year to 51% in 2021/22 ([exhibit 3](#)). These results indicate that whilst the council's overall performance year-on-year has improved, its performance has improved more slowly than other councils over this period.

Exhibit 3
Proportion of indicators in the top two quartiles from the base year to 2021/22



Source: Improvement Service – LGBF 2021/22

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

50. South Ayrshire Council should use the LGBF data alongside its engagement with its communities to assess its local performance and priorities. The performance of the council could also be compared with neighbouring or similar councils to assess the effectiveness of its investment in priority areas and to inform and identify where improvements and better outcomes for its communities can be achieved.

Citizen and community engagement

51. Councils, with their community planning partners, have a responsibility to ensure that people and communities can be fully involved in the decisions that affect their everyday lives. Recovery from the pandemic will require councils to work alongside their local communities. There must be a focus on getting the services people need in place as pressures and stresses escalate and impact the day to day lives of individuals and communities.

52. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

The council developed a Community Engagement Strategy in 2020, but there is no evidence of the council assessing whether it has improved community engagement

53. The council developed a Community Engagement Strategy in 2020 which provides an overview of the council's approach to effective community engagement. The [2021 Best Value Assurance Report](#) (2021 BVAR) reported that this was developed to ensure a consistent approach to engagement across the council and to improve the council's assessment of the impact of engagement to inform future engagement activities. The strategy identifies ways in which the council consults with and empowers its communities and sets out an action plan to monitor progress. All actions are noted as complete, including delivering awareness raising sessions on community consultation and engagement. Although the actions are completed, the council acknowledges that improving learning and training around consultation will continue, with community engagement being a key priority within the Thriving Communities service which was approved in June 2021.

There was engagement with elected members, partners, and employees in the development of the Council Plan 2023-28 but no direct community engagement

54. The new Council Plan 2023-28 (the Plan) was developed following consultation with elected members, partners, and employees. The "Our Council Plan Survey" detailed the three key priorities and outcomes and asked for comments and suggestions on the proposals. [Paragraphs 14 and 15](#) explain why there was no direct community engagement in developing the plan.

Community empowerment is reflected in the council's priorities, however improvements can be made to evidence how the results of community engagement are reflected in decisions taken by the council

55. The Plan outlines three priorities, each underpinned by a set of outcomes which will help the council in identifying where priorities are being achieved. Priority three is "Civic and Community Pride" which is supported by the outcome of community engagement, where everyone has the opportunity to influence and contribute to what happens in their local area.

56. Following a recommendation in the 2021 BVAR, an annual log of all consultations and engagement was published on the council website in April 2023. This outlines that 51 consultations have taken place throughout 2022-23. The log provides details of each of the consultations that took place and their results. The areas covered by these consultations are wide ranging, including travel, housing, and education. Whilst publishing the results of each consultation provides transparency and feedback on the needs of citizens, the council could take this a step further by evidencing how the results of these surveys have impacted on the decisions taken by Council.

The council engaged with its communities in setting the 2023/24 budget

57. As part of the 2023/24 budget setting process, the council published a number of videos on the council website and social media platforms to outline the budget setting process, the likely funding available to the council and the potential budget gaps. These videos were followed by a budget consultation released in January 2023.

58. The consultation received over 300 responses and included 18 questions, the first six of which were aimed at gathering views on specific issues that would feature in the final budget. Residents were asked their views on areas such as council tax increases, increases to current fees and charges and reductions in services. The responses have been reflected in the final budget agreed by Council on 1 March 2023. For example, the council took the decision to take a combined approach and increase council tax as well as fees and charges, however, no new charges in areas such as bin collections or electric vehicle charging facilities were introduced for 2023/24, in line with the majority of responses. Following the budget being agreed a final budget video was released explaining the decisions that had been taken.

Work is required to develop a Community Planning Partnership (CPP) based engagement strategy

59. As part of the CPP structure, a Communities Reference Group was established to inform the process of widening community engagement within a community planning setting. In November 2022, the group held an annual community planning webinar event where twelve webinars were held providing an overview of wider community planning activity to support local communities.

These webinars included improving place and wellbeing, addressing poverty, engagement, and learning.

60. The Communities Reference Group has recently been refocused to become a Community Engagement Co-ordination Group (CECG) acting as the focal point for the co-ordination of collective engagement activity. Work has been taking place to develop a new terms of reference for the group and planned areas of work have been identified, such as the development of a CPP based engagement strategy that is supported by CPP partners. It is proposed that the group will co-ordinate and monitor consultation across the CPP and continue to engage with the third sector.

The council is taking a place-based approach to planning services. Community engagement has taken place and priorities have been identified for all Place Plans but the publication of these has been slow with a lack of resource impacting on their delivery

61. The Community Empowerment (Scotland) Act 2015 requires community planning partnerships to produce a locality or neighbourhood plan for each locality it has identified as experiencing significantly poorer outcomes. In South Ayrshire locality plans are known as 'place plans'. These were to be in place by October 2017.

62. As reported in the [2021 Best Value Assurance Report](#) (2021 BVAR), the council published Place Plans (locality plans) for Ayr North and Girvan following extensive consultation in 2019 to identify community priorities and actions for change. Following on from these pilot areas, the council committed to working with communities to improve 'placemaking' across South Ayrshire to deliver Place Plans across South Ayrshire's communities.

63. However, work to publish the remaining Place Plans has been slow. In late 2021 and early 2022, conversations were held across South Ayrshire to help identify priorities. This was followed by a further round of community conversations in the Summer and early Autumn 2022. These aimed to build on the priorities and identify actions that would form the basis of individual Place Plans that were due to be published by the end of 2022. Whilst the priorities have been identified for all remaining areas, these Place Plans are yet to be approved by members and published.

[Action plan recommendation 2](#)

64. The council is currently recruiting, on a 12-month temporary basis, a Team Leader to help develop the remaining Place Plans using the data and information from the place planning sessions. At the time of writing, the timescales for the publication of the remaining Place Plans remains unknown.

65. The council says it has adopted a place-based approach to its new Council Plan. To ensure the effective delivery of the outcomes associated with the plan, there is a pressing need to effectively resource this service and publish the remaining Place Plans.

Reducing inequalities and tackling climate change

The commitment to reducing inequalities is expressed through a reference to 'everyone' in the community benefitting from each outcome in the Council Plan. Equalities is a cross cutting theme to be considered when decisions are made. It is not clear how the council will measure its success in reducing inequalities and this needs to be clarified

66. Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality, and promoting fairness, respect, and dignity for all citizens, alongside a focus on sustainable development, including climate change.

67. Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.

68. The Accounts Commission's [Local Government in Scotland Overview 2023](#) report highlights that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal support those most affected and addresses inequalities to create a fairer, more socially just economy for their citizens.

69. The council's new priorities and outcomes, as set out in [exhibit 1](#), do not include a specific reference to reducing inequalities. Each outcome includes 'everyone,' signifying all members of the community rather than targeting specific groups, e.g. Everyone benefits from high quality education and lifelong learning and is supported to learn and fulfil their potential. One of the Community Planning Partnership's eight strategic outcomes is 'Reducing inequalities and improving outcomes'.

[Action plan recommendation 3](#)

70. The council did not directly consult equality groups in the early stages of developing its new priorities and outcomes in Summer 2022. Instead, it decided to review feedback from council-wide consultations from the previous two years. As noted at [paragraph 15](#), at a later stage the council did engage more widely with its citizens and communities but there is little evidence of this influencing its priorities and outcomes. The equality impact assessment completed for the Council Plan 2023-28 notes that Moving forward we will continue our

community conversation with target groups such as, the Youth Forum, Older People's Forum, Lived Experience Forum, and Community Councils.

71. In June 2021, the council agreed a programme of Covid-19 recovery activity to use the additional funding available to it at that time. While no specific exercise was undertaken by the council to identify those most affected by the pandemic, bids that were agreed had to meet specific criteria, including how the proposals linked to Covid-19 and to the council's priorities. The most cited council priorities in successful bids, from the Council Plan 2018-22, were Closing the gap: reduce poverty and disadvantage and Fair and effective leadership: leadership that promotes fairness.

72. Examples of successful bids included:

- providing financial assistance for tenants in social housing and in the private rented sector at risk of homelessness
- supporting parents of babies to reduce social isolation and improve outcomes, particularly early language, and communication skills, in areas of deprivation by providing free parent and baby classes
- providing a dedicated community space and community worker in Glendoune, one of South Ayrshire's most deprived areas, to improve outcomes for people living in the area.

73. The council has confirmed that all Covid Recovery plans have been completed with some actions continuing as 'business as usual.' Changes to service delivery such as the expansion of digital access and expanded partnership working as a result of the pandemic have been subsumed into ongoing plans.

The Council Plan's commitment to supporting Human Rights is included in its references to reducing inequalities

74. There is legislation that covers human rights. Taking a human rights-based approach is about making sure that people's rights are put at the centre of policies and practices and giving people opportunity to realise those rights. Councils can make explicit reference to the work they do to promote this or reflect it as part of their plans to reduce inequalities. The new Council Plan does not explicitly refer to human rights. The accompanying equality impact assessment does list five outcomes, from the Plan, the council thinks will have a positive impact on human rights - community engagement, moving around and the environment, education and lifelong learning, work and the economy and housing. However, no fuller explanation is provided around what the positive impact will be, and no risks are identified, or mitigation measures set out.

The council uses equality impact assessments that incorporate the Fairer Scotland duty and human rights considerations. It is currently developing a new integrated impact assessment approach

75. The council completes an equalities scoping template for all proposals being submitted for approval by Panel or full Council. If the policy is deemed to have a high or medium relevance to equality, then a full equality impact assessment will be conducted. The council has developed detailed guidance with examples for those filling in the templates and assessments. As well as referring to protected characteristics and socioeconomic disadvantage associated with the Fairer Scotland duty, these include the need to detail how the proposed policy supports or inhibits the human rights of the communities affected by the policy.

76. The most recent full equality and impact assessment completed, at the time of writing, was on the Council Plan 2023-28. It is unclear whether this was conducted when the Plan was being developed or later in the process as it is not dated. No negative impacts were noted for any group or community although evidence gaps were noted around budget uncertainty and service planning. Actions to mitigate these were the development of a service planning process for the new plan and updating the performance management framework.

77. A working group has been established to develop a new integrated impact assessment approach, due to be submitted for approval by Cabinet in September 2023. All elements of the current equality impact assessment process are to be incorporated into the new approach that has seven cross-cutting strategic themes ([paragraph 17](#)). These themes, which include equalities and the Fairer Scotland duty, as well as the United Nations Convention on the Rights of the Child (UNCRC), will be considered by the council when it is developing new policies, strategies, and initiatives. Once the new system has been agreed, new guidance is to be issued to staff along with appropriate training. The council also plans to capture its progress on inequalities, poverty and addressing fairness issues through this new approach.

Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes but it is unclear how progress will be measured.

78. Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID.' The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

79. As explained in [paragraph 17](#), sustainability, climate change and biodiversity, together, is one of seven cross-cutting themes that the council plans to include in a new integrated impact assessment by September 2023. It

is not yet clear, as this approach is still being developed, how progress on addressing climate change will be driven and how the integrated assessment will link with the council's Sustainable Development and Climate Change Strategy, due to be updated in 2024. The council has committed to spending £450,000 on addressing climate change in 2023/24.

Action plan recommendation 4

80. In the Accounts Commission's September 2022 briefing, [Scotland's councils' approach to addressing climate change](#), it was noted that plans should include greater clarity on how targets and timescales will be achieved. The reports also reaffirmed the important role that citizens will have and the need for strong partnership working. As a cross-cutting theme it is not clear how progress will be measured in the council.

81. The council did not formally declare a climate emergency in 2019 when other councils in Scotland did. Instead, in October 2020, the council aligned itself with the Scottish Government's targets, adopting a 75 per cent reduction in emissions target by 2030 (using 2014/15 as a baseline) and a target of net zero emissions by 2045. Like all public bodies in Scotland, the council is required to report annually on its compliance with its climate change duties. It reported in November 2022 that it had achieved a reduction in emissions of 36 per cent.

82. As part of the impact assessment approach, it is intended that an increased and ongoing level of climate change expertise and support will be made available to policymakers from an early stage as they develop policies. The council is adopting this approach to ensure that addressing climate change is seen by elected members and employees as an integral part of everything it does and is part of everyone's job. It does recognise that improving the carbon literacy of all elected members and members of staff requires more work and, as a starting point, has held sessions setting out the scale of the issue with them.

83. The council has acknowledged that the new integrated impact assessment approach will need to be resourced adequately to work well. The Accounts Commission's briefing on [Scotland's councils' approach to addressing climate change](#) recommended that councils should consider assessing whether they have sufficient capacity, skills, and knowledge to support effective decision-making on climate change and to implement the necessary actions. The council is planning to review how the climate change team is resourced and structured. In April 2023, it had two unfilled posts.

The council is demonstrating good practice by setting a carbon budget

84. The Accounts Commission's briefing on [Scotland's councils' approach to addressing climate change](#) noted that the use of service level carbon budgets may be helpful for ensuring accountability and reducing emissions at service level.

85. 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.

Alignment of delivery plans

The new Council Plan 2023-28 sets out the council's high-level priorities and outcomes. The council is due to approve service plans in June 2023. These plans are key to demonstrate how the council will deliver on its priorities and align its resources to these

86. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all its resources are deployed to achieve its strategic priorities, meet the needs of its communities, and deliver continuous improvement.

87. In its [Local Government in Scotland: Financial bulletin 2021/22](#) the Accounts Commission acknowledged that councils are facing the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation, and the cost-of-living crisis. Councils will need to continue to make recurring savings and make increasingly difficult choices with their spending priorities, including, in some cases, changes to, or reductions in, services.

The council approved a balanced budget for 2023/24 in March 2023. There is evidence of public consultation being reflected in the agreed budget

88. We recognise the increasingly challenging financial environment councils are operating in. Additionally, in its May 2023 [Local Government in Scotland Overview 2023](#) report, the Accounts Commission commented on the limited flexibility councils have with their funding, noting that: "An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need."

89. The council approved a balanced budget for 2023/24 of £233.589 million in March 2023. In addition to this, the council committed £96.349 million to the South Ayrshire Health and Social Care Partnership. This balanced budget followed a final grant settlement from Scottish Government of £256.598 million. The council took the decision to increase council tax by five per cent to fund service expenditure in 2023/24.

90. In line with the Accounts Commission's commentary on the need for councils to undertake a review of their services and consider areas for reform, as part of its initial budget proposals, the council had plans for reducing teacher numbers in line with falling pupil rolls. However, in a letter from the Deputy Director: Workforce, Infrastructure and Digital on 9 February 2023 to all local authorities, the Scottish Government confirmed the need for councils to protect teacher numbers, pupil support staff and learning hours. This resulted in the

council removing its proposals as it would have results in withdrawal of funding and additional savings been required to compensate.

91. Following the budget consultation, to balance the budget and address the budget gap, and the late change in Scottish Government policy on teacher numbers, the council identified savings of £5.686 million. The 2023/24 budget also utilises £1.120 million of uncommitted reserves, and £5 million of retrospective reserves from the PPP (Public Private Partnership) Concession flexibilities agreed in December 2022.

92. The council's identified savings of £5.686 million is made up of a number of initiatives including service redesigns and reductions, reductions to budgets and removal of vacant posts. Whilst optimisation of service delivery is necessary, the council needs to ensure that identified savings are in line with its council priorities. Current savings proposals agreed as part of the 2023/24 budget lack direct alignment to the council priorities. The Strategic Change and Communities resource has identified savings of £1.523 million, including:

- Economy and Regeneration Team service review: £200,000
- Organisational Development and Strategic Change teams service review: £100,000
- Thriving Communities service review: £300,000.

93. The council's transformational change programme is discussed further at [paragraphs 106-111](#).

94. Budgeted service expenditure in 2023/24 includes additional investment of £10.789 million to ensure that key services, such as neighbourhood services continue to operate effectively. Much of this additional investment is to fund increased cost pressures, however some funds have been committed to provide new benefits to communities. For example, £0.250 million was committed in 2023/24, with a proposed continual investment for the next five years, in the delivery of the International Ayrshow: Festival of Flight. This aims to bring tourism and economic regeneration into South Ayrshire. Capital investment has also been committed, including £1 million in each of the 8 wards across South Ayrshire over the next four years to make infrastructure improvements to benefit communities. These investment decisions have been influenced using the information collated as part of the council's engagement with its communities as part of its place planning. The identified projects have been linked to the new Council Plan's priorities. The proposed projects will be considered by the Council in June 2023. The council has committed to regular monitoring of the projects to ensure transparency with its investment decisions.

95. In setting its budget the council acknowledged various inherent assumptions in arriving at budgeted figures and therefore risks, uncertainties and cost pressures that may be faced if costs change or new pressures emerge. One approach the council has taken to mitigate against such risks was the decision to set aside £2.500 million of previously uncommitted reserves as an inflation reserve. This will be held to mitigate any temporary inflation risk occurring during 2023/24 and will be drawn down if costs incurred during 2023/24 relating to inflation are above the level included in the 2023/24 budget.

96. Going forward, budget papers are to demonstrate how decisions and resource allocations align with the council's new priorities. At the time of setting the 2023/24 budget, the new Council Plan and corresponding service plans were still to be finalised, so this was not possible.

The council has in place medium and longer-term financial plans. At their next review date these should be aligned with the priorities set out in the new Council Plan

97. Multi-year allocations were not included in the Scottish Government's 2023/24 budget. As such, the funding position beyond 2023/24 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst recognising that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer term, the development of longer-term plans is necessary to help councils plan for and deliver better outcomes and to address inequalities.

98. The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 was updated in November 2022. The plan considers a range of scenarios and assesses the impact of known pressures on the council's finances, such as inflation, the challenging economic climate, and estimated changes to funding.

99. The plan outlined an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26 ([exhibit 4](#)).

100. 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. The plan provides members with a fuller picture of the likely challenges the council will face in the coming years which should help to focus attention and inform decisions on areas of priority and non-priority spend for the council. The council has committed to updating the MTFP annually, with the next review due to take place in October 2023.

Exhibit 4

MTFP - budget gap 2023/24 - 2025/26

Scenario	2023/24 £'million	2024/25 £'million	2025/26 £'million	Cumulative three-year total £'million
Best case	10.0	11.0	7.7	28.7
Mid case	14.7	13.1	10.0	37.8
Worst case	20.5	17.2	11.8	49.5

Source: Medium-Term Financial Plan Update November 2022

101. As part of the 2023/24 budget setting, the council provided an indicative scenario-based revenue budget for 2024/25. The position reported indicated a potential funding gap of between £7.5 million and £22.2 million. Whilst the best-case budget gap scenario (£7.5 million) is an improvement on the position reported in the MTFP ([exhibit 4](#)), both the mid (£15.2 million) and worst (£22.2 million) cases show a worsening budget gap position. The council also points out that efficiencies have to be delivered from non-ring-fenced services which they estimate are now only 33% of the overall budget. The council has recognised that there remains a significant amount of uncertainty around some of the assumptions impacting on these scenarios, with inflation, ongoing pay discussions and future funding settlements all contributing to the difficulty of financial planning.

102. The council's MTFP links to the financial challenges, and identified areas for change, set out in its 10-year financial plan. The council's Long-Term Financial Outlook (LTFO) 2022-23 to 2031-32 was approved in October 2021 and pulls together all known factors affecting the financial position and financial sustainability of the council over the longer-term. The mid-case cumulative 10-year gap outlined in the LTFO totals £107.632 million, with best (£36.236 million) and worst (£171.492 million) case budget gaps also identified.

103. The LTFO outlines priority areas of change which need to be addressed over the medium-term to support the council's sustainability for future years, including:

- Change programme – progress the refreshed transformational change activity programme to redesign services
- Future operating model – consider lessons learned from the pandemic to find better ways of working to deliver sustainable savings
- Dis-invest in non-priority service areas
- Digital technology
- Reduce council asset base, including disposing of surplus assets
- Workforce planning.

104. While the budget gaps are challenging, the council has a proven track record in achieving savings, delivering just under £77 million in the period from 2011/12 to 2021/22 (including HSCP savings).

105. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important. The next update of the LTFO is due to take place in October 2023. The council has committed to updating future iterations of both the MTFP and LTFO in line with the financial environment it is operating in at the time, together with the council's priorities. This will ensure a cohesive approach to the delivery of services and outcomes for citizens.

The council's strategic change programme is the focus for changing how services are delivered in the future

106. The 2021 BVAR said that relative to other council's, South Ayrshire's approach to transformation had been slow and inconsistent, lacking drive and urgency. The most recent transformation programme update was considered by the council's Service and Performance Panel in October 2022. This report included an update to the programme's benefits realisation plan and tracker. There are currently 33 projects within the scope of the programme of which 17 have benefits trackers in place. The council is planning to refocus the programme with a report going to Cabinet in June 2023. This will refine the programme to a smaller number of projects that will be tracked. Officers are working with project teams to propose benefits and baseline activity for the projects. We will monitor the council's progress with its revised programme.

107. Four projects have progressed to the final stage of the process - stage 4: benefits realisation - track delivery of benefits and embed project and change activity. The council anticipates a further seven will have reached this stage by the year-end.

108. The 2021 BVAR recommended that the council needed to assure itself that it had the capacity and skills required to increase its pace of transformation. A recent corporate restructure in September 2022 led to the recruitment of an additional Director with responsibility for strategic change together with strategic change being a focus of all the council's Assistant Directors.

109. The Strategic Change Programme Office is resourced, on a full-time basis, by a Project Implementation Coordinator and four Project Officers. One of the Project Officer posts is currently vacant due to two unsuccessful recruitment attempts. The 2023/24 budget includes savings requirements that could impact on the filling of vacancies in the Strategic Change Team. The council should ensure this does not impede the progress of the council's transformation programme.

110. As the programme progresses with delivering projects, officers from the team will be developing ways for council staff to suggest and bring forward project ideas. The use of corporate communication channels to promote examples of good practice will be considered to help publicise how officers and project teams have worked collaboratively to deliver change.

111. Further updates on the programme delivery and tracker will be provided to members in June 2023. As we have detailed elsewhere in this report, the council has made progress in a number of the priority areas set out in the LTFO but given the projected challenging financial environment, the pace of improvement still needs to increase. It is more important than ever that there is effective leadership, from both senior officers and elected members at the council, to drive at pace, the change needed to ensure its sustainability into the longer-term.

The council has a twelve-year Capital Investment Programme which is refreshed each year. Significant investments are planned for children and families, communities, and economic regeneration

112. In its [Local Government in Scotland: Financial bulletin 2021/22](#) the Accounts Commission noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

113. In October 2022, due to rising inflationary cost pressures, the council decided not to proceed with the plans for a new Ayr Leisure Centre. The initial £40.2 million budget had increased to £52 million, which was expected to further increase due to inflation. The project was therefore removed from the 2023-24 Capital Investment Programme. However due to contractual obligations, the council is still required to purchase the land and plans are yet to be established for the use of the site. The 2023-24 Capital Investment Programme has provided £3.6 million, pending the outcome of a feasibility study, for further initial works and clearance of the site, with a further £10 million to be invested in the refurbishment of the current Citadel Leisure.

114. As part of the 2023/24 budget setting, the council's twelve-year Capital Investment Programme 2023-24 to 2034-35 was prepared on a refresh of the previously agreed programme. This outlines a total capital investment programme of £446.957 million for the twelve-year period, with £99.145 million of this budgeted for 2023/24. Significant investment is planned for 2023/24 in the following areas:

- Children and families: £25.330 million
- Communities: £26.330 million
- Economic regeneration: £33.018 million.

115. The economic regeneration investment of £33.018 million includes £30.268 million towards the Ayrshire Growth Deal, a partnership between the Scottish and UK Government and East, North and South Ayrshire Councils aimed at transforming the economic prospects of the area. Over the course of the capital investment programme, there is planned investment of £143.516 million in relation to the Ayrshire Growth Deal. Progress of the current year programme is regularly reported to Cabinet and the Ayrshire Economic Joint Committee.

116. The South Ayrshire Way Strategic Change Programme aims to maximise the use of local assets. This includes transforming the council estate to meet the needs of the future workforce and communities, and the implementation of the Future Operating Model to develop a sustainable model of working post pandemic, which will reduce the number of buildings occupied and presents opportunities for savings and a reduction in the council's carbon footprint.

117. The council's commitment to its capital investment programme should contribute to its Council Plan 2023-28, specifically, its 'Live, Work, Learn' priority. On completion of the detailed service level plans, the council should ensure its capital investment programme aligns with the identified priorities areas.

The council has produced a new Corporate Workforce Plan. Work is now needed to embed workforce planning alongside service delivery plans to deliver service priorities

118. The council developed its first corporate workforce plan in 2018, covering the period 2018-2022. The [2021 Best Value Assurance Report](#) (2021 BVAR) recommended that "the council should improve and embed workforce planning, so that service workforce plans are developed consistently across the council. The plans should include clear links to the council's priorities and to its strategic change programme."

119. In response to this, the council has developed a new workforce plan - Corporate Workforce Plan 2022-25. This was approved by the council in November 2022. Also in 2022, South Ayrshire Health and Social Care Partnership submitted a workforce Plan to the Scottish Government.

120. The council's workforce plan is comprehensive in detailing a range of workforce data and related information and although this was produced prior to the new Council Plan 2023-28, the council considers that the fundamentals of service delivery and broad workforce requirements covered by the Corporate Workforce Plan would still apply to any new Council Plan.

121. The plan acknowledges areas where the council has experienced recruitment challenges. Service areas such as Facilities Management and ICT are referenced. The council does state that, to a large extent, the national labour market is driving recruitment issues for certain roles, but it has taken action to mitigate this. For example, it supports several Modern Apprenticeship qualifications, with over 120 apprenticeships having commenced over the past four years.

122. The workforce plan also links with the council's ongoing strategic change programme. However, due to timing of the new Council Plan 2023-28, and associated service delivery plans, work is still ongoing to align workforce needs at a service level. This is being progressed through the service plans.

123. The council has recognised this as one of its actions in the action plan that sits alongside the Corporate Workforce Plan 2022-25. The action plan will be taken forward over the next three years to help ensure workforce planning is embedded corporately, with workforce planning being one of the priority change areas identified in the council's Long-term Financial Outlook. The action plan details ownership and timescales across a range of workforce themes. These actions are to be measured and reported back annually to the council's Service and Partnerships Performance Panel.

Progress with the council's new Digital Strategy was paused as the new Council Plan 2023-28 was developed. The new strategy now needs to be aligned to these

124. The council has in place an ICT Strategy 2021-2023 and a Digital Strategy 2019-2022. They are separate but complimentary documents and were developed to support the strategic objectives of the Council Plan 2018-2022. Going forward there will be one combined strategy, originally planned for March 2023.

125. Both current strategies have an action plan to be delivered over their lifecycle. A final report on the outcomes of the strategies will be provided to elected members in due course to allow visibility and scrutiny of the actions taken over this timeframe.

Leadership

The past year has seen a change in the council's administration and revisions to its political decision-making structure. There has also been a re-structuring of the Corporate Leadership Team. Decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens

126. Effective leadership from councillors, chief executives, and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities, and citizens to improve outcomes is more important than ever.

127. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

128. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

Following the May 2022 local government elections, the council has a new administration

129. Following the local government elections in May 2022, 28 members representing the eight multi-member wards were elected across South Ayrshire. This includes 9 new members and 8 new portfolio holders, some whom had not been members before. The political composition is as follows:

- Conservative - 10
- Labour - 5
- Independent - 4
- Scottish National Party – 9.

130. In May 2022, at the first meeting of the new council, a Conservative - Independent administration was put in place succeeding the previous Labour-Independent-Scottish National Party administration who led the council in the preceding five years.

Given the challenging context in which the council is operating there is a need for collaboration between members if the council is to improve outcomes for its citizens

131. The council's members should be willing and able to make difficult decisions about where and how to spend its resource, with a willingness and ability to embrace collaborative working within the council and with external stakeholders critical to achieving this.

132. The [2021 Best Value Assurance Report](#) (2021 BVAR) noted that there was a good degree of cooperation between members, despite political differences, and that members worked in the best interests of the residents of South Ayrshire. The cross-party member/officer working groups, were also cited as examples of co-operation.

133. The outcome of the May 2022 elections has resulted in the council operating in a challenging political environment. The political make-up of the council is finely balanced at a time when the council needs to work together to make some difficult strategic decisions. The support of all conservative and independent members is needed to pass key motions and recommendations at full council meetings, with reliance on the Provost's casting vote.

134. From our observation of meetings, we have witnessed robust discussions between members on key strategic items, for example in relation to the 2023/24 budget. However, we have not witnessed any instances of poor behaviour and officers have not made us aware of any required interventions to address behavioural issues amongst members. Additionally, from our review of hearings by the Standards Commission for Scotland there have been no cases, relating to the council, heard by the Commission in either 2022/23 or the prior year.

135. All members approved the priorities and outcomes set out in the council's new Council Plan 2023-28 and there remain several cross-party working groups in place. However, we are not aware of any meaningful cross-party collaboration on key strategic decisions having taken place since the May 2022 elections.

136. Members should look for opportunities for further cross-party collaboration to help in the delivery of projects crucial to achieving the council's vision and priorities as set out in its Council Plan 2023-28.

There remain good working relationships between the Corporate Leadership Team and elected members

137. In the 2021 BVAR it was reported that there were good working relationships between members and the council's Corporate Leadership Team.

138. The May 2022 elections resulted in a change in administration with several first-time councillors elected. There were also changes in the Corporate Leadership Team structure and personnel. From our knowledge and understanding of the council, it seems that there are still good working relationships. The chief executive regularly meets with all political group leaders and officers worked with all parties to produce comprehensive budget

proposals. The quality of information that members receive, and ask for, is important to help inform effective decision making.

139. The members now need to work together to focus on making decisions to support delivery of the council's priorities. Effective scrutiny of council decisions is also a key factor in demonstrating Best Value. From our observation of Council and Panel meetings, there is a sufficient degree of relevant scrutiny and challenge by members of officers.

The council approved a new council structure in September 2022. The revised structure aims to provide clear leadership across the organisation and support the council in delivering its strategic priorities

140. The council's 2021 BVAR 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.'

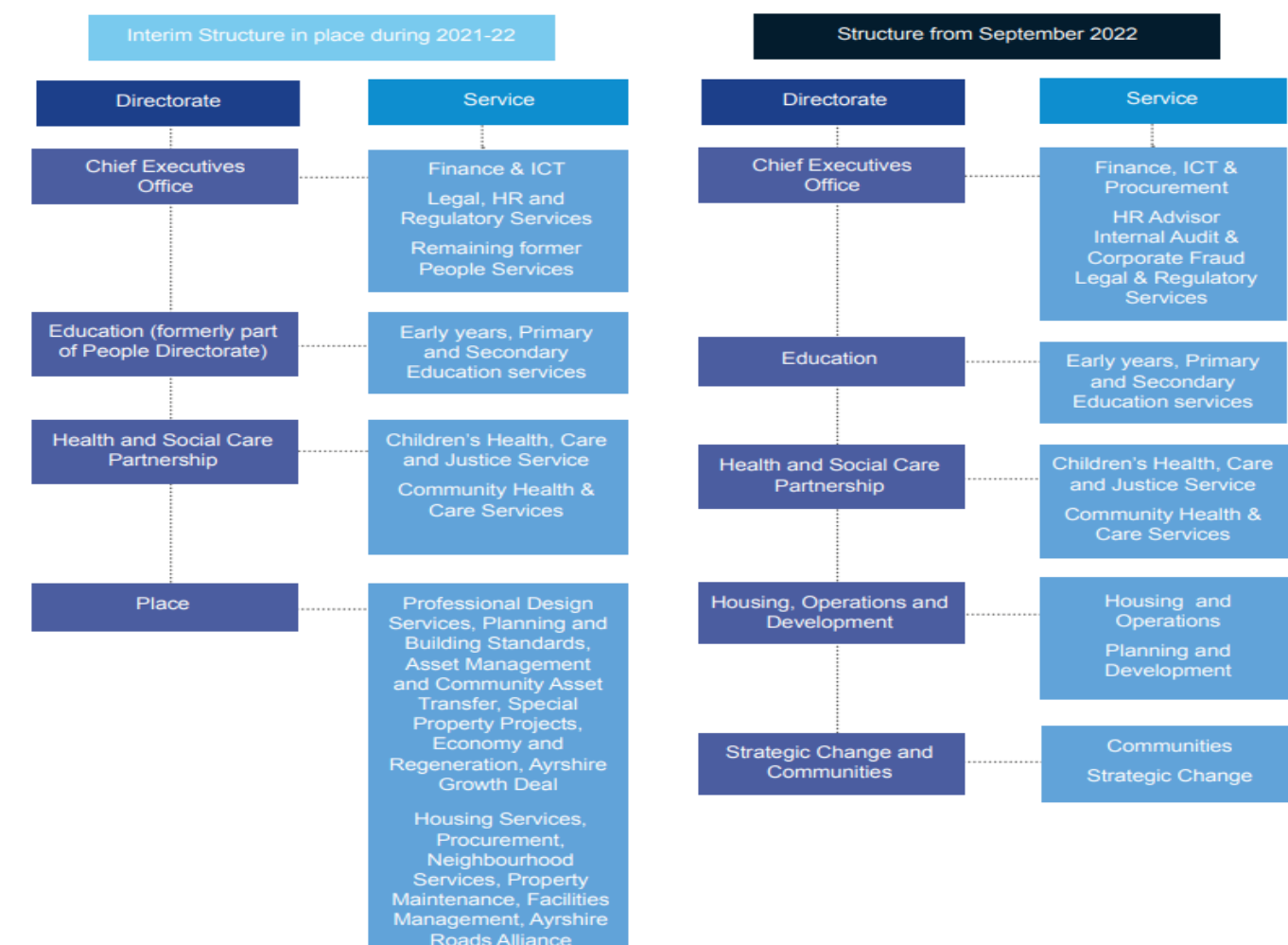
141. In response to this, the Chief Executive was tasked with bringing forward structural revisions that better reflect the current challenges and priorities of the council. Proposals were developed by Chief Executive in November 2021 to split the Depute Chief Executive/ Director of Education role into 2 posts. The Director of Education post was created and decisions on other post delayed until after May election. This reduced the leadership capacity until a revised council structure was approved in September 2022 ([exhibit 5](#)).

142. 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.

143. All posts requiring an appointment were filled by December 2022 and at the time of writing there are no vacancies in the Corporate Leadership Team within the council. However, the current Chief Executive is retiring in the autumn which will bring further change.

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

Exhibit 5 Revised council structure



Source: South Ayrshire Council Annual Accounts 2021/22

The council approved changes to its political decision-making structure in March 2023

145. At the 1 March 2023 meeting of the council, the administration proposed changes to the council's political decision-making structure and working groups. The following changes were proposed:

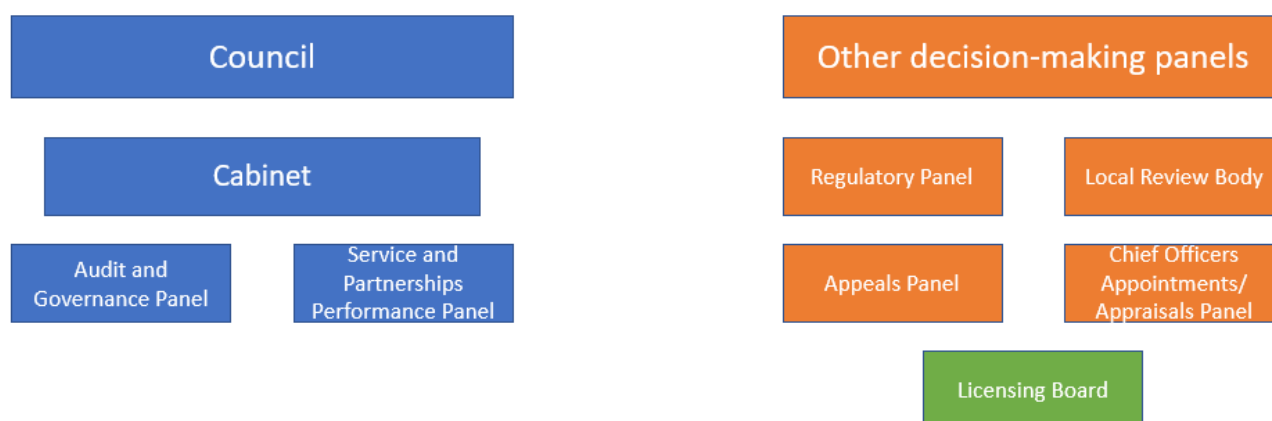
- Cabinet: creation of an additional Portfolio Holder for Developing South Ayrshire with oversight of future developments and special projects - Independent Member
- merger of the Service and Performance and Partnerships Panels - Chair (Labour Group) and increase membership to eight elected members including Chair
- membership of the new Service and Partnerships Performance Panel, to comprise members as follows: Labour (1), SNP (4) and Conservative (3)

146. Prior to proposing these recommendations, officers were asked by the administration to seek legal advice from King’s Counsel (KC). This advice confirmed that where the decisions on the above recommendations, which relate to the changes to the political decision-making structure or composition of working groups resulted in a tied vote, then the decision would be decided by the Provost’s casting vote. The KC confirmed this was in accordance with the council’s standing orders.

147. The above recommendations were agreed after a split vote of 14-14, decided by the Provost’s casting vote. Following the approval of the recommendations the council has a new political decision-making structure ([exhibit 6](#)).

Exhibit 6

Political decision-making structure from 1 March 2023



Source: South Ayrshire Council

148. The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a “Call In” for further scrutiny to the Audit and Governance Panel. Therefore, the quality of the Audit and Governance Panel is key to ensuring effective scrutiny of decisions. From our attendance at, and observation of, meetings of the Audit and Governance Panel, members understand their role, provide sufficient scrutiny and effective challenge is exercised. The Panel undertakes a self-evaluation of its performance every two years. The next review is due in August 2023, and we will consider its findings as part of our annual audit report.

149. It is for councils to decide on the design of their scrutiny arrangements, and these should be subject to review on an ongoing basis to ensure they remain effective. From our review of a sample of other local authorities’ scrutiny arrangements, having two scrutiny panels is not considered unusual. What is key is that the arrangements should be such that the council’s leadership can be scrutinised and held to account for its plans and performance. The council should now monitor the effectiveness of the new governance structure to

ensure that the openness and transparency of decision making, and scrutiny is maintained.

Appropriate governance and decision-making arrangements are in place at the council, including a structured approach to self-evaluation of its governance

150. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded together with the monitoring of the adequacy and effectiveness of these arrangements.

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

152. The council's Audit and Governance Panel is an important aspect of its overall governance arrangements. One of the Panel's key responsibilities is to undertake an annual review of council officers' self-assessment against the council's corporate governance framework. The most recent review (2021/22) identified that of the 21 sub-principles, 17 were effective and four were effective but some improvements were needed. The council has developed an action plan to take forward these improvements into 2022/23. We will review the council's progress with these actions as part of our work on the 2022/23 governance statement.

153. The local code of corporate governance, and the subsequent annual review of this of this, enables the council 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.

There is openness and transparency in decision making by the council, with evidence of engagement between the council and its citizens

154. There is evidence from several sources which demonstrates the council's commitment to the openness and transparency of its decision-making to set and achieve its strategic priorities:

- There is live streaming of meetings. Agendas, papers, minutes and video recordings of Council and Panel meetings are published on the council's website on a timely basis.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance and use of resources for the year, and a governance statement that details its compliance with the principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016.

- Its website also provides the public with access to a wide range of corporate information including details of the council's corporate plan, performance and equality and diversity reporting.
- The council has developed a new digital community engagement platform. This aims to enhance current community engagement practices through open, transparent, and democratic engagement between the council and its citizens.

155. Further comment on the council's engagement with its citizens and community is detailed earlier in this report.

There has been a gap in corporate self-evaluation of service performance at the council. The plans to reintroduce a corporate self-evaluation tool need to be progressed. The council could do more to understand its performance in relation to other councils

156. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says councils have never faced such a challenging situation. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services. This needs to be driven by a structured approach to self-evaluation in councils.

157. The 2021 BVAR reported that the council had been using the 'How Good is Our Council' (HGIOC) approach to self-evaluation since 2010. HGIOC was linked to the council's performance management framework and focused on key performance indicators. Services were continually reviewed based on inspection reports, and service reviews were triggered by performance. There had been an increased focus on self-evaluation, with training being provided to officers and members and a 'Guide to Self-Evaluation' was published in August 2019.

158. This changed with the pandemic, while self-evaluation has taken place in some services, there is now not a corporate approach to self-evaluation. The HGIOC Champions Group, that had been instrumental in driving the process, has not reconvened since the 2020. One of the "Delivering good governance" improvement actions agreed in June 2022, by the Audit and Governance Panel, for 2022/23, and categorised as essential in terms of priority, was to Develop new Council Plan in partnership with Elected Members and Corporate Leadership Team, which will include refreshing the Council's corporate evaluator tool 'How Good is our Council'. This had a deadline of March 2023. The council has confirmed it has postponed refreshing its corporate HGIOC approach as it awaits sufficient data to evaluate itself against from the Council Plan 2023-28.

[Action plan recommendation 4](#)

159. As a stop gap, service leads have been asked to undertake a short self-evaluation exercise as part of drafting their service plans by June 2023. They have been asked to consider:

- How are we doing?
- How do we know?
- What challenges will impact on the service – internal and external?
- What are we going to do now?

160. Every year, to help drive improvement, the council considers its performance in comparison with other councils using national benchmarking data. A report on Local Government Benchmarking Framework (LGBF) data is taken annually in June, to what is now known as the Service and Partnerships Performance Panel.

161. In the June 2022 report, detailed commentary was provided on the reasons for change in each of the 100 indicators. Over half of indicators had targets. Thirty-nine indicators declined in performance. Of these 39, around half detailed improvement activity that was either planned or already underway in the associated narrative.

162. The council compares its overall performance with previous years by setting out a total number of indicators that have improved, declined, or remained stable. It also provides comprehensive information at indicator level - the value of each indicator is compared with past years' performance and with the Scottish average and family group average.

163. There is scope for the council to analyse this information further by summarising how many indicators have improved, declined, or stayed the same at service level and comparing its performance to other councils in a summarised form by, e.g. setting out how many indicators for each service are in each of the four quartiles. A summary of what improvement activity is planned at service level would also help elected members track progress in how underperformance is being dealt with. Benchmarking data for 2021/22 will be considered by the Service and Partnerships Performance Panel in June 2023.

The council has put in place arrangements to re-introduce personal development plans (PDP) and provides a range of formal and informal training material for members

164. There is no requirement in the Councillors Code of Conduct for councillors to participate in training, however members need to ensure they have the appropriate knowledge and skills to carry out their roles. The 2021 BVAR identified the need for elected members to take advantage of learning and development opportunities provided by the council and noted the need for the council to work with members to ensure they are provided with the necessary skills to carry out their roles and responsibilities.

165. Following the local government elections in May 2022, the council provided both newly elected and returning members with a comprehensive induction programme. This comprised of an induction handbook, welcome sessions with officers, outlining members' key roles and responsibilities as councillors, together with specific Panel-related training. A further drop-in

session for the nine new councillors was held eight months after they joined whereby, they could highlight what elements of the induction training they wanted to revisit and consider what further training opportunities they might want.

166. In response to the 2021 BVAR recommendation, the council has taken steps to re-introduce PDP for all members. It has used the Improvement Service's Political Skills Assessment template to assist members in identifying specific support and /or training needs. This aims to better support members to carry out their roles and responsibilities as elected members. Following the completion of identified training needs, these plans are designed to be re-visited on a rolling basis to allow the continuous development of members knowledge and skills. The council has attempted to sign up all elected members to these individual personal development plans. Good progress has been made, with most councillors completed their assessment and held initial discussions about their training needs. In addition, officers continue to discuss with elected members proposals for developing and delivering personal development activities, such as annual refreshers on the elected members code of conduct.

167. In addition to the PDP, the council has a schedule of briefings on topical areas that all members are invited to attend. At the February 2023 meeting of the council's Service Performance Panel a report was presented noting the briefings that had been provided to Elected Members since August 2022. The council adopts a hybrid approach to the briefings, with Microsoft Teams used to allow members to attend in person or remotely. The presentations are subsequently emailed to members following the briefing. The council has also taken steps to record and upload the briefings onto the Elected Members' area of its website to allow members to re-watch the presentation or view it at a time convenient to them.

168. From review of the update to Panel, on average 45 per cent of members were noted as attending the 11 briefings since August 2022. There is a need to improve the accuracy and relevance of the attendance figures. The council has acknowledged that work is needed to refine the data gathering from its training system as it is not clear if members watching the recording for the first time at a later date are counted in these figures. In addition, some members have noted that not all briefings are relevant to all members, with topic areas sometimes being more specific to certain agenda items for a particular cohort of elected members. In response to this, the council has issued questionnaires to members on what they want to see in their briefings and a request has been made to the political groups for them to provide suggestions for both briefings, and separately what they seek in relation to formal training. Additionally, senior officers for each Directorate are to provide members with the proposed briefings and training for the next 6-month period to allow a structured programme to be confirmed in advance of members returning after the summer recess. Officers will identify whether the training will be converted to a training course that is also recorded so that this can be revisited by members. This will allow members to manage their attendance at training and briefings more effectively and allow for an easier refresh at convenient times.

169. The briefings are a useful tool in providing members with information on topical subject areas. However, the PDP will provide a more structured

approach to member development. This will help ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making.

Best Value Assurance Report follow-up

The council has made progress with all the recommendations made in its 2021 Best Value Assurance Report, but the pace of improvement has been slow in some key areas. In particular, effective measurement and reporting on progress against target outcomes, to deliver council priorities, is now key to the council demonstrating Best Value

170. The [2021 Best Value Assurance Report](#) (2021 BVAR) for South Ayrshire Council was published in October 2021. It reported that “public services at South Ayrshire Council perform well and residents are satisfied with the services they receive. However, the council must move faster in changing services for the future.”

171. The 2021 BVAR contained six improvement recommendations. In response to these recommendations, the council approved an action plan in December 2021 drafted by the Best Value Member/Officer Working Group. Each action plan point included an agreed due date and owner. Since December 2021, quarterly updates on progress against the action plan have been reported to the Audit and Governance Panel. Each update to the Panel tracks progress against the planned actions and provides the latest detail on each.

172. In the most recent update reported to the Panel in March 2023, management noted all actions as complete, however there is little consideration of the impact the improvement actions have had on the council and its communities. Our work in 2022/23 has considered the council’s progress in addressing the action plan as detailed at [exhibit 7](#). In our view, further work and progress is required on some of these recommendations if the council is to evidence that they have fully actioned all the 2021 BVAR recommendations.

Exhibit 7

Progress against 2021 BVAR recommendations

2021 BVAR recommendation	Audit Scotland view on progress
<p>1. 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. Where appropriate, external support should be sought from other councils, or the Improvement Service, to help with focusing its areas of improvement.</p>	<p>Actioned</p> <p>Corporate restructure in September 2022 led to increased capacity in the leadership of the council.</p> <p>The council engaged with the Improvement Service to help develop its new Council Plan. The Council Plan, including its priorities and outcomes have been published. Progress will now be driven through the detailed service plans.</p> <p>Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes.</p>
<p>2. The council should prepare both medium- and long-term financial plans. The plans should consider changes to both income and expenditure, identify budget gaps, and set out the actions necessary to address those gaps. There should also be a clear linkage to council's priorities.</p>	<p>Actioned</p> <p>The council has in place medium and longer-term financial plans. At their next review date these should be fully aligned with the priorities set out in the new Council Plan.</p> <p>We have discussed this at paragraphs 97 to 105 of this report.</p>
<p>3. The council should improve and embed workforce planning, so that service workforce plans are developed consistently across the council. The plans should include clear links to the council's priorities and to its strategic change programme.</p>	<p>Actioned</p> <p>The council has produced a new Corporate Workforce Plan 2022-25, but work is now needed to align this to service delivery plans.</p> <p>We have discussed this at paragraphs 118 to 123 of this report.</p>
<p>4. The council should make sure that its transformation work is fully aligned and integrated to its Covid-19 recovery planning work and improve its approach to its strategic change programme by:</p>	<p>Not actioned for the version of the Strategic change programme to June 2023. Recently actioned for the reviewed programme.</p> <p>Refocussed programme with action trackers is due to be discussed by the Cabinet in June 2023. The most recent update to the South</p>

2021 BVAR recommendation

- adding greater detail about individual projects
- setting clear timelines for each project
- developing a benefits realisation tracker to assess whether the council has achieved its aims.

Audit Scotland view on progress

Ayrshire Way Strategic Change Programme was considered by the council's Service and Performance Panel in October 2022. This report included an update to the benefits realisation plan and tracker. There are 33 projects within the scope of the programme of which 17 have benefits trackers in place.

The council is now planning to review the programme and focus on a smaller number of projects that will be tracked. This is due to be discussed with members in June 2023.

We have discussed this at [paragraphs 106 to 111](#) of this report.

5. The council should improve performance reporting by:

- setting targets for its Key Performance Indicators (KPIs)
- including a summary of performance against KPIs in its performance reports to members
- increasing the frequency of reports to elected members
- making performance reports more accessible to the public.

Not actioned for the previous Council Plan. To be progressed for the new Council Plan from June 2023

Despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan.

Targets for measuring progress against the new council priorities are laid out in the service business plans to be discussed with members in June 2023.

We have discussed this at [paragraphs 25 to 32](#) of this report.

6. To help them carry out their roles, including their responsibilities under Best Value, elected members should take advantage of the learning and development opportunities provided by the council. The council should continue to work with elected members to understand and address the reasons for the variable uptake of training.

Actioned

The council has put in place arrangements to re-introduce personal development plans (PDP) and provides a range of formal and informal training material for members.

We have discussed this at [paragraphs 164 to 169](#) of this report.

Appendix 1

Improvement action plan

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Effective and timely performance reporting</p> <p>The council failed to effectively measure its performance against targets for the priorities in the Council Plan to March 2023.</p> <p>To help support challenge of services and focus of improvement actions, regular reporting of performance to elected members against the new council priorities is key.</p> <p>A framework is due to be discussed with members in June.</p>	<p>A balanced view of progress against the council plan priorities should be reported regularly to members.</p> <p>A timetable for performance reporting to elected members should be a priority.</p> <p>Performance reports should include details or links to planned improvement actions.</p> <p>The council should ensure it fully complies with the new Statutory Performance Information Direction.</p>	<p>Management response</p> <p>New Council Plan reporting format for Council Leadership Team reports and Service and Partnerships Performance Panel reports included in Performance Management Framework report to June Cabinet.</p> <p>Officers will review new reporting format to ensure that it reflects the Accounts Commission's Statutory Performance Information Direction.</p> <p>Responsible Officer</p> <p>Kevin Anderson, Service Lead - Performance, Policy and Community Planning.</p> <p>Actioned by</p> <p>30 August 2023.</p>
<p>2. Place Plans</p> <p>The Community Empowerment (Scotland) Act 2015 requires the publication of 'place plans'. These were to be in place by October 2017.</p> <p>The council has adopted a place-based approach to its new Council Plan. It has engaged with its communities and has identified local priorities. Due to resource</p>	<p>To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans.</p>	<p>Management response</p> <p>Ongoing dialogue with elected members on the details of the Place Plans can be used to advance place-based activity.</p> <p>Actioned by</p> <p>March 2024.</p> <p>Further work is required to align Place Plan development with localities and advance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>pressures, to date only two Place Plans have been approved by members and published.</p>		<p>participatory budgeting approaches to place via Community Planning</p> <p>Long term ambitions linked with Community Plan for 23/28.</p> <p>A restructured Regeneration team needs considered through our Economy and Regeneration Service, through which, joint work supporting a refresh of older place plans should be advanced. New structure anticipated December 2024, with ongoing Place work over new Council Plan 23/28.</p> <p>Recruitment is underway for an officer within Thriving Communities to deliver remaining Place Plans. In addition, methodologies for Local Place Plans are being progressed by Planning, in coordination with Thriving Communities and Economy & Regeneration Services.</p> <p>Responsible Officer George Hunter, Assistant Director - Communities.</p> <p>Actioned by 31 December 2023.</p>
<p>3. Council Plan – cross cutting impact assessment</p> <p>In the Council Plan there are several cross-cutting themes, one of which is equalities. These themes are to be considered when decisions are made. A new Impact Assessment approach is under development to assist with this.</p>	<p>There should be a clear process introduced that is sufficiently resourced to ensure these cross-cutting priorities are given the necessary consideration.</p> <p>Measures should be set for monitoring progress for cross cutting themes. In particular how the council will measure that it is reducing inequalities</p>	<p>Management response</p> <p>Officers continue to develop Integrated Impact Assessment Tool including clear proposals for reporting and analysis. A report will be submitted to Cabinet for approval.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The approach is still to be determined and it is not clear how the council will measure its success in these priority areas.</p>	<p>and addressing climate change should be laid out.</p>	<p>Responsible Officer Kevin Anderson, Service Lead - Performance, Policy and Community Planning.</p> <p>Actioned by 30 September 2023.</p>
<p>4. Approach to self-evaluation of performance</p> <p>There has been a gap in the council's self-evaluation of service performance at the council since the Covid-19 pandemic.</p> <p>The council need to do more to challenge how services are delivered.</p>	<p>The plans to reintroduce a corporate approach to self-evaluation need to be progressed.</p> <p>The council's self-evaluation should include an understanding of its performance in relation to other councils.</p>	<p>Management response</p> <p>Officers and members will re-establish approaches to self-evaluation across the council using How Good Is Our Council (HGIOC) to develop a framework to support ongoing evaluation for improvement.</p> <p>Responsible Officer Kevin Anderson, Service Lead - Performance, Policy and Community Planning.</p> <p>Actioned by 31 December 2023.</p>

Best Value thematic work South Ayrshire Council 2022/23

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Audit Scotland report: Best Value Thematic Work in South Ayrshire Council 2022/23

Key Messages

The key messages from the draft Audit Scotland report are outlined below:

1. The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. To achieve the council's priorities the leadership of the council, senior officers, and elected members, are committed to increasing the pace of change in the council.
2. Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. In September 2022, there was a restructuring of the Corporate Leadership Team, and a number of changes in senior officer posts over the last year. The current Chief Executive is retiring in the autumn which will bring further change.
3. The 2021 Best Value Assurance Report said that the council's pace of improvement needed to increase in some key Best Value areas. The council made progress with recommendations made in the report but failed to effectively measure its performance against targets for the priorities in the previous council plan to March 2023. Senior officers acknowledge this and are now focussed on developing a framework to support delivery of the new Council Plan.
4. In June 2023, the Council is due to discuss and approve service plans, which demonstrate how the council aims to deliver on its priorities and align its resources to these. The plans include service performance targets that will be monitored.
5. A performance management framework to report progress against the Council Plan targets is due to be discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023.
6. The results of prior consultation responses were used when developing the new Council Plan priorities. The council then sought comments from citizens on the proposed priorities.
7. To support community priorities the council has published two Place Plans for Ayr North and Girvan. Whilst community engagement took place, and priorities have been identified for other place plans, these have not yet been approved by members and published. The Council Plan says it is taking a place-based approach to planning services. These Place Plans therefore need to be published to demonstrate the focus for this approach.
8. The council approved a balanced budget for 2023/24 in March 2023 before the council's priorities were agreed. In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. There is evidence of public consultation being reflected in the agreed budget.

9. The council has in place medium and longer-term financial plans which show an estimated gap of between £28.7 and £39.5 million by 2025/26. Given the significant financial challenges faced by the council, difficult decisions will need to be made by members on how resources are used and how services are delivered.
10. In October 2022 a Director of Strategic Change and Communities was appointed, whose remit includes overseeing the council's Strategic Change Programme. This is the focus for changing how services are delivered in the future. It was recognised that the current programme was unachievable and required refocus. In June 2023, a revised programme containing 11 projects is being considered by the Cabinet. Benefits tracking for each project has been developed.
11. There has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic. There is some self-evaluation across services but more needs to be done to challenge services across the council. Plans to reintroduce a corporate self-evaluation tool need to be progressed.
12. The council's own overall performance taken from national benchmarking data shows an improving position over time. At April 2023, 51 per cent of national indicators were in the top two quartiles of Scottish councils, but this has fallen from 57 per cent, showing that the pace of improvement has slowed compared to others. The council's self-evaluation should include understanding and reporting its performance in relation to other councils.
13. The South Ayrshire Community Planning Partnership Local Outcomes Improvement Plan (LOIP) is due to be refreshed with partners later in 2023. Alignment with the Council Plan is being considered as part of this.
14. In the Council Plan, the commitment to reducing inequalities is expressed through its reference to 'everyone' in the community benefitting from each outcome. Equalities is a cross cutting theme to be considered when decisions are made. A new Impact Assessment approach is under development. In September, the Cabinet is to consider a paper setting out how the council will measure its success in reducing inequalities.
15. Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes. The council is demonstrating good practice by setting a carbon budget. However, it is unclear how progress will be monitored on the crosscutting theme.
16. Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value, these are included at Appendix 1 of the report. It sets out the council's response to audit recommendations made and we will report on the progress over the term of our audit appointment.

**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	Best Value Thematic Work in South Ayrshire Council 2022/23
Lead Officer (Name/Position/Email)	Eileen Howat, Chief Executive – eileen.howat@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)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

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

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

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

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	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 advises the Panel of the initial findings from Audit Scotland's recent Best Value thematic work in South Ayrshire. Members' decision on this has no specific equality implications	
Signed : Eileen Howat Date: 9 June 2023	Chief Executive

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

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 2022-23 Annual Accounts

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Section 1: Management Commentary



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

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



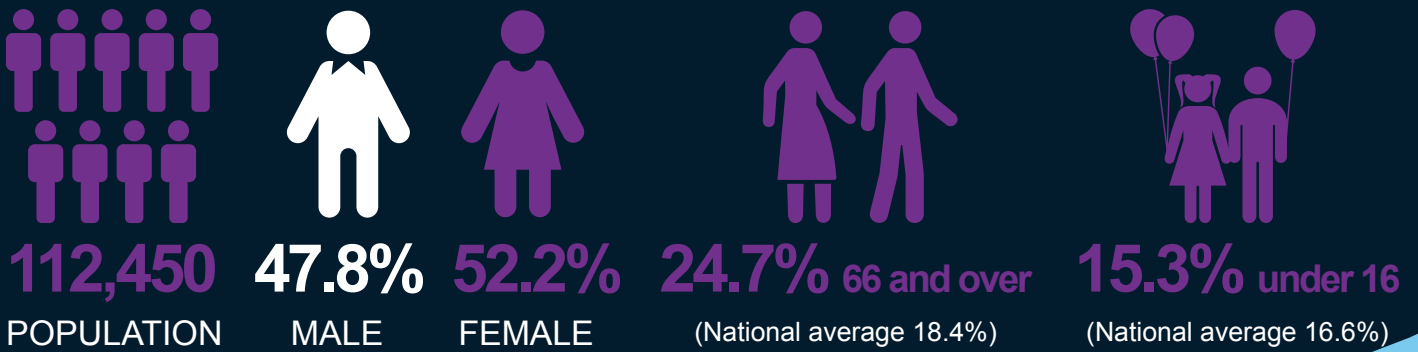
About South Ayrshire

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%.

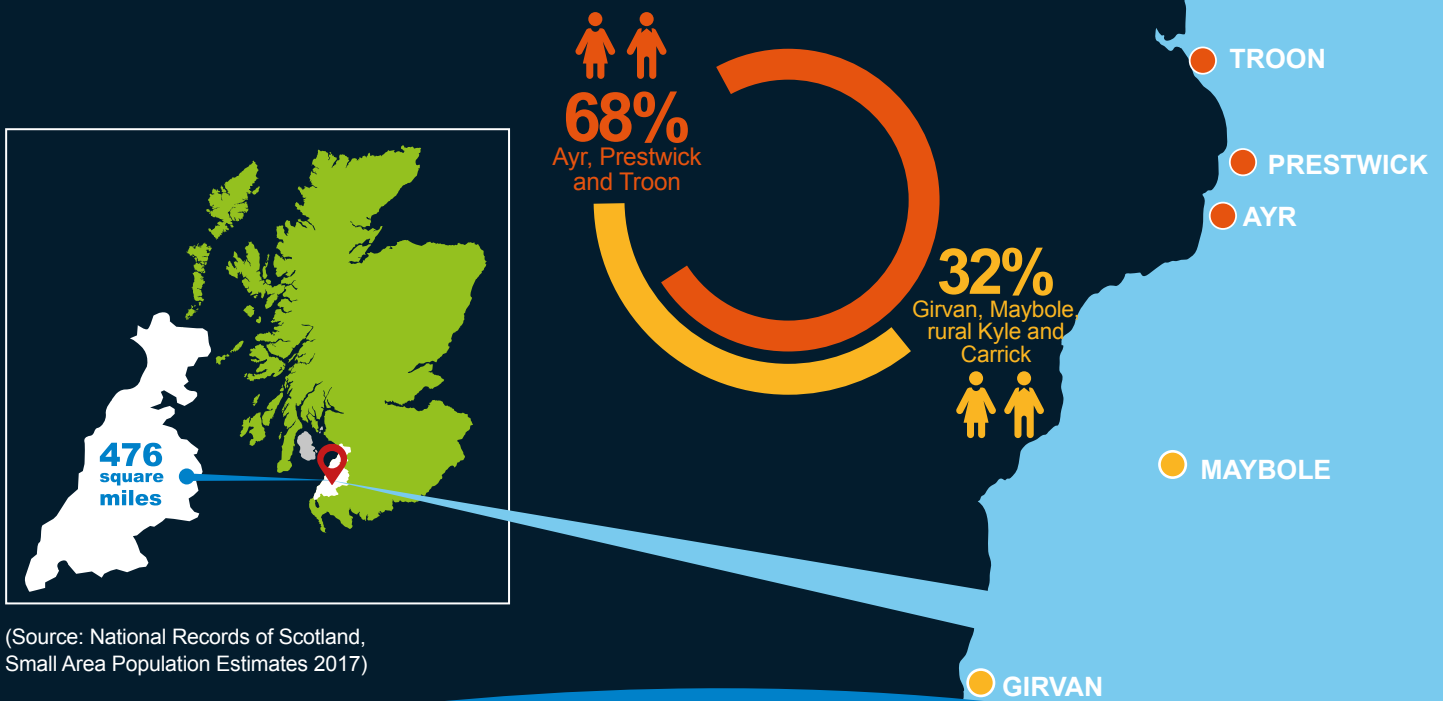
The projected change in South Ayrshire is not evenly spread across the different age groups. The number of children aged 0-15 years is projected to decrease by 17% and our working age population by 14%. The

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.



(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

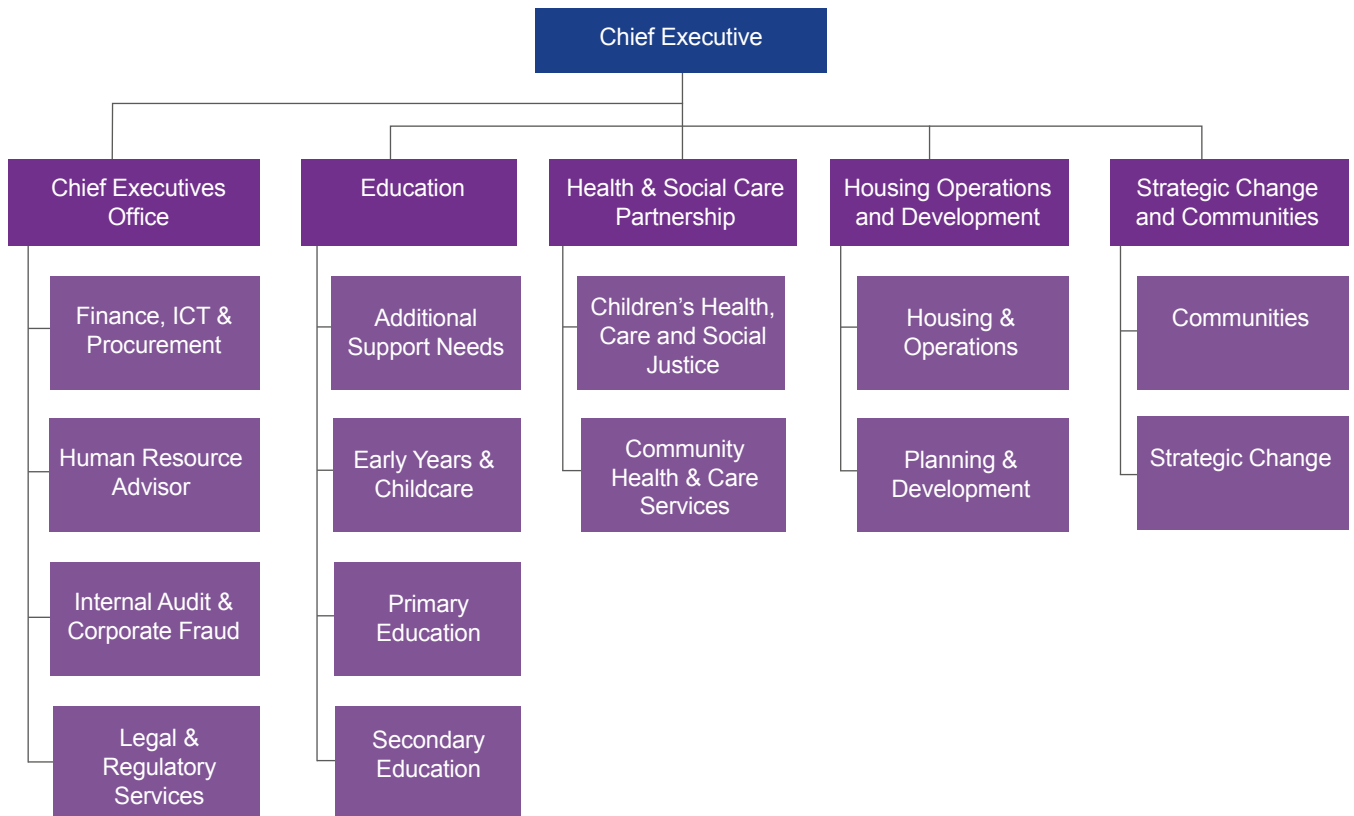


4,715 full-time equivalent
(as at 31 March 2023)

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.

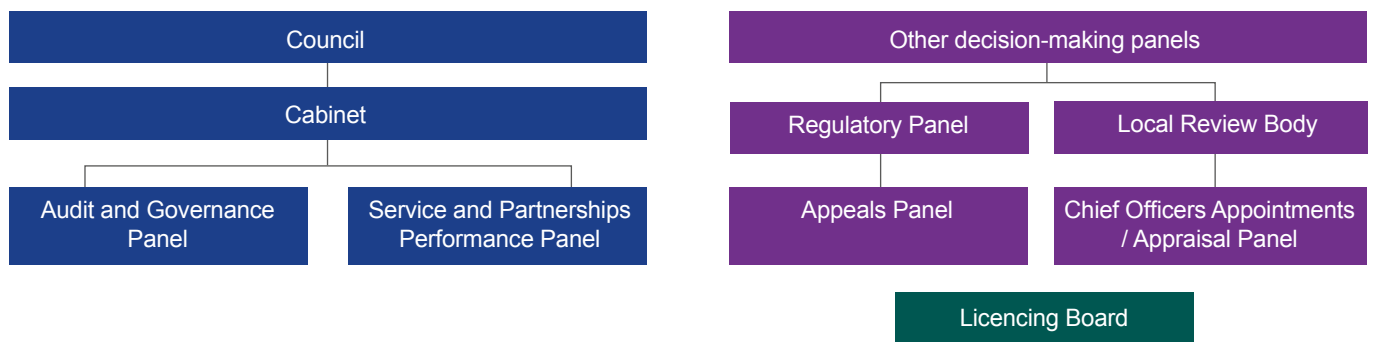
This process concluded with the approval of a revised Council structure at a Special Council in September 2022. The revised structure includes an additional Director with responsibility for Strategic Change and Communities and incorporates revisions to the remits of Assistant Directors to include a focus 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

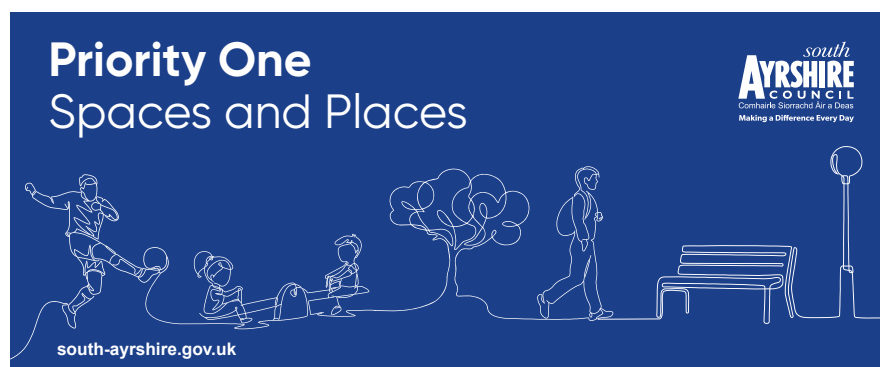
A new 2023-28 Council Plan was developed during 2022-23 following the May 2022 local elections. The new Council Plan, approved in March 2023, sets out the council's vision 'to make a difference every day', its broad priorities and high level outcomes.

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.

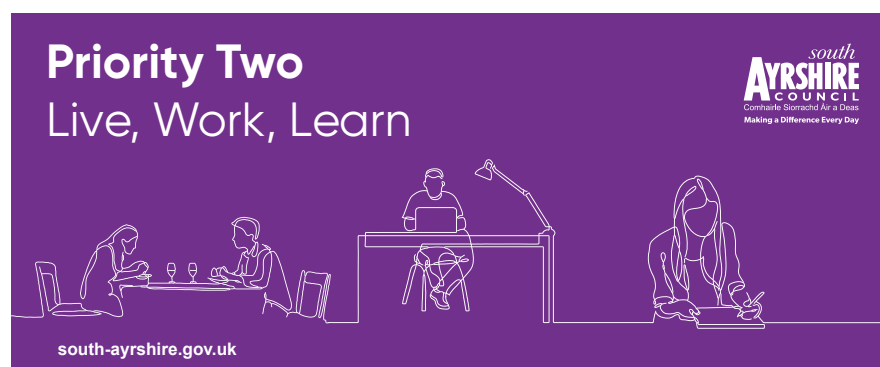
Alongside our priorities, the plan highlights cross-cutting strategic themes that will be considered in all our decision making, ensuring that collaboration is embedded in our everyday practice and our resources are used as efficiently and effectively as possible

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.

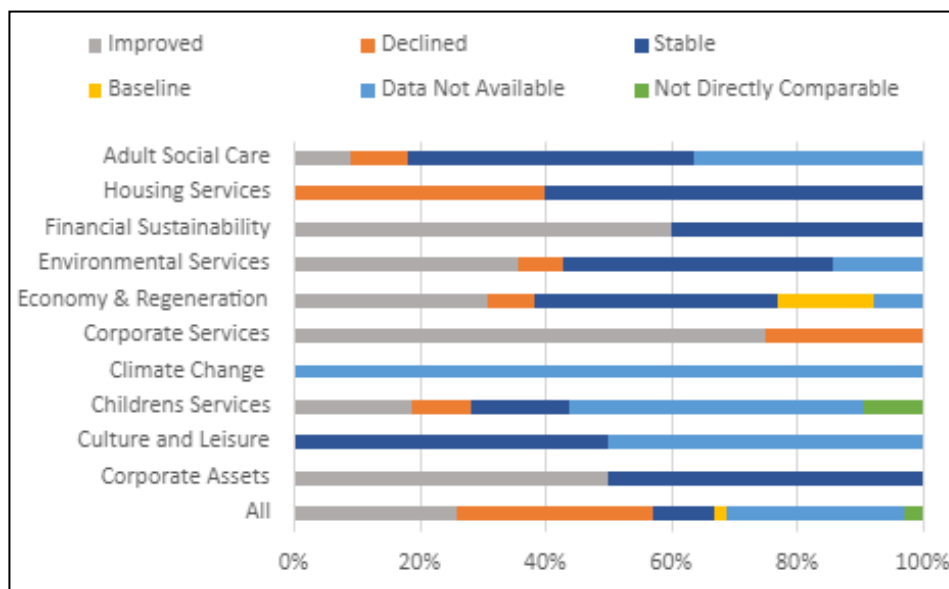


Performance against other Councils 2021-22

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 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 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.

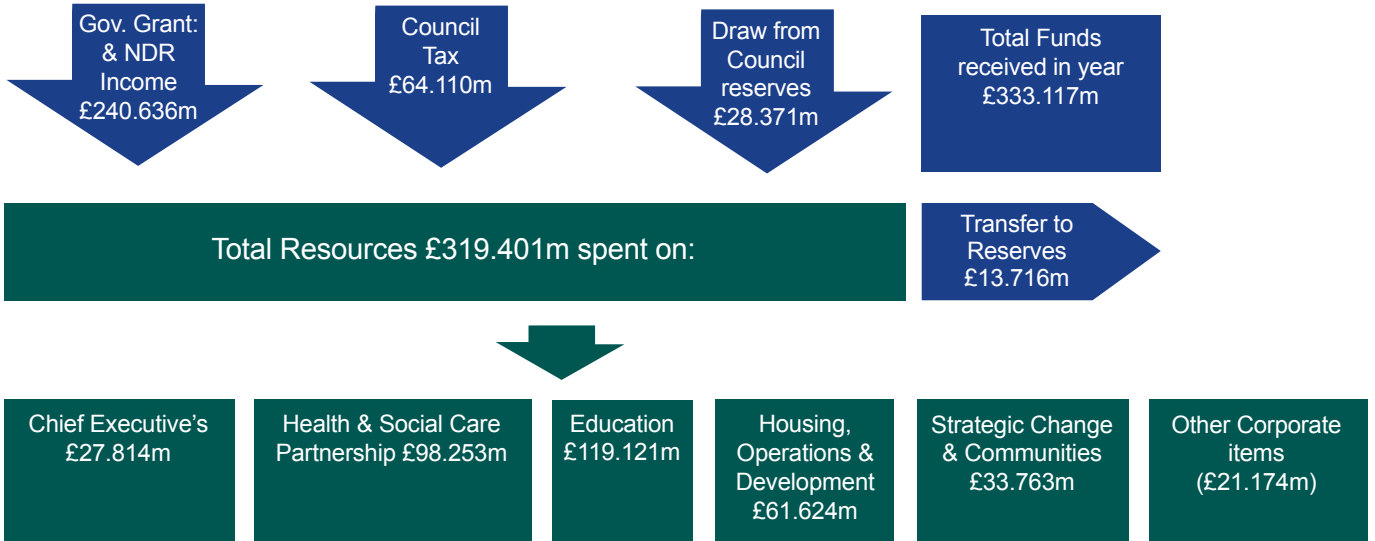
Financial Performance

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.

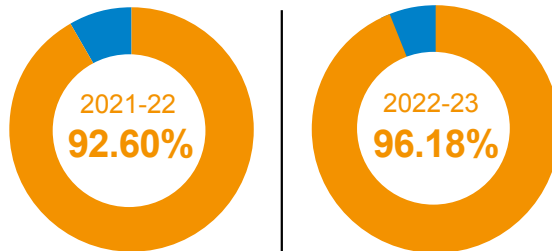
General Fund Revenue

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.

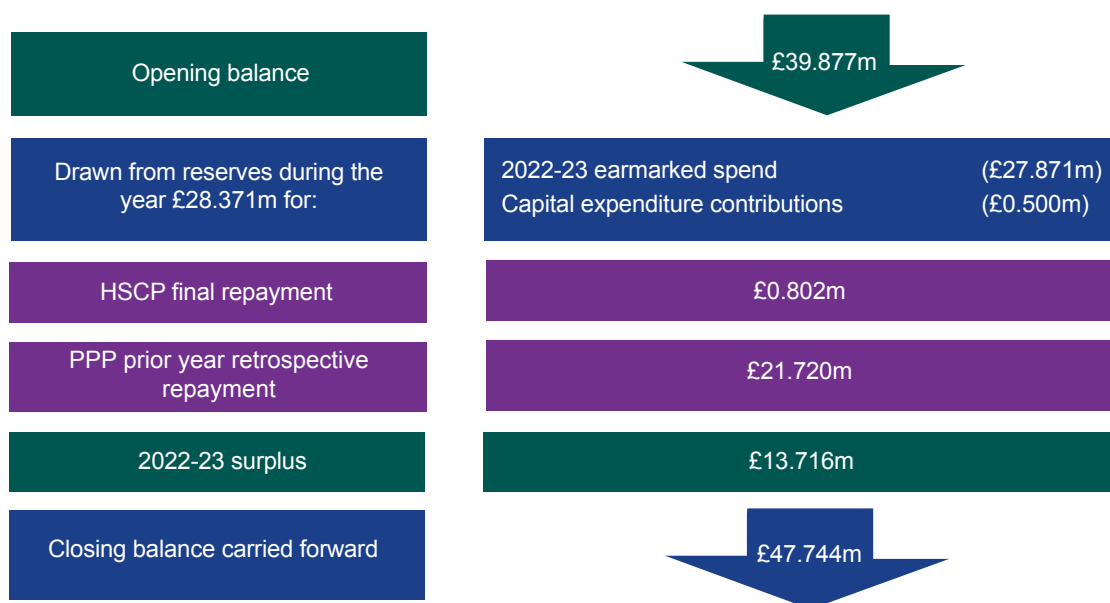
South Ayrshire administered, on an agency basis, over £2.1 million (2021-22: £17.6 million) of business support grants to local businesses during 2022-23.

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](#).

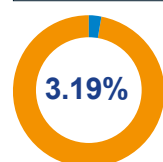
Accumulated General Fund Reserves

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:

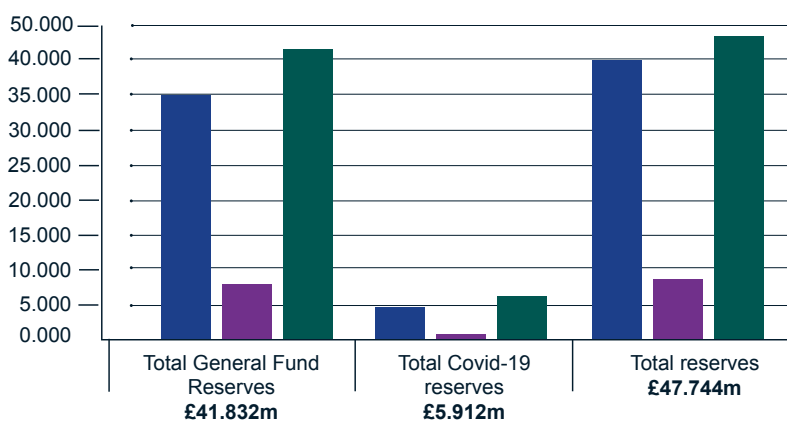


The chart below shows a breakdown of the £47.744m million accumulated reserves held at the end of 2022-23 between committed and uncommitted funds broken down in to General Fund and Covid-19 funds.

2022-23



Uncommitted funds as a percentage of annual budgeted expenditure



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](#)

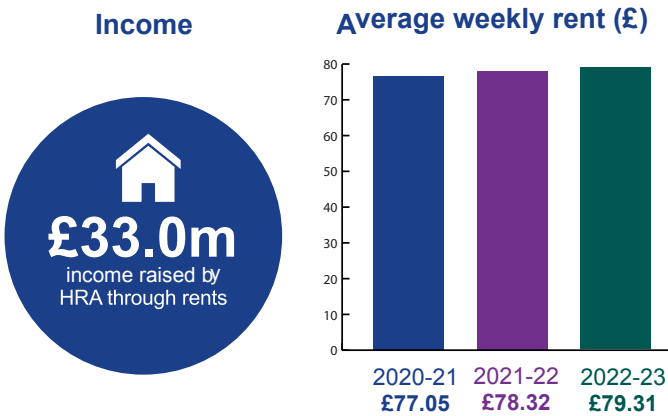
The South Ayrshire HSCP is holding it's own reserves of £24.768 million, £7.850 million of general earmarking of funds for use in future years and £5.205 million of a general unallocated reserve. The reserves held by the partnership are not included with the Council's £47.744 million shown above.

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.

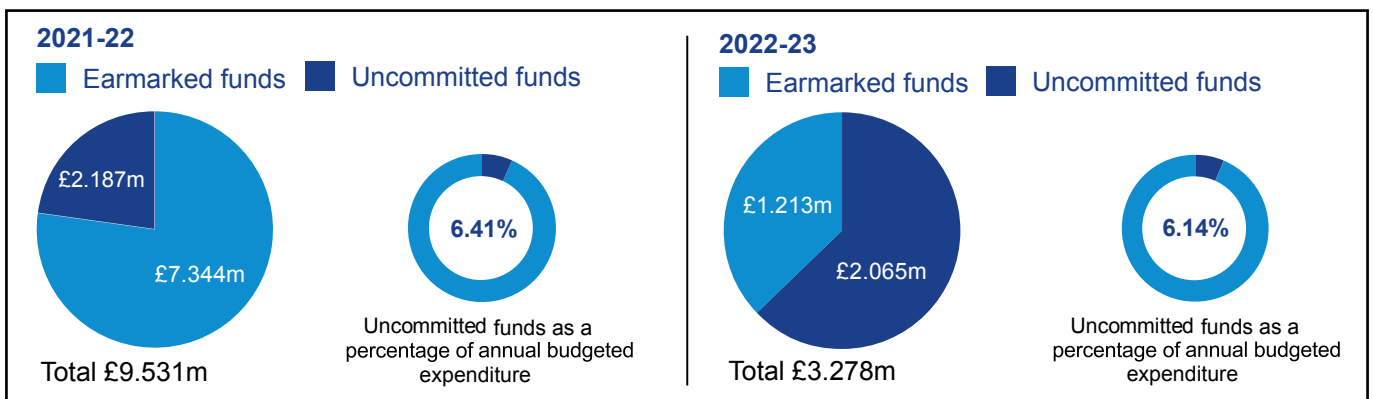


The Council continues to make ongoing capital investment in its' housing stock to improve and maintain properties in line with the Scottish Housing Quality Standard and the Energy Efficiency Standards for Social Housing. Levels of investment are informed through assumptions contained in the Housing Revenue 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.

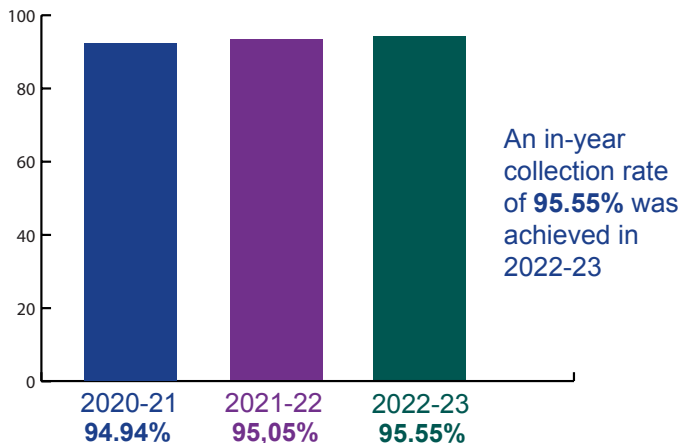


Earmarked reserves have reduced during 2022-23 mainly due to the draw down of funds to support capital investment previously approved for that purpose.

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 (%)

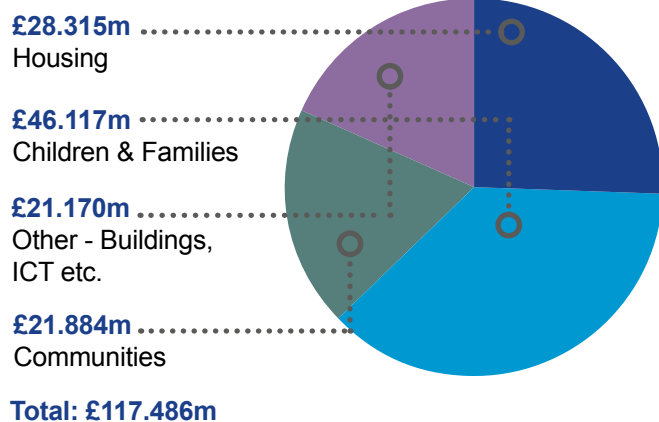


Actual Council Tax collected during 2022-23. This equated to **19%** of the overall funding required to meet net expenditure for the year 2022-23 £64.110m or 19%.

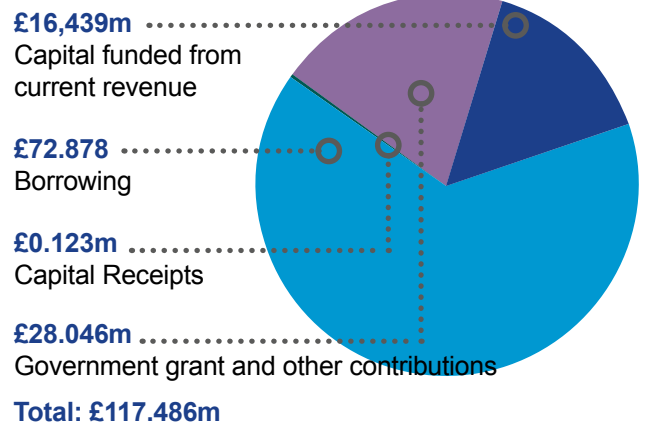
Capital Expenditure and Income

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



Income



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.

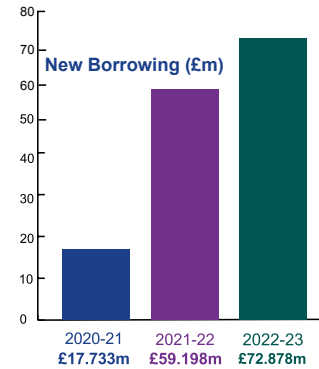
Treasury Management Activity

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.

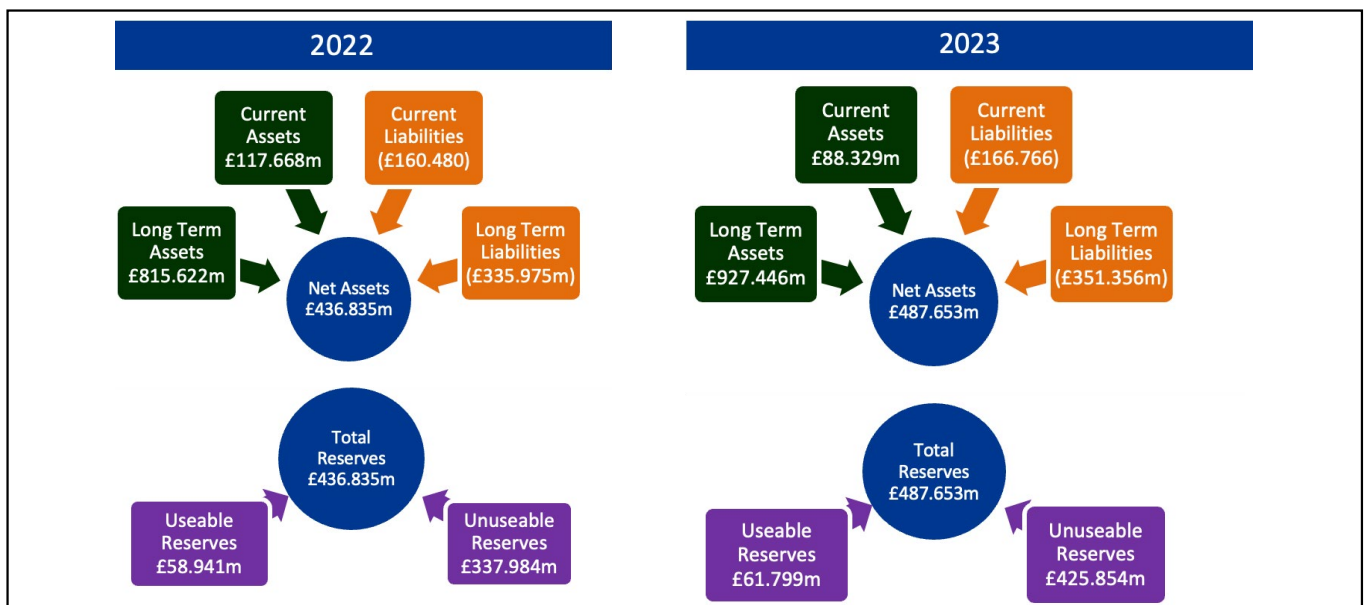


The 2022-23 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 28 June 2023 and remitted to Cabinet for approval. The key Treasury Management indicators drawn from that report are noted below:

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 inevitably 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 Council's 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 fourteen 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 [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	<ol style="list-style-type: none"> 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." 	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 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)

Name & post	Year ended 31 March 2023		2021-2022
	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.

Name	Post title	In-year pension contributions			Accrued pension benefits	
		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	1,841	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.

Name & Post	In-year pension contributions			Accrued pension benefits	
	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.

Exit package cost band (including special payments)	2022-2023			2021-2022		
	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.

Expend £'000	2021-2022 (restated)		Group Net £'000		2022-2023			Group Net £'000
	Council Income £'000	Net £'000			Council Expend £'000	Income £'000	Net £'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)	(2,440)	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)	(1,305)
		2,627	2,627	Net interest on the net defined benefit liability	Note 26	813	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)	(335,774)
		18,962	9,559	Deficit on the provision of services		31,925	22,575	22,575
		3,960	3,960	(Surplus) on the revaluation of property, plant and equipment		(15,893)	(15,893)	(15,893)
		62	62	Deficit/(surplus) on financial assets measured at fair value		(63)	(63)	(63)
		(130,937)	(130,937)	Actuarial (gains)/ losses on pension fund assets and liabilities	Note 17	(66,785)	(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)	(67,582)
		(107,953)	(119,347)	Total comprehensive (income) and expenditure		(50,816)	(45,007)	(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		31,925	22,575
(27,550)	(27,550)	6	(23,799)	(23,799)
(1,894)	(1,894)		(7,973)	(7,973)
(1,225)	(1,225)	8	(1,709)	(1,709)
(17,699)	(17,771)		9,916	9,938
18,794	18,794		(9,860)	(9,860)
205	205	10	(7)	(7)
(30,415)	(30,415)	4	(27,218)	(27,218)
(636)	(636)		(3,867)	(3,867)
(31)	(31)		(1,105)	(1,105)
(60,451)	(60,523)		(65,622)	(65,600)
-	9,443		(25,454)	(15,965)
153	153		123	123
15,279	15,279		28,465	28,465
15,432	24,875		3,134	12,623
(26,057)	(26,089)		(30,563)	(30,402)
85,687	85,687		121,390	121,390
10,147	10,147		-	-
(153)	(153)		(123)	(123)
(15,723)	(15,691)		(21,872)	(22,033)
79,958	79,990		99,395	99,234
(51,274)	(51,274)		(65,951)	(65,951)
3,789	3,789		3,826	3,826
2,048	2,048		(641)	(641)
(45,437)	(45,437)		(62,766)	(62,766)
34,521	34,553		36,629	36,468
8,464	8,464		6,066	6,066
(25,156)	(25,156)		(16,692)	(16,692)
(16,692)	(16,692)	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 £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
17,316	6,179	23,495	18,818	7,380	26,198
104,612	6,597	111,209	112,771	6,170	118,941
42,224	12,681	54,905	49,375	12,294	61,669
2,431	819	3,250	4,003	(3,241)	762
16,937	4,020	20,957	20,227	13,200	33,427
97,281	-	97,281	106,305	-	106,305
(6,802)	6,010	(792)	(14,474)	6,422	(8,052)
5,790	(8,238)	(2,448)	(8,401)	15,723	7,322
279,789	28,068	307,857	288,624	57,948	346,572
(276,308)	(12,587)	(288,895)	(287,758)	(26,889)	(314,647)
3,481	15,481	18,962	866	31,059	31,925
51,627			49,408		
(3,481)			(866)		
1,262			2,481		
49,408			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	2021-2022
	£000	£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:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	7,644	1,349	-	-	-	(8,993)
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	(21,720)					21,720
Capital expenditure charged against the general fund and HRA balances	2,338	14,101	-	-	-	(16,439)
Adjustments primarily involving the financial instruments adjustment account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	315	103	-	-	-	(418)
Adjustments primarily involving the employee benefit statutory mitigation account:						
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,735)	(39)	-	-	-	1,774
Adjustments primarily involving the pensions reserve:						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 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:					
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>					
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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for the financing of capital investment	8,985	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		2022-23
£000		£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 £000	Housing £000	2023-24 Total £000	2022-23 Total £000
Expenditure				
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 £000	Other Heritage Assets £000	Civic Regalia £000	Total Heritage Assets £000
1 April 2022	2,205	3,777	193	6,175
31 March 2023	2,205	3,777	193	6,175
1 April 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 Turnbull 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 Turnbull 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	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
2023	2022	2023	2022	2023	2022	2023	2022	
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£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	Other	(Surplus)/deficit	Other
	on the	comprehensive	on the	comprehensive
	provision of	income and	provision of	income and
services	expenditure	services	expenditure	
£000s	£000s	£000s	£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	
	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March	£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	31 March 2022
	£000	£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	2021-2022
	£000	£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	2021-2022
	£000	£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	2021-2022
	£000	£000
Balance at 1 April	268,219	250,399
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>		
Charges for depreciation and impairment of non-current assets	(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)
<i>Capital financing applied in the year:</i>		
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	2021-2022
	£000	£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
	£000	£000
Credited to taxation and non-specific grant income		
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
	£000	£000
Credited to services		
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	2021-22
	£000	£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 includes 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	31 March 2022
	£000	£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
	<u>117,486</u>	<u>90,920</u>
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	<u>484,611</u>	<u>399,007</u>
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	<u>85,604</u>	<u>48,963</u>

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	31 March 2022
	£000	£000
Property, plant and equipment	<u>2,558</u>	<u>2,718</u>

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

	31 March 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 £000	Reimbursement of capital expenditure £000	Interest £000	Total £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 £000	Revised repayment £000	(Reduction)/ Cost £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
<u>10</u>	

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.

	2022-2023	2021-2022
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
<i>Service cost comprising:</i>		
Current service cost	47,437	46,585
Past service cost (including curtailments)	672	497
<i>Financing and investment income and expenditure:</i>		
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:		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
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	2021-2022
	£000	£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	2021-2022
	£000	£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
<i>Re-measurement gains and (losses):</i>		
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	2021-2022
	£000	£000
Opening fair value of the scheme assets	1,016,335	944,629
Interest income	27,463	18,884
<i>Re-measurement gains and (losses):</i>		
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	Actual 2021-2022
	%	%	£000	£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	Actual
	2022-2023	2021-2022
	£000	£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	Actual
	2022-2023	2021-2022
	£000	£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.

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

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

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

Additional income of £1.182m (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

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
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		2022-2023
£000		£000
58,241	Gross rates levied and contributions in lieu	59,552
	<i>Deduct:</i>	
(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 £000	Capital receipts reserve £000	Total usable reserve £000	Revaluation reserve £000	Total unusable reserve £000	Total reserves £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 £000	Capital receipts reserve £000	Total usable reserve £000	Revaluation reserve £000	Total Unusable reserve £000	Total reserves £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 £000	Ayr £000	Prestwick £000	Troon £000	Maybole £000	Girvan £000	2022-2023 £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)	(121)	(18)	-	-	-	(139)
395 Surplus brought forward	56	253	35	2	9	355
355	(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	External	Total
		Investment	Investment	
		£000	£000	£000
John McMaster Bursary Fund	Bursaries for pupils of Girvan Academy to attend Glasgow or Edinburgh Universities for three to five years per conditions of scheme.	154	101	255
Sundry Mortifications	Maintenance of lairs in perpetuity.	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		Income		Expenditure		31 March 2023		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£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		Income		Expenditure		31 March 2023		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£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

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

**South Ayrshire Council
Charitable Trust Funds**

**2022/23 Trustees' Annual Report
and Financial Statements**

(Unaudited)

South Ayrshire Council Charitable Trust Funds (Unaudited)

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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:

Kenneth Bell (appointed 6 May 2022)
Laura Brennan-Whitefield
Siobhian Brown (resigned 5 May 2022)
Andy Campbell (resigned 5 May 2022)
Douglas Campbell (resigned 5 May 2022)
Iain Campbell
Ian Cavana
Alec Clark
Ian Cochrane
Brian Connolly
Peter Convery (resigned 5 May 2022)
Chris Cullen
Ian Davis
Julie Dettbarn
Martin Dowey
Mark Dixon (appointed 6 May 2022)
Stephen Ferry (appointed 6 May 2022)
Ian Fitzsimmons (resigned 5 May 2022)
William Grant

Peter Henderson
Hugh Hunter
Martin Kilbride (appointed 6 May 2022)
Mary Kilpatrick
Lee Lyons
Craig Mackay
Derek McCabe (resigned 5 May 2022)
Brian McGinley
Helen Moonie (resigned 5 May 2022)
Bob Pollock
Cameron Ramsay (appointed 6 May 2022)
Philip Saxton
Gavin Scott (appointed 6 May 2022)
Bob Shields (appointed 6 May 2022)
Arthur Spurling (resigned 5 May 2022)
Margaret Toner (resigned 5 May 2022)
Duncan Townson (appointed 6 May 2022)
George Weir (appointed 6 May 2022)

South Ayrshire Council Charitable Trust Funds (Unaudited)

Trustees' Annual Report (continued)

Trustees (continued)

McKechnie:

Alec Clark

Peter Henderson

Ian Fitzsimmons (resigned 5 May 2022)

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 Dowe
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.

South Ayrshire Council Charitable Trust Funds (Unaudited)

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

TO BE INSERTED UPON COMPLETION OF THE AUDIT PROCESS

**South Ayrshire Council
Equality Impact Assessment
Scoping Template**

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

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

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

1. Policy details

Policy Title	Annual Accounts 2023/23
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)	<input checked="" type="checkbox"/> YES <input type="checkbox"/> 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 Date: 16 June 2023	Head of Service

South Ayrshire Council

**Report by Director of Strategic Change and Communities
to Audit and Governance Panel
of 28 June 2023**

Subject: Corporate Lets

1. Purpose

1.1 The purpose of this report is to provide an annual update in relation to requests for discretion to be applied to let charges from 1 April 2022 to 31 March 2023.

2. Recommendation

2.1 It is recommended that the Panel reviews the information in this report.

3. Background

3.1 At Council in December 2019, it was agreed that officers could apply discretion to let charges for limited prescribed reasons relating to deprivation, location and availability of Council facilities and that, to ensure consistency and transparency, a register of all discretionary lets would be held and reported on annually.

3.2 During the previous reporting period of 1 April 2021 to 31 March 2022, twelve applications to apply discretion to let charges were received. Ten applications were approved and two were rejected. The low number of applications was largely due the challenging period for lessees in terms of the implications of COVID19 restrictions and indoor lets for external organisations did not fully re-open until September 2021.

3.3 During the current reporting period of 1 April 2022 to 31 March 2023, the number of applications for discretion to let charges increased to twenty-seven. Twenty-two applications were approved and five were rejected. The register of discretionary applications is set out in [Appendix 1](#).

4. Proposals

4.1 It is proposed to continue to review requests for discretion on an annual basis.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6/

6. Financial Implications

6.1 Applying the discretion has resulted in a net reduction of income to the Council, however the income targets for the Ayr Town Hall and Troon Concert and Walker Halls were met during the reporting period 2022/23.

6.2 When considering discretion applications, a range of factors are taken into consideration such as existing staffing levels within the building and any additional costs the let would incur, to ensure that there would be no additional expenditure for the Council. For many of the applicants the full let fee would have been cost prohibitive, therefore the activity would not have taken place, and we would have lost any associated income, albeit at a reduced discretionary rate.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 There is a risk that rejecting the recommendations will mean that the Council misses the opportunity to scrutinise discretion applied to lets from external organisations.

9. Equalities

9.1 This report provides an update on the progress of a Panel report which was assessed for potential equality impacts, and the relevant documentation is attached within the report to South Ayrshire Council of 18 December 2019 – [Corporate Lets](#).

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - An SEA has not been carried out.

11. Options Appraisal

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

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 2 of the Council Plan: Live, Work, Learn (Outcome 2: Work and economy – Everyone benefits from a local economy that provides opportunities for people and helps our businesses flourish) and Priority 3 of the Council Plan: Civic and Community Pride (Outcome 1: Pride in South Ayrshire – Everyone (residents, visitors and tourists) can enjoy attractive destinations and people are proud to live in our towns and villages and celebrate our culture and heritage).

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Alec Clark, Portfolio Holder for Tourism, Culture and Rural Affairs, and Councillor Brian Connolly, Portfolio Holder for Sport and Leisure, and the contents of this report reflect any feedback provided.

Background Papers **Report to Audit and Governance Panel of 22 June 2022 – [Corporate Lets](#)**

Person to Contact **Laura Kerr, Service Lead – Destination South Ayrshire
Carnegie Library, 12 Main Street, Ayr, KA8 8EB
Phone 01292 616421
E-mail laura.kerr4@south-ayrshire.gov.uk**

Date: 16 June 2023

Approved Discretion Applications

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
31/03/2022	Ayr Film Society	Charity Film Screening - Ukraine	28/04/2022	One Off	£105.00	100%	£105.00	Approved	Fundraising event/ Ukraine	Jane Bradley	
02/05/2022	Ayr Community Gospel Choir	Concert	11/06/2022	One Off	£808.00	Maximum possible	£240.00	Approved	Charity, fundraising and free entry	Jane Bradley	
04/05/2022	Mrs Leitch	Concert (fundraising for Prostate Cancer)	03/09/2022	One Off	330 + 238.00	100%	£330.00	Approved	Fundraising Event	Jane Bradley	Lessee paid for Tech Support & stage build - £238.00
Jun-22	Ayr Art Guild	NYOS Senior Orchestra Concert	29/07/2022	One Off	£1,014.00	Free day time access	£382.00	Approved	Opportunity for young people. Staff already in during the day.	Jane Bradley	
08/08/2022	Plan B	Retrospective discretion for Winterstorm 2021	Nov-21	One Off	£7,470.00	£2,447.00	£2,447.00	Approved	COVID Recovery	Jane Bradley	Let charge reduced to 2019 rate
30/08/2022	MSP Siobhan Brown	Cost of Living Crisis	30/09/2022	One Off	£210.00	100%	£210.00	Approved	Subject Matter	Eileen Howat	
06/09/2022	Ayr Film Society	Charity Film Screening - Whiteleys	27/11/2022	One Off	150 let + £82 staff	100%	£232.00	Approved	Fundraising event/ Council Charity	Laura Kerr	
08/09/2022	Ayr Model Railway	Exhibition & Kitchen for Fundraising	17-18/09/2022	One Off		Kitchen & Committee Room	N/A	Approved	Fundraising for charity	Laura Kerr	Let cancelled (Queen's death)
06/10/2022	OiR Speakers Group - Town Hall	OiR Speakers Group	Alternate Tuesdays	Regular let (Weekly/monthly)	£60 per let	50%	£30 per let	Approved	Charity providing free service	Laura Kerr	

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
26/10/2022	Scottish Women's Institutes, Ayrshire	Federation Show	14-15/10/2022	One off let/Annual let	£1,600.00	50%	£800.00	Approved	Event aimed at a primarily aging population.	Laura Kerr	
27/10/2022	Minishant Women's Institute	Regular meeting of the wri	Monthly Meetings	Regular let	£12 per hour	Group is unable to afford this cost, bulk of members are over 70.	50% reduction	Approved	Targeted group in rural community. Limited income	Laura Kerr	
01/11/2022	Ayr Community Gospel Choir	Choral Concert for Charity	03/12/2022	One off	578	Maximum possible	£250.00	Approved	Charity, fundraising and free entry	Laura Kerr	
08/11/2022	Whiteleys Retreat	Charity Event	27/11/2022	One off let/Annual let	272	100%	£272.00	Approved	Council Charity	Laura Kerr	
10/01/2023	Dundonald toddlers	Toddler group	Weekly every Tuesday 09.30am - 11.30am	Regular let (Weekly/monthly)	£24 per let	Not specified	£12 per let	Approved	Rural area, low entry fee for targeted group	Laura Kerr	
01/03/2023	Ayrshire Music Festival	Ayrshire Music Festival	7-15/3/2023	One off let/Annual let	£3,440	50%	£1,864.00	Approved	Charity, free entry for children, low entry cost for adults	Laura Kerr	
27/8/2021	West of Scotland Brass Band Association	Concert/competition at Troon	27/08/2022	One Off	£925.50	100%	£925.50	Approved	Free for children to attend, community event	Laura Kerr	
01/11/2022	Ayrshire Hospice	Giggin it Laldy - Eventure Scotland	13/11/2022	One Off	£384.00	100%	£384.00	Approved	Raising funds for new hospice build. In partnership with DSA, bringing high profile acts into South Ayrshire.	Jane Bradley	

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
01/06/2022	National Youth Theatre	National Youth Theatre Camp	1-3/7/2022	One off let	£3,240.00	100%	£3,240.00	Approved	National event for young people. Delivered in partnership with Youth Theatre Arts Scotland and the Ayr Gaiety	Laura Kerr	In-kind use of Ayr Town Hall and Ayr Grammar.
11/11/2022	Scotland on Tour	Scottish Bands - COVID recovery	11/11/2022	One off let	£820.00	Free hall hire	£504.00	Approved	Partnership Event	Laura Kerr	
24/03/2023	Ayrshire Hospice	Giggin it Laldy	24/03/2023	One Off	£1,220.00	100%	£1,220.00	Approved	Raising funds for new hospice build. In partnership with DSA, bringing high profile acts into South Ayrshire.	Jane Bradley	Hall Hire charges, Stage Builds, Section 89, and Front of House staffing for event
17/08/2022	Ayrshire AST - Children Panel Training	Ayr Town Hall	5th Oct 2022, 11th Jan 2023, 1st Feb 2023	various dates	£180.00	Free Hall Hire	£180 + £60.00 for 2023 in same discretion	Approved	PAN Ayrshire Training	Laura Kerr	Children's Panel Training for Ayrshire. Catering was paid for by AST Additional Date 03 May 2023
Mar-22	Ballroom Dancing	Transfer over weekly events from SAC	April 2022 - March 2023	Regular let (Weekly)	11287.5	50% Hall Hire	£5,643.75	Approved	Programme transfer from SAC	Jane Bradley	

Rejected Discretion Applications

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
16/01/2023	GIRLGUIDING AYRSHIRE SOUTH	GIRLGUIDING THINKING DAY EVENT	26-Feb-23	One off let/Annual let	£516	£350 would be an affordable	£0.00	Declined	Not a free activity or raising funds, group have secured external funding and charging entry fees	Laura Kerr	
17/02/2023	Ayr Development Trust	Community Development Trust Monthly Meeting	07/03/2023	Regular let (Weekly/monthly)	£20 per hour	100%	£0.00	Declined	Space available in schools	Laura Kerr	School facility open
30/03/2023	Plan B Events Scotland	WinterStorm Rock Weekend	25-27/11/2022	One off let/Annual let	6299.5	Not specified	£0.00	Declined	Commercial	Laura Kerr	
03/06/2022	McLeod Fitness	McLeod Fitness	Various	Regular Lets	£15 per hour	Not specified	£0.00	Declined	Commercial	Laura Kerr	
27/10/22	RLNI Troon Fundraising	RNLI CHRISTMAS FAYRE (WINTERTAINMENT)	20/11/2022	One off let/annual let	£525	Not specified	£0.00	Declined	Insufficient information and justification		

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 28 June 2023**

Subject: Internal Audit Annual Report 2022/23

1. Purpose

- 1.1 The purpose of this report is to present to the Audit and Governance Panel the annual report on the internal audit activity during 2022/23, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2023.

2. Recommendation

- 2.1 **It is recommended that the Panel notes the contents of the report.**

3. Background

- 3.1 South Ayrshire Council's internal audit service is delivered within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973.
- 3.2 PSIAS requires the Chief Internal Auditor to prepare an annual report on the activities of Internal Audit and which includes a view on the adequacy of the Council's governance, risk management and internal control frameworks.

4. Proposals

- 4.1 The required annual report for financial year 2022/23, together with the statement on internal controls, is included at [Appendix 1](#).
- 4.2 The revised internal audit plan for 2022/23 (approved by this Panel in February 2023) has been substantially completed; audit fieldwork is outstanding on two Council assignments (HubSW Arrangements and Transformational Change), with remaining draft reports at final clearance stage. Their individual internal control assessments can therefore be included in the overall annual audit opinion.

5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation. A recommendation to consider whether the Directorate risk register requires to be updated to reflect issues raised within the report is also included in each audit report. In addition, quarterly meetings have been set up between Risk and Safety and Internal Audit to ensure new emerging risks are included in Council Risk Registers and the Annual Internal Audit Plan where required.

8.2 Risk Implications of Adopting the Recommendations

8.2.1 There are no risks associated with adopting the recommendations.

8.3 Risk Implications of Rejecting the Recommendations

8.3.1 Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and meet our obligation to provide an annual internal audit opinion.

9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

10. Sustainable Development Implications

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

11. Options Appraisal

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

12. Link to Council Plan

12.1 The matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

13/

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this paper.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided

Background Papers [Internal Audit Plan 2022-23](#)

[Public Sector Internal Audit Standards \(April 2017\)](#)

Person to Contact Cecilia McGhee, Chief Internal Auditor
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Date: 16 June 2023

Internal Audit Annual Report 2022/23

1. Introduction

- 1.1 The purpose of this report is to provide an overview of the Internal Audit activity for 2022/23 and to provide an independent opinion on the adequacy and effectiveness of South Ayrshire Council's governance, risk management and internal control systems for the year ended 31 March 2023.

2. Background

- 2.1. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- 2.2. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that "the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement". In South Ayrshire Council, the "chief audit executive" is the Chief Internal Auditor.

- 2.3. The PSIAS states that the annual report prepared by the chief audit executive must incorporate:

- the annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (*paragraph 10.2*);
- a summary of the information that supports that opinion (*paragraphs 5.4-5.7 and 6.5*);
- a disclosure of any impairments to scope and / or independence (*paragraph 11.1*);
- a statement of conformance with the PSIAS (*paragraph 3.1*); and
- the results of the quality assurance and improvement programme (relating to any EQAs and PSIAS self-assessments) and progress against any improvement plans (*paragraph 3.3*).

- 2.3 This Internal Audit Annual Report has been prepared on the basis of the requirements outlined above.

3. Compliance with PSIAS

- 3.1 During 2022/23 the Internal Audit Section operated in compliance with PSIAS.

- 3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations.

- 3.3 The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services, including both periodic internal self-assessments and five-yearly

External Quality Assessments (EQA). Since the PSIAS came into effect in April 2013, annual self-assessments have been performed by the Chief Internal Auditor, and one EQA (2018) has been completed and reported to the Audit and Governance Panel. The service was externally assessed as ‘generally conforms’ with PSIAS in 2018 and an action plan prepared. The actions were full implemented and self assessments since then confirm the service ‘fully conforms’. A second EQA is currently ongoing and the results of this assessment will be reported to Panel once completed together with the results of the most recent self-assessment.

4. Position and Resourcing of Internal Audit

- 4.1. Internal Audit is an independent review activity free from undue influence or other pressures affecting its independence and to that end Internal Audit and Corporate Fraud is situated within the Chief Executives department and has a direct reporting line to the Chief Executive and to the Council's Audit and Governance Panel in its role as the Council's audit committee.
- 4.2. Internal Audit operates within the Internal Audit Charter, most recently approved by the Audit and Governance Panel on 22 March 2023.
- 4.3. There are four professionally qualified posts (3.6 FTE) in Internal Audit. Corporate Fraud includes a further two posts (2 FTE), with the Senior Investigations Officer holding the Accredited Counter Fraud Specialist qualification.
- 4.4. Internal Audit experienced staffing resource issues in the first six months 2022/23 which resulted in a reduction of available days available to complete audit assignments. The 2022/23 Internal Audit Plan approved by Panel in June 2022 (and the subsequent revised plan approved on 22 February 2023) reflected this and risk was also considered when developing the annual plan to ensure there was no limitation of scope which could have a negative impact on the provision the annual audit opinion for 2022/23. Internal Audit has been fully resourced since September 2022.

5. Internal Audit Activity 2022/23

- 5.1. Internal Audit activity during the year was undertaken in accordance with the revised internal audit plan. Progress reports have been provided to the Audit and Governance Panel quarterly throughout the year. Assignments included within the revised plan, approved by the Audit and Governance Panel in February 2023, have been substantially completed. Sufficient work has been carried out to enable an annual audit opinion on the adequacy of internal controls to be produced.
- 5.2. The 2022/23 internal audit plan estimated 497 direct audit days. The actual number of days achieved was 582 days. An analysis of audit days by type of audit as at 31 March 2023 is summarised in the following table:

Type of Audit	Planned Days 2022/23	Actual Days 2022/23	Variance in days
Key corporate systems	30	26	-4
ICT auditing	30	70	40
Governance and Best Value	70	34	-36
Directorates and other systems	90	136	46
Other entities	50	13	-37

Type of Audit	Planned Days 2022/23	Actual Days 2022/23	Variance in days
Regularity	31	30	-1
Follow Up Reviews	21	34	13
Other	175	239	64
TOTAL	497	582	85

- 5.3. The overall variance of 85 additional days is mainly as a result the Chief Internal Auditor and the Senior Auditor being involved in more operational audits than had been originally planned. This was due to the need to provide training and support throughout the audit process to new members of staff. Time allocated to Governance and Best Value, Other entities and Management and Development was reduced in the year to 31 March 2023 to allow for this increase.
- 5.4. A total of 14 final internal audit reports have been issued for 2022/23. There are an additional 6 audit assignments from the revised plan which have been completed and the reports drafted, however they are not yet cleared and finalised with the service (see summary at [Annex A](#)). As the fieldwork is completed, their conclusions can still be included in the overall opinion for 2022/23.
- 5.5. Of the 14 final reports issued 10 audit opinions give substantial assurance and four reasonable assurance. Of the six audit reports in draft, two have an assessment of substantial assurance, three of reasonable and one of limited. Copies of final Internal Audit reports are available to all Members via SharePoint.
- 5.6. Management has agreed to implement all 21 actions raised within the final internal audit reports issued. Management responses in relation to the actions raised in the draft Internal Audit reports are currently being agreed. It should be noted that a management restructure had taken place and processes and procedures updated to address the issues highlighted in the area assessed limited assurance prior to the issue of the draft Internal Audit report. Audit testing did not cover the changes introduced however it is expected that they will mitigate the risks highlighted in the draft report.
- 5.7. Overall, the audit findings suggested that while some weaknesses were identified and certain elements of control were only partially in place, when taken with other findings they did not significantly impair the overall systems of internal control in the areas reviewed.

6. Performance Indicators

6.1. Internal Audit reports against four key performance indicators:

- Productivity/utilisation (see 6.2)
- Percentage of reviews completed in audit plan (see 6.4)
- Number of ad-hoc requests and investigations (see 6.5)

Productivity/Utilisation

6.2. Internal Audit measures productivity on a regular basis throughout the year. This is classed as 'direct' audit time. The productivity level is shown in the following table:

	2022/23	2021/22	2020/21
Direct	83%	76%	76.9%
Indirect*	10.1%	18%	18.0%
Management	6.9%	6%	5.1%

*e.g. administration, training and meetings

- 6.3. Additional unplanned time was spent by the Chief Internal Auditor to support new members of the team in completing audit testing which resulted in an increase in time allocated to direct audit time.

Percentage of Reviews Completed in Audit Plan

- 6.4. The revised internal audit plan for 2022/23, approved by the Panel on 23 February 2022, included 22 deliverable assignments for South Ayrshire Council. Certain items in the plan do not have individual outputs (such as management and audit development time and National Fraud Initiative) and are therefore excluded from this indicator. A summary of the plan completion is included in the following table:

Status	Number	Percentage
Complete/Report Drafted	20	90%
Work in progress	2	10%
	22	100%

Number of ad-hoc requests and investigations

- 6.5. An analysis is maintained by the Chief Internal Auditor of all additional work arising through investigations and ad-hoc requests for advice. A total of 61 days was allocated from the 2022/23 Internal Audit Plan to complete investigations, contingency assignments and advice and guidance in 2023. Eighteen separate pieces of work were completed in the year to 31 March 2023.
- Investigations – there were seven complaints received in the year to 31 March 2023. Two investigations were concluded by Internal Audit and were not substantiated, one was concluded by the Corporate Fraud Team and was passed to the relevant Service for information and consideration of further action. Four investigations were completed by the relevant service with input from Internal Audit where required. A controls report (2023-28- 04, Golf Clubhouse Cash Handling Controls) including recommended improvement actions was issued for one area. (28 days)
 - Advice and guidance is provided throughout the year on an ad-hoc basis as required. Advice provided in the year to 31 March 2023 included advice in relation to; Service Users' cash, the Council's Travel Policy, Social Work facility supper club, the Household Boost Fund, Early Years Funded Provider payments, email auto complete, SeeSaw data security and invoice processing in Property Maintenance. (6 days)
 - Contingency – time was allocated from contingency to review the arrangements for awarding grants through the Ayrshire Rural and Island Ambition Fund (ARIA) and to sample check grants awarded through this fund. Time was also allocated to review the to the audit of the Network Support Grant claim and to identify the circumstances which led to the delay in removing the EE Masts from Riverside Place. (27 days)

Time spent on audits/time taken to achieve audits

- 6.6. The time spent on audits and the time taken to achieve audits is monitored on a continual basis by the Chief Internal Auditor. A single indicator does not exist for this measure, as the various audit assignments are significantly different in the type of audit work undertaken and the budget required to achieve the audit objectives. The performance information maintained for this indicator includes the measurement of time against budget as well as the elapsed time taken from the agreement of the Terms of Reference through to the issuing of the final report. This information is used to track completion of the audit plan and to assign work within the team.

7. Counter Fraud Work

- 7.1. The Corporate Fraud team report to the Chief Internal Auditor and has responsibility for investigating any alleged fraud or irregularity which has been highlighted to them. They also undertake pro-active work in identifying circumstances of fraud perpetuated against the Council (either from outwith the Council or from within). Assistance will be provided by Internal Audit in cases where a lack of internal controls has contributed to a fraud taking place however there were no such cases in 2022/23.
- 7.2. In 2022/23 the Corporate Fraud team carried out a Blue Badge spot check in conjunction with the Ayrshire Roads Alliance (ARA). The Corporate Fraud team also carried out unannounced spot checks on businesses in receipt of Non Domestic Rates Empty Property Relief to ensure there was still entitlement to the relief and assisted Internal Audit in the completion of the Education Maintenance Allowance Assignment.
- 7.3. Separate Corporate Fraud update reports are provided to the Audit and Governance Panel for scrutiny on a six monthly basis.

8. Other Responsibilities

- 8.1. The Chief Internal Auditor of the Council is also the Chief Internal Auditor for the South Ayrshire Integration Joint Board (IJB) and the Ayrshire Valuation Joint Board (AVJB). In the interests of information sharing, the results of the IJB and AVJB audit work is shared with Members of the Council.

9. Internal Audit and Corporate Fraud Development

- 9.1. The training needs of the service continue to be reviewed on an ongoing basis, and where gaps are identified action is taken to address these. Networking opportunities are continually explored, with the Chief Internal Auditor attending the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and the Senior Auditor attending the Computer Audit Sub-Group of SLACIAG (CASG) as well as the IDEA software user group for data analytics and the Senior Investigation Officer attending the Scottish Local Authorities Investigators Group (SLAIG). These meetings are a valuable source of training and sharing of information with counterparts across Scotland.
- 9.2. Pan-Ayrshire meetings are held with the other Chief Auditors for North and East Ayrshire Council.
- 9.3. Other opportunities for training and development are explored as and when they arise.

10. Audit Opinion

- 10.1. In 2022/23, the Internal Audit Opinion is that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.
- 10.2. There is a formal requirement for the Chief Internal Auditor to prepare an annual assurance statement on the adequacy of internal control systems within the Council.
- 10.3. The internal audit annual statement on the adequacy of internal controls for 2022/23 is included in [Annex B](#).

11. Conclusion

- 11.1. The 2022/23 internal audit plan was satisfactorily completed. There are no limitations of scope to the issued audit opinion.

Internal Audit Reports Issued/Drafted 2022/23 For South Ayrshire Council

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2023-01	Anti- Fraud Review - NDR Relief #	Substantial	0	1	1	2
2023-02	Conflict of Interests	Reasonable	0	2	0	2
2023-03	Ayrshire Growth Deal-SAC Governance Arrangements#	Limited	4	4	0	8
2023-07	Systems Access Controls#	Reasonable	0	10	4	14
2023-08	Void Repairs	Reasonable	0	5	2	7
2023-09	Fostering & Adoption Payments#	Reasonable	0	5	4	9
2023-10	Education Maintenance Allowance (Data Match)	Substantial	0	0	0	0
2023-11	Implementation of Care Inspectorate/Scottish Government Improvement Plans#	Substantial	0	2	1	3
2023-12	Climate Change Public Sector Report (CCPSR)	Reasonable	0	1	3	4
2023-13	Review of COVID-19 business grants (LACER)	Reasonable	0	4	1	5
2023-14	Internal Control Self-Assessment Toolkit Schools#	Reasonable	0	3	6	9
2023-15	Internal Control Self-Social Work	Substantial	0	0	3	3
2023-16	Continuous Auditing	Substantial	0	0	0	0
2023-18	Follow Up - Benefits - Scottish Welfare Fund*	Actions Sufficiently Implemented	-	-	-	-
2023-19	Follow Up – Ayrshire Growth Deal*	Actions Sufficiently Implemented	-	-	-	-

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2023-20	Follow Up – PCI DSS *	Actions Sufficiently Implemented	-	-	-	-
2023-21	Follow Up – Capital contract *	Actions Sufficiently Implemented	-	-	-	-
2023-22	Follow Up – Controls around Hall letting Procedure *	Actions Sufficiently Implemented	-	-	-	-
2023-23	Follow Up – Controls around fuel systems *	Actions Sufficiently Implemented	-	-	-	-
2023-24	Follow Up – Carefirst *	Actions Sufficiently Implemented	-	-	-	-

* Follow up audits are based on previous actions only, therefore no new actions are generated.

#Assignments are complete and draft reports issued, the number of actions may be subject to change following clearance with Services, but the assurance level is unlikely to reduce.

Internal Audit Annual Statement on the Adequacy of Internal Controls

To the Members and Chief Executive of South Ayrshire Council

As Chief Internal Auditor for South Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2023.

Respective responsibilities of management and internal auditors in relation to governance, risk management and control

It is the responsibility of the Council's senior management to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are properly applied in a manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Chief Internal Auditor to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Sound internal controls

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

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

Any system of control 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 systems of internal control.

The work of internal audit

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

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and considers the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing

risks and priorities of the organisation. The plan, and any material changes to the plan during the year, are approved by the Audit and Governance Panel.

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

Summary of Internal Audit Activity 2022/23

A total of 14 internal audit reports have been issued for 2022/23. Ten audit opinions resulted in substantial assurance and four in reasonable assurance. A further six audit reports are in draft with their fieldwork completed, two of these have an assessment of substantial assurance, three of reasonable and one of limited. A diverse range of areas have been covered during the year including Non Domestic Rate Reliefs, Conflict of Interest, Covid Business Grants, Transformation and Change management, the Ayrshire Growth Deal, Systems Access, Void repairs, Fostering and Adoption and Climate Change. In addition and seven follow up assignments were completed. Added to this, the internal control self-assessment toolkit was completed by Social Work and a similar tool kit rolled out within schools. As well as these planned assignments, Internal Audit also undertakes special investigations and offers advice and guidance on the Council's control environment as and when required.

A range of recommendations have been raised in the areas covered by the 2022/23 internal audit plan. Many expected key controls have been in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. All 21 action points raised in the final reports issued have been accepted by management and will result in continued improvement of the Council's governance, risk management and control environment. Steps have already been taken to address the issues raised within the draft report which concluded in limited assurance.

Basis of Opinion

The evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit for the year to 31 March 2023;
- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- assessment of the general control environment within individual departments as completed by each Head of Service and Director;
- reports issued by the Council's external auditors and other review and inspection agencies;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and

- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.

Opinion

On the above basis it is my opinion that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

Cecilia McGhee
Chief Internal Auditor
South Ayrshire Council
26 May 2023

South Ayrshire Council

**Report by Head of Legal and Regulatory Services
to Audit and Governance Panel
of 28 June 2023**

Subject: Delivering Good Governance – 2022/23 Assessment

1. Purpose

1.1 The purpose of this report is to invite Members to review the 2022/23 year-end assessment against the Council's Delivering Good Governance Framework.

2. Recommendation

2.1 **It is recommended that the Panel reviews and agrees the 2022/23 year-end assessment as set out in [Appendix 1](#) to this report.**

3. Background

3.1 Since the 2021/22 year-end assessment was reviewed and agreed by Audit and Governance Panel Members on 22 June 2022 work has progressed to address the associated improvement actions.

4. Proposals

4.1 This report provides updates on those improvement actions set within the context of the principles of the Framework in line with CIPFA recommendations – see [Appendix 2](#); provides a year end assessment on the effectiveness of the updated Framework – see [Appendix 1](#); and identifies a prioritised set of improvement actions to further strengthen the Council's governance arrangements – see [Appendix 3](#).

4.2 [Appendix 2](#) details progress against the improvement actions agreed for 2022/23. There were 9 Improvement Actions in all, one Action had two strands. It shows that:

- 4 are complete;
- 1 is progressing on target (timescale previously extended beyond the year-end);
- 5 haven't progressed as planned, these are:
 - The development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. (A solution has taken time to evolve and will be implemented later this year).
 - 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 agreed a climate change impact assessment reporting tool to allow consistency across local authorities. This will now be incorporated in the Council's integrated assessment tool as one Improvement Action. (Implementation will be later this year).













- Revision of the Council's Land and Property Asset Management Plan. The Plan will follow approval of a report by the Council's Cabinet on Transforming our Estate. (Implementation will take place during 2023/24).
- Review of the Health and Social Care Partnership Adult Mental Health Strategy. This was delayed due to a restructure in Community Health and Care Services (Implementation will take place during 2023/24).
- Refresh the Council's corporate evaluatory tool 'How Good is our Council'. This was delayed to allow time for the new Council Plan to be developed and ensure strategic alignment with the Council's approach to self-evaluation. (Implementation will take place during 2023/24).

4.3 Where slippage has occurred which is material to the effectiveness of the governance arrangements, then this has been factored into year-end assessment presented at [Appendix 1](#). Similarly, if any of the continuing or outstanding actions are regarded as being significant in the context of the framework, then these have been included within the Improvement Plan for 2023/24 in [Appendix 3](#).

4.4 [Appendix 1](#) reflects any developments to the Framework that occurred between April 2022 and the year-end sign off as at 31 March 2023. It also includes an assessment of the effectiveness for each of the 21 sub-principles by the lead officers identified for the aspects that they have responsibility for / knowledge of on the following three-point scale:

	Effective		Effective but scope for improvement		Requiring improvement
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Delivering Good Governance 2022-23 Year End Assessment - Summary	
Behaving with integrity	
Demonstrating strong commitment to ethical values	
Respecting the rule of law	
Openness	
Engaging comprehensively with institutional stakeholders	
Engaging with individual citizens and service users effectively	
Defining outcomes	
Sustainable economic, social and environmental benefits	
Determining actions	

Delivering Good Governance 2022-23 Year End Assessment - Summary	
Planning actions	
Optimising achievement of intended outcomes	
Developing the Council's capacity	
Developing the capability of the Council's leadership	
Managing risk	
Managing performance	
Robust internal control	
Managing data	
Strong public financial management	
Implementing good practice in transparency	
Implementing good practices in reporting	
Assurance and effective accountability	

4.5 Based on this assessment the lead officers were then asked to identify any specific actions they felt would be desirable to improve the current arrangements and any actions they felt were essential to improve the current arrangements. The resultant actions were then reviewed and prioritised by the Corporate Leadership Team, to produce a rationalised and proportionate set of Improvement Actions for 2023/24, as set out in [Appendix 3](#).

4.6 A summary version of the framework is available on the [Council's website](#), with hyperlinks to allow Members, officers and the public to access all of the supporting detail of the Council's current governance arrangements.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2/

8.2 **Risk Implications of Rejecting the Recommendations**

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. **Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 4](#).

10. **Sustainable Development Implications**

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

11. **Options Appraisal**

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

12. **Link to Council Plan**

12.1 The matters referred to in this report contribute to delivery of the Council's cross cutting theme 'Reporting and Governance'.

13. **Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.



Background Papers **Report to Audit and Governance Panel of 22 June 2022 – [Delivering Good Governance – 2021/22 Assessment](#)**




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Date: 16 June 2023

Appendix 1: DGG 2022-2023 Year End Assessment


Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Behaving with integrity		2022-23 Year End Assessment: 
<p>1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p> <p>2. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (Nolan Principles).</p> <p>3. Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	<ul style="list-style-type: none"> • Both our Councillor's Code of Conduct and our Code of Conduct for Employees identify that behaving with integrity is a key principle that must be followed. The principles within the Councillors' Code are explained as part of the induction training for all new councillors, the Employees Code is issued with all contracts of employment for adherence/acceptance • We maintain a register of interests for each councillor published on the Council's website accessible by Councillor together with a register of the gifts and hospitality received by councillors. • Employees declare any private interests or memberships that might cause a conflict of interest to their line manager. We are introducing strengthened procedures in 2023/24. Any gifts or hospitality offered to employees (other than those of token value) are recorded in directorate registers. • In keeping with our Standing Orders Relating to Meetings, Panel and Council Meetings are conducted with respect. Declarations of interest are made and minuted at the start of each of these meetings, to avoid any conflict of interest arising during the conduct of those meetings. 	<p>SL Democratic Governance</p> <p>Chief HR Adviser, Payroll and Employee Services</p>
Demonstrating strong commitment to ethical values		2022-23 Year End Assessment: 
<p>5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p> <p>7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>8. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p>	<ul style="list-style-type: none"> • Our Audit and Governance Panel promotes and maintains high standards of conduct by all Councillors, including consideration of the management and operation of ethical standards as set out in the Councillor's Code of Conduct. It recommends to Council any additional protocols, training or support required by Councillors in relation to ethical standards or other matters. • We demonstrate through the pursuit of Equalities and Diversity and in setting and delivering our Equality Outcomes that we are fully committed to the principles of fairness, equality and human rights. The Equality Outcomes and Mainstreaming Progress Report sets out how equalities have been further mainstreamed through our organisation. We apply these principles in all we do as a community leader, service provider and employer. • Our Procurement Strategy identifies that where ethically traded goods and services are available, we will work with all relevant stakeholders and take a Best Value approach when applying fair and ethically trading principles in procurement activities. 	<p>SL Democratic Governance</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Procurement</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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Appendix 1: DGG 2022-2023 Year End Assessment




Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Respecting the rule of law		2022-23 Year End Assessment: 
<p>9. Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>10. Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>11. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>12. Dealing with breaches of legal and regulatory provisions effectively.</p> <p>13. Ensuring corruption and misuse of power are dealt with effectively.</p>	<ul style="list-style-type: none"> • All reports to Panel and Council are required to confirm that the recommendations they contain are consistent with legal requirements and reflect appropriate advice from our Legal Services. • The Head of Legal and Regulatory Services, acting as Monitoring Officer, ensures the Council observes its Scheme of Delegation, its Standing Orders and operates legally. This includes reporting on the legality of matters, mal-administration, and the conduct of councillors and officers. • Members on decision making panels such as the Regulatory Panel, Local Review Body and Licensing Board receive training and briefings on the legal aspects of their decision making. Comprehensive Induction training was provided to Members after the May 2022 Election. • Our Anti-Fraud and Anti-Bribery Strategy outlines the measures taken by the Council to protect itself against malpractice through either fraud or corrupt practice. • Our Procedure for reporting concerns at work outlines how employees can report what they believe to be serious wrongdoing in the Council or information regarding malpractice, such that matters can be expedited thoroughly, discreetly and in a confidential way. 	<p>SL Legal and Licensing</p> <p>SL Democratic Governance</p> <p>Chief HR Adviser, Payroll and Employee Services</p>


Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment
Core Principle B. Ensuring openness and comprehensive stakeholder engagement

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Openness	2022-23 Year End Assessment: 	
<p>14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>15. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p> <p>16. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>17. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</p>	<ul style="list-style-type: none"> • Our Communications Strategy ensures that information about what we do, why we do it and how we do it is provided to our residents, customers, tenants, businesses, Councillors, staff, partners and other stakeholders in the most effective way. The strategy underlines the responsibility that each Elected Member, manager and officer has in delivering this. The Strategy will be updated in Autumn 2023 to reflect the new Council Plan. • All Panel and Council Meetings are open to the public with all papers discussed in open session, other than those containing confidential information. Remote and hybrid Panel and Council meetings continued to be live webcast throughout 2022/23 and recordings are available for the public to view for 24 months on Council website. • Minutes are taken of all Panel and Council Meetings, showing a clear record of how decisions were reached. These are published on the Council's website along with Press Releases which cover all the major decisions that are taken by the Council. • Our Panel report template enables decisions to be communicated accurately and timeously by our Communications Team in line with Panel meeting dates. • All Panel and Council reports set out the 'results of consultation' providing an outline of how their recommendations have been informed by consultation and engagement. 	<p>SL Organisational Development and Customer Services</p> <p>SL Democratic Governance</p>
Engaging comprehensively with institutional stakeholders (other organisations)	2022-23 Year End Assessment: 	
<p>18. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>19. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p> <p>20. Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> • The Council engages with its main 'institutional stakeholders' through the Community Planning Partnership, which is underpinned by a Community Planning Strategic Delivery Partnership Chairs Executive, comprising the key partners responsible for facilitating effective community planning as defined in community empowerment legislation. Governance arrangements are in place to ensure the Community Planning Partnership is focused on its agreed priorities. The annual Local Outcomes Improvement Plan progress report provides further information on joint progress against outcomes. • Our partnerships are underpinned by formal operating agreements, such as with NHS Ayrshire & Arran for our Health and Social Care Partnership (governed through the Integration Joint Board); with East Ayrshire Council for the Ayrshire Roads Alliance (governed by the Ayrshire Shared Services Committee) and with South Carrick Community Leisure for the Quayzone in Girvan (overseen by our Service and Partnerships Performance Panel). 	<p>SL Policy, Performance and Community Planning</p> <p>Head of Legal and Regulatory Services</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment
Core Principle B. Ensuring openness and comprehensive stakeholder engagement




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Engaging with individual citizens and service users effectively		2022-23 Year End Assessment: 
<p>21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>22. Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>23. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>24. Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>26. Taking account of the impact of decisions on future generations of tax payers and service users.</p>	<ul style="list-style-type: none"> • The Council has a Community Engagement Strategy that provides direction for services over how to conduct effective consultation. • Place Planning sessions were carried out across South Ayrshire during 2022/23 these consultations were to inform key priorities for communities • Six Locality Planning Groups are in place to help inform the thinking and approach of the Health and Social Care Partnership. Key developments relating to Locality Planning are reported to the Strategic Planning Advisory Group. • The Participatory Budgeting process gives residents the opportunity to decide where public money is spent in their communities. 6-monthly updates on Participatory Budgeting progress are reported to Service and Partnerships Performance Panel. • We use the South Ayrshire 1000 Citizens' Panel to get the views of South Ayrshire residents, their feedback helping to improve and develop public services. • Services have access to Microsoft 365 which gives them the ability to create their own surveys and engage with the public using the M365 Forms application via the Council's consultations web page. • We use our website to publicise current consultation exercises and to report back on their findings e.g. Public Communications Survey, Budget Survey 2023-2024 • Equality Impact Scoping Assessments including The Fairer Scotland Duty are prepared for each Panel and Council report, to give clarity over the impact that the recommended decision will have, including details of what involvement, engagement or consultation took place. The introduction of a new online integrated impact assessment was agreed as part of the Council Plan 2023-28 and will be considered by Cabinet in September 2023. • A digital community engagement platform came online in August 2022. This platform was developed with the assistance of CoSLA and allows open, transparent and democratic engagement between the community and the Council. 	<p>SL Thriving Communities</p> <p>Health and Social Care Partnership Facilitator</p> <p>SL Policy, Performance and Community Planning</p> <p>SL ICT Enterprise Architecture</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment


Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Defining outcomes		2022-23 Year End Assessment: 
<p>27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</p> <p>28. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>29. Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>30. Identifying and managing risks to the achievement of outcomes</p> <p>31. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> • Our vision is that we want to serve South Ayrshire 'by making a difference every day' • The Council Plan 2023-28 was agreed by Council in March 2023. The Plan identifies key areas of focus over the next 5 years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. New Service Plans will be considered by Council in June 2023. • The Council Plan helps to inform the resourcing requirements of the Council and at the same time should reflect the realities and constraints around resource availability. We have been working during 2022-23 to improve ties between our plans and our resource strategies, covering Finance, our Workforce and Asset Management. Revision of the Council's Land and Property Asset Management Plan will reflect the Council's management structure and the Council Plan 2023-2028. • Our Corporate Workforce Plan (2022-2025) was approved in November 2022 and training was 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 our workforce planning activities. • Our Strategic Risk Register helps us to manage the overarching elements of risk that are critical to the achievement of our desired outcomes, with risk management arrangements also in place at Directorate level. 	<p>SL Policy, Performance and Community Planning</p> <p>SL Corporate Accounting</p> <p>SL Organisational Development and Customer Services</p> <p>SL Asset Management and Community Asset Transfer</p> <p>SL Risk and Safety</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment



Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Sustainable economic, social and environmental benefits		2022-23 Year End Assessment: 
<p>32. Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p> <p>34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>35. Ensuring fair access to services</p>	<ul style="list-style-type: none"> • Currently all Panel and Council reports are required to consider 'Sustainable Development and Climate Change Implications' to highlight the environmental impact of proposed policies and plans. This is complimented by any accessibility, health, well-being and deprivation impacts being spelt out through the Equality Impact Scoping Assessment process. The new online integrated impact assessment to be introduced during 2023/24 will allow several key national and local priorities to be considered as part of our decision-making process. Topics include Climate Change, The Fairer Scotland Duty, The Promise and Children's Rights. • The Council is committed to Inclusive Growth which is at the core of the Strategic Economic Plan: Vision 2030. This is also demonstrated through progressing specific projects, service planning & commitment to the Ayrshire Regional Economic Strategy. • Fairer Scotland Duty has been incorporated into the Equality Impact Assessment process which will form part of the Council's integrated impact assessment. This ensures that officers are carefully considering and reflecting how they comply with the legal responsibility placed on the Council to actively consider ('pay due regard' to) how it can reduce inequalities of outcome caused by socioeconomic disadvantage, when making strategic decisions. 	<p>SL Policy, Performance and Community Planning</p> <p>SL Economy and Regeneration</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment


Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Determining actions		2022-23 Year End Assessment: 
<p>36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</p> <p>37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> • All Panel and Council reports set out the details of any 'Options Appraisal' carried out together with the 'Results of Consultation'. An options appraisal is required to be undertaken where 'it aids the consideration and appraisal of a number of alternative courses of action to ensure that desired outcome can be achieved in the most economic, effective and efficient way possible; and it allows for new initiatives to be carefully appraised in relation to all potential costs and benefits and their financial sustainability before being approved by the Council/Panel'. • The Strategic Change Executive which oversees the Council's Change Programme receives bi-monthly programme updates which focus on benefits and the delivery of corporate change projects. Reports providing updates on the success of the Change Programme were delivered to Service and Performance Panel in March 2022 and October 2022. 	<p>SL Policy, Performance and Community Planning</p> <p>Director – Strategic Change and Communities</p>
Planning actions		2022-23 Year End Assessment: 
<p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>39. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p> <p>41. Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</p> <p>42. Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</p>	<ul style="list-style-type: none"> • Our planning and control cycle is set out within the Council's Performance Management Framework. • Services 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. • Service Plans allow for team plans and Personal Development Review (PDR) to connect directly into the Council's 3 Council Plan Priorities and Outcomes - Spaces and Places; Live Work and Learn; and Civic and Community Pride. • Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (Pentana), with the contribution of the workforce towards their achievement being assessed through our PDR process. It is managers' responsibility to ensure their staff achieve their objectives. • Our PDR template reflects our Purpose, Vision and Values and includes discussion on the Employee Deal with each employee. As part of our Workforce Plan action plan, Service Leads are required to report on their PDR completion rates on Pentana. 	<p>SL Policy, Performance and Community Planning</p> <p>SL Organisational Development and Customer Services</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment



Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Planning actions (cont'd)		
<p>43. Ensuring capacity exists to generate the information required to review service quality regularly</p> <p>44. Preparing budgets in accordance with objectives, strategies and the medium term financial plan</p> <p>45. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</p>	<ul style="list-style-type: none"> • Council Services complete self-evaluation as part of the Service Planning Process • How Good is our Council (HGIOC) remains our corporate evaluatory tool, with Education being the primary users. As part of the new Council plan and Service Planning process we will ensure HGIOC meets the needs of Council services our approach to its use is scheduled for refreshment in 2023/24. • Our annual budget setting exercise is undertaken within the context of the Council Plan 2023-28. Throughout 2022/23 including the 2023/24 budget setting process, a focus has been the impact on current and future resource constraints, including inflationary pressures. 	<p style="text-align: center;">SL Policy, Performance and Community Planning</p> <p style="text-align: center;">SL Corporate Accounting</p>
Optimising achievement of intended outcomes		2022-23 Year End Assessment: 
<p>46. Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p> <p>47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p> <p>48. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p> <p>49. Ensuring the achievement of 'social value' through service planning and commissioning</p>	<ul style="list-style-type: none"> • Our Financial Strategy 2020 to 2030 is key to ensuring the achievement of the Council's strategic objectives and is about making sure sufficient resources are available to support their delivery. It is likely to provide assistance in identifying where and when resources will become stretched and encourage the identification of a more prioritised approach to future planning, having regard to financial constraints. The Financial Strategy will be revised when the post Covid-19 public sector financial climate becomes sufficiently clear. • We are committed to maximising both the contractual and voluntary Community Benefits from our procurement activities. Evidence of the increase in Community Benefit achieved is published in the Council's Annual Procurement Report. • Commissioning Plans are in place to deliver on the Health and Social Care Partnership's (HSCP) Adult Mental Health and Adult Learning Disability Strategies and the Adult and Older People Service Plan. These tie in the HSCP Financial Plan to the HSCP Strategic Plan 2021 to 2031. Review of the Adult Mental Health Strategy will take place during 2023/24. 	<p style="text-align: center;">SL Corporate Accounting</p> <p style="text-align: center;">SL Procurement</p> <p style="text-align: center;">Head of Community Health and Care Services</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment

Core Principle E. Developing the Council's capacity, including the capability of its leadership and the individuals within it

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Developing the Council's capacity		2022-23 Year End Assessment: 
<p>50. Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>51. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</p> <p>52. Recognising the benefits of partnerships and collaborative working where added value can be achieved</p> <p>53. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<ul style="list-style-type: none"> • The Council's Service Review process was designed to systematically review the options for delivering services to ensure they represent best value. However, their outcomes were judged 'to be relatively operational rather than transformational. 6-monthly reports are now approved by Service and Partnerships Performance Panel, March 2022 and October 2022, to ensure the appropriate level of governance is in place for the Strategic Change Programme. • A review and evaluation of the Council's approach to Future Operating Model has identified implications for operational performance and use of assets. This was presented to Strategic Change Executive and will be subject of an Elected Member's Briefing in June 2023. • Benchmarking activity includes use of the Local Government Benchmarking Framework measures to help evaluate our performance, which are reported annually to Members. • A Corporate Workforce Plan is in place which includes a comprehensive action plan that will be taken forward by key, identified services. A comprehensive training programme focusing on workforce planning roles and responsibilities was delivered to senior Council Officers. • 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. 	<p>Director – Strategic Change and Communities</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Organisational Development and Customer Services</p>
Developing the capability of the Council's leadership and other individuals		2022-23 Year End Assessment: 
<p>54. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>55. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p> <p>56. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	<ul style="list-style-type: none"> • Role Profiles set out the generic responsibilities of all Members, together with specific ones for the Leader of the Council, Provost, Portfolio Holders and the Chairs of Standing Scrutiny Panels, Regulatory Panel and Other Panels. • Job descriptions are in place for the Chief Executive, Directors and senior officers. • The Council's Scheme of Delegation is regularly updated, setting out what powers are exercised by Council, what are delegated to Panels and what are delegated to officers. • The Chief Executive is appraised by the Leader of the Council and other senior Members at the Chief Officers Appointments / Appraisal Panel. • Chief Officers are appraised against our Leadership Competency Framework. 	<p>SL Democratic Governance</p> <p>Chief HR Adviser, Payroll and Employee Services</p> <p>SL Organisational Development and Customer Services</p>
<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers

Key:  Effective  Effective but scope for improvement  Requiring improvement



Appendix 1: DGG 2022-23 Year End Assessment




Core Principle E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it

Developing the capability of the Council’s leadership and other individuals (continued)		
<p>57. Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by ensuring:</p> <ul style="list-style-type: none"> • access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • they have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and that they are able to update their knowledge on a continuing basis • personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external 	<ul style="list-style-type: none"> • A comprehensive induction programme was provided for Members in May / June 2022. • An ongoing programme of Member Briefings provides updates and discussion on emerging issues/areas of interest which is available in a hybrid format and can be accessed as recordings where members are unable to attend. • We have a suite of development and training opportunities for Members including CPD, briefings and members assess their needs as part of a political skills self-assessment they complete and revisit. • Welcome pages are in place as part of the Future Operating Model to support new employees who are joining on different workstyles e.g. homeworking. • A new Leadership Development Programme is under development by a range of subject matter experts across Services. This programme has been approved by the Council’s Executive Leadership Team and follows consultation via a survey with Senior Council Officers to establish development needs. 	<p>SL Democratic Governance</p>
<p>58. Ensuring that there are structures in place to encourage public participation</p>	<ul style="list-style-type: none"> • All our senior officers and managers have Personal Development Plans arising from our Performance and Development Review process. • The Council’s Community Engagement Strategy sets out the role of Community Empowerment in the active involvement of people and communities within South Ayrshire in the work of the Council. 	<p>SL Organisational Development and Customer Services</p>
<p>59. Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	<ul style="list-style-type: none"> • Training in partnership with the Consultation Institute was delivered to Elected Members and Officers to understand the requirements for consultation during 2022/23 	<p>SL Thriving Communities</p>
<p>60. Holding staff to account through regular performance reviews which take account of training or development needs</p>	<ul style="list-style-type: none"> • Our workforce participate in an annual Performance Development Review process, which ties into the Council’s corporate vision and values of the South Ayrshire Way. Managers are responsible for ensuring PDRs are carried out effectively and meaningfully in their area. 	<p>SL Risk and Safety</p>
<p>61. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<ul style="list-style-type: none"> • The health and well-being of our workforce is of the utmost importance to the Council, as recognised through the implementation of the Workforce Planning Strategy. This Strategy identifies a range of workstreams relating to employee wellbeing which cut across several Council Services. The Workforce Planning Strategy also underpins previous work undertaken through the NHS Healthy Working Lives Scheme. 	

Appendix 1: DGG 2022-23 Year End Assessment


Core Principle F. Managing risks and performance through robust internal control and strong public financial management




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Managing risk		2022-23 Year End Assessment: 
<p>62. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p> <p>63. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p> <p>64. Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<ul style="list-style-type: none"> • A risk management strategy that sets out the overall arrangements for assessing, managing and reviewing risk across the operation of the Council. • Strategic and directorate risk registers in place, with a regular review and reporting regime, to ensure risks are managed to a tolerable level. • 6 monthly agreement of the Council's Strategic Risk Register by the Audit and Governance Panel and Cabinet, following specific training for Members. • All Panel and Council reports include 'Risk Implications of Accepting or Rejecting Recommendations' 	SL Risk and Safety
Managing performance		2022-23 Year End Assessment: 
<p>65. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p> <p>66. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p> <p>67. Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>68. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>69. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</p>	<ul style="list-style-type: none"> • Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (Pentana). • Scrutiny of these performance reports takes place at the Service and Partnerships Performance Panel, the latest being March 2023, with an annual performance report taken to full Council in December. To aide this scrutiny, Members can directly access the performance information held within Pentana. • The Council's Corporate Change Programme ensures a project approach to the delivery of key outcomes. The programme is underpinned by a governance framework focusing on benefit realisation and effective reporting. The Strategic Change Executive received bi-monthly updates on the Change Programme. • Revenue Budgetary Control reports are presented to Members at Cabinet every three months, to provide a financial overview of the General Services Revenue Account, Housing Revenue Account and Common Good Accounts. 	<p>SL Policy, Performance and Community Planning</p> <p>Director – Strategic Change and Communities</p> <p>SL Corporate Accounting</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment



Core Principle F. Managing risks and performance through robust internal control and strong public financial management




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Robust internal control	2022-23 Year End Assessment: 	
<p>70. Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>71. Evaluating and monitoring risk management and internal control on a regular basis</p> <p>72. Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>73. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>74. Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment • that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> • As described under 'managing risk' we have a risk management strategy aligned to the Council Plan and Risk Registers which management evaluate and monitor on a 6-monthly basis • As described under 'managing performance' we have internal controls (our Performance Management Framework) designed to help deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis. • As described under 'Respecting the rule of law' we have counter fraud and anti-corruption arrangements, together with a Corporate Fraud Team that reports on a 6 monthly basis. • Our Internal Audit team develop their annual plan linked to risk register and Council Plan. It is focused on areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes. Progress is reported quarterly, together with an annual statement of assurance. • Our Audit and Governance Panel, whose chair and vice chair are independent of the ruling political administration, is responsible for considering the overall adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements, including the associated anti-fraud and anti-corruption arrangements. The work of the Panel is conducted in line with our Audit Committee Handbook. • Regular updates are provided to the Audit and Governance Panel on progress against Internal Audit improvement actions together with progress against External Audit Reports. • The Panel also administers the 'Call-In' process, where decisions of the Cabinet can be 'called in' by other Members, to allow further scrutiny to take place. 	<p>SL Risk and Safety</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Democratic Governance</p> <p>SL Internal Audit</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment



Core Principle F. Managing risks and performance through robust internal control and strong public financial management




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Managing data		2022-23 Year End Assessment: 
<p>75. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>76. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p> <p>77. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<ul style="list-style-type: none"> • Our Records Management Plan sets out proper arrangements for the management of both electronic and physical records across all Council service areas, in compliance with the Public Records (Scotland) Act 2011. • Our Data Protection Policy sets out our arrangements to ensure that we are fully compliant with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. Data Protection training was provided to Members in February 2023. • We have guidance over sharing of data and a specific Ayrshire and Arran Protocol regulating the sharing of data with the Police Service for Scotland and Scotland Fire & Rescue. An information sharing protocol is in place between South Ayrshire Council, East Ayrshire Council, North Ayrshire Council, NHS Ayrshire and Arran and the Health and Social Care Partnership Service Integration Joint Boards. 	SL Democratic Governance
Strong public financial management		2022-23 Year End Assessment: 
<p>78. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</p> <p>79. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<ul style="list-style-type: none"> • Our Financial Strategy 2020 to 2030 is key to ensuring the achievement of the Council's strategic objectives. Our planning at Service and Improvement Plan level has always been tied back to the budgets available to services. However our 'financial' and 'performance' reporting that should link these inter-related elements remains separate, although financial reporting does refer to the impact on service performance for context. • Work continues to improve the flow of financial management information as budget holders become more directly involved in the budgeting and forecasting of spend. Work to implement a new Enterprise Resource Planning solution, which is predicated on adopting best practice in this area and will ultimately inform future improvement work, became operational during April 2023. This work will establish new processes and controls when the system becomes fully operational. 	SL Corporate Accounting

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment


Core Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Implementing good practice in transparency		2022-23 Year End Assessment: 
<p>80. Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p> <p>81. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<ul style="list-style-type: none"> • Our Council website offers the public easy access to up to date information. We now comply with the Public Sector Bodies Accessibility Regulations with regards to the accessibility of the documents we publish. We also use a range of social media to ensure that we appeal to and engage with a broad range of audiences. We offer translations and alternative formats for our printed publications. • Our social media profile continues to increase with over 55,000 followers across all of our corporate platforms. We publish quarterly editions of our SAC Live Magazine, providing residents with information on our services and the work of the Council. • Social media training was provided to Elected Members in September 2022. Media training was provided to the Council's Corporate Leadership Team and again to additional Elected Members between November 2022 and February 2023. • Our Annual Accounts feature a reader-friendly 'management commentary' covering our administration, financial management and performance over the course of the last year, providing a concise outline of progress, illustrated with examples and infographics. 	<p>SL ICT Enterprise Architecture</p> <p>SL Organisational Development and Customer Services</p> <p>SL Corporate Accounting</p>
Implementing good practices in reporting		2022-23 Year End Assessment: 
<p>82. Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</p> <p>83. Ensuring members and senior management own the results reported</p> <p>84. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</p> <p>85. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p> <p>86. Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</p>	<ul style="list-style-type: none"> • Our approach to public performance reporting includes our Annual Performance Report, and annual reports for high profile services including Educational Services, Housing and the Health and Social Care Partnership. • Our Council's Annual Performance Report and analysis of benchmarking data allows the public to assess performance across all the main areas of Council service provision. • We will continue to update evaluation procedures for this Framework, maintaining the robustness of our existing approach, where the initial officer assessment is scrutinised by the Audit and Governance Panel, the findings and improvement actions then being reflected in the Council's Annual Governance Statement within our Annual Accounts. • We look for the principles of good governance, rather than this Framework itself, to be evident wherever we work in partnership. For example, our Health and Social Care Partnership publish their detailed governance arrangements on their website. 	<p>SL Policy, Performance and Community Planning</p> <p>SL Democratic Governance</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 1: DGG 2022-23 Year End Assessment




Core Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
Assurance and effective accountability		2022-23 Year End Assessment: 
<p>87. Ensuring that recommendations for corrective action made by external audit are acted upon</p> <p>88. Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</p> <p>89. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>90. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>91. Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</p>	<ul style="list-style-type: none"> • Regular updates are made to the Audit and Governance Panel on progress against improvement actions identified in relation to External Audit reports. • Inspection reports on schools, social work services, children's services etc. are considered at Cabinet, who are kept updated over their improvement actions. • National Audit Scotland reports are considered by the Audit and Governance Panel, allowing the Council to reflect on their findings and to act on areas for improvement. • Services continue to take account of the risks associated with service delivery through third parties as part of our 2022/23 annual governance statement. • Our Service and Partnerships Performance Panel monitors, reviews and challenges the performance of services which are delivered through or in partnership with external bodies and discharges the statutory requirement for local review of police and fire performance. 	<p style="text-align: center;">Head of Finance ICT and Procurement</p> <p style="text-align: center;">SL Risk and Safety</p> <p style="text-align: center;">SL Democratic Governance</p>







Key:		Effective		Effective but scope for improvement		Requiring improvement
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Appendix 2 - Delivering Good Governance – 2022/23 Improvement Actions – Update on progress to 31 March 2023


KEY:		Completed		Not on target – major concerns		Action no longer being progressed
		On target		Not on target – some concerns		Not due to start

Improvement Action	Lead Officer	Due Date	Status	Update on progress
B. Ensuring openness and comprehensive stakeholder engagement				
1. Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	Service Lead - Policy, Performance and Community Planning	31 Aug 21 (revised date)		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 (Improvement Action DGG 03).
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits				
2. Business cases to be developed to include details as to how Ayrshire Growth deal projects will address Inclusive Growth	Service Lead - Economy and Regeneration	31 Dec 22		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
3. Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy	Service Lead - Policy, Performance and Community Planning	31 Dec 21 (revised date)		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.

Appendix 2 - Delivering Good Governance – 2022/23 Improvement Actions – Update on progress to 31 March 2023

4. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and Community Asset Transfer	31 Mar 23 (revised date)		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 will be 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
D. Determining the actions necessary to optimise the achievement of the intended outcomes				
5. Review of the Health and Social Care Partnership Adult Mental Health Strategy	Head of Community Health and Care Services	31 Mar 23 (revised date)		A review of the Health and Social Care Partnership Adult Mental Health Strategy did not commence in 2022/23 due to reduced staffing levels. There was a vacancy in the HSCP Planning and Performance Team which has only recently been filled and there has been a restructure in Community Health and Care Services which has created a new post in Mental Health Services. This process took longer than anticipated. These staffing changes will enable the review of the Strategy to be commenced, taken forward and completed in financial year 2023/24
6. Contribute to the development and implementation of the Regional Economic Strategy being led by North Ayrshire Council	Service Lead - Economy and Regeneration	31 Mar 23		The Regional Economic Strategy has now been approved by the Ayrshire Economic Joint Committee. A detailed action plan will be developed over the coming months.
7. Develop new Council Plan in partnership with Elected Members and Corporate Leadership Team, which will include refreshing the Council's corporate evaluatory tool 'How Good is our Council'	Service Lead - Policy, Performance and Community Planning	31 Mar 23 (revised date HGIOC)	 	The new Council Plan was developed and agreed by Council in March 2023. Light touch self-evaluation has taken place in Service Planning ahead of a refreshed approach to the Council's corporate evaluatory tool 'How Good is our Council' (HGIOC).
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it				
8. Review workforce planning to better align it to service planning	Chief Executive	31 Mar 23		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

Appendix 2 - Delivering Good Governance – 2022/23 Improvement Actions – Update on progress to 31 March 2023

F. Managing risk and performance through robust internal control and strong public financial management				
<p>9. The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management</p>	<p>Service Lead - Corporate Accounting</p>	<p>31 Mar 23 (revised date)</p>		<p>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.</p>

2

Appendix 3 - Delivering Good Governance – Proposed 2023/24 Improvement Actions

Improvement Action	Lead Officer	Due Date	Priority Desirable / Essential
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law			
1. Introduction of new procedures for the Conflict of Interest Register for Employees	Service Lead – Democratic Services	31-Jul-2023	Desirable
B. Ensuring openness and comprehensive stakeholder engagement			
2. Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process 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)	Service Lead -Policy, Performance & Community Planning	15-Dec-2023 <i>(revised)</i>	Essential
3. Governance through reporting by Officers to ensure consultation data and findings are published	Service Lead – Thriving Communities	31-Mar-2024	Desirable
4. Review of Ayrshire Roads Alliance Operational Arrangements	Director – Housing, Operations and Development	31-Mar-2024	Desirable
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits			
5. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and Community Asset Transfer	30-Sep-2023 <i>(revised)</i>	Desirable
D. Determining the actions necessary to optimise the achievement of the intended outcomes			
6. Review of the Health and Social Care Partnership Adult Mental Health Strategy	Head of Community Health & Care Services	31-Mar-2024 <i>(revised)</i>	Essential
7. Refresh the Council's corporate evaluatory tool 'How Good is our Council'	Service Lead - Policy, Performance & Community Planning	31-Mar-2024 <i>(revised)</i>	Essential
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it			

Appendix 3 - Delivering Good Governance – Proposed 2023/24 Improvement Actions

F. Managing risk and performance through robust internal control and strong public financial management				
8.	The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management	Service Lead – Corporate Accounting	31-Mar-2024 <i>(revised)</i>	Desirable
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability				

South Ayrshire Council Equality Impact Assessment Scoping Template

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

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

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

1. Policy details

Policy Title	Review of Year End Assessment re Delivering Good Governance Framework.
Lead Officer (Name/Position/Email)	Catriona Caves

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

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

Community or Groups of People	Negative Impacts	Positive impacts
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

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

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

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

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

South Ayrshire Council

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

Subject: Treasury Management Annual Report 2022/23

1. Purpose

- 1.1 The purpose of this report is to present, in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the annual report of treasury management activities for 2022/23 (as attached at [Appendix 1](#)) and seek Members' consideration of its contents.

2. Recommendation

2.1 It is recommended that the Panel:

- 2.1.1 considers the Annual Treasury Management Report 2022/23, as attached at [Appendix 1](#); and**
- 2.1.2 remits the Annual Treasury Management Report to the next Cabinet meeting on 22 August for approval.**

3. Background

- 3.1 The Council is required through regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury report reviewing treasury management activities and prudential and treasury indicators. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.3 The Head of Finance, ICT and Procurement also confirms that the Council has complied with the requirements under the Code, to give prior scrutiny of treasury management reporting to the Council's Audit and Governance Panel prior to submitting the report to Cabinet.

3.4 Treasury management in this context is defined as:

‘The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

4. Proposals

4.1 The Treasury Management Annual Report for 2022/23 is submitted to the Panel, as Audit and Governance Panel, in accordance with the requirements of the CIPFA Code of Practice on Treasury Management, for consideration and thereafter remit to the Cabinet meeting on 22nd August for approval.

4.2 **Executive Summary**

During 2022/23, the Council complied with its legislative and regulatory requirements. The key prudential indicators detailing the impact of capital expenditure activities during the year, with previous year comparators, are shown below.

<i>Actual Prudential and Treasury Indicators</i>	<i>2021/22 Actual £'000</i>	<i>2022/23 Actual £'000</i>
Capital Expenditure	89,463	119,064
Total Capital Financing Requirement (including other long-term liabilities)	399,006	484,610
PPP and Finance Lease	(95,777)	(91,951)
Underlying Borrowing Requirement	303,229	392,659
Gross External Debt	289,434	355,385
Under (Over) Borrowed	13,795	37,274
Cash/Investments	(72,105)	(43,155)
Net External Debt	217,329	312,230

4.3 The table above shows that the Council has an under-borrowed position on 31 March 2023 of £37.274m, c 9.5%. This means the Council has used some internal borrowing from cash/reserves to fund an element of its current capital expenditure requirements. It does not indicate that borrowing for the capital programme has not been undertaken; only that internal cash resource has been used as funding, opposed to external borrowing.

4.4 Although this is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates, the Council's under-borrowed position is 9.49% of its overall under-lying borrowing requirement and is therefore manageable within the current strategy. The strategy for 2023/24 is expected to maintain a marginal under-borrowed position whilst closely monitoring longer term PWLB and market rates in considering new borrowing.

4.5 Other prudential and treasury indicators are included in [Appendix 1](#) to this report. The Head of Finance, ICT and Procurement also confirms that any borrowing was only undertaken for capital purpose and the statutory borrowing limit (the authorised limit) was not breached during 2022/23.

4.6 The financial year 2022/23 remained a challenging environment due to volatile interest rates with several rate increases throughout the year.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 General Services

6.1.1 **Interest on Revenue Balances Held** – the Council originally budgeted to receive £0.114m in interest income (based on a return of 1.00%) to the General Fund in 2022/23. Interest rates for investment increased throughout 2022-23, with the strategy outperforming both budget and benchmark return resulting in an investment surplus.

Investment income to the General Fund out turned at £1.009m, a surplus of £0.895m. Interest was also received to the Council's Repairs and Renewals Fund, Insurance Fund and Capital Fund to the value of £0.082m.

6.1.2 **Capital Financing Costs** - the Council originally budgeted £12.747m for financing costs and expenses on debt for 2022/23. This budget consisted of £5.870m in loan principal, £6.699m in interest and £0.178m in expenses. During 2022/23, a pragmatic approach was taken when considering the borrowing requirements to fund capital expenditure. However, even with this the borrowing strategy during 2022/23 resulted in an overspend as under-noted:

	Budget £'000	Out-turn £'000	Variance £'000
Principal	5,870	5,889	(19)
Interest	6,699	8,033	(1,334)
Expenses	178	295	(117)
Capital Financing costs	12,747	14,217	(1,470)
Investment income	(114)	(1,009)	895
Total Debt charges	12,633	13,208	(575)

The borrowing strategy undertaken in 2022/23 resulted in an overall overspend to the General Services of £0.575m. This is due to the increase in interest rates throughout 2022-23 due to high inflation rates, cost of living crisis and war in Ukraine. This is discussed further in the Economic Commentary. The overall overspend was reduced due to the investment strategy overperforming.

6.2 **Housing Revenue Account (HRA)**

6.2.1 **Interest on HRA Revenue Balances Held** – the HRA budgeted to receive investment income of £0.050m on its revenue balances in 2022/23 based on achieving an interest rate of 1.00%. Like the General Fund the investment strategy was able to out-perform both budget and benchmark resulting in a return of £0.214m in investment income a surplus of £0.164m.

6.2.2 **Capital Financing Costs** - the HRA budgeted £3.918m for financing costs on debt for 2022/23. This consisted of £1.356m in loan principal, £2.496m in interest and £0.066m in expenses.

	Budget £'000	Out-turn £'000	Variance £'000
Principal	1,356	1,349	7
Interest	2,496	2,376	120
Expenses	66	87	(21)
Capital Financing costs	3,918	3,812	106
Investment income	(50)	(214)	164
	3,868	3,598	270

The borrowing strategy undertaken in 2022/23 resulted in an overall saving to the HRA of £0.270m.

6.3 In total, net debt financing costs were overspent by £1,364m, and when added to an over achievement in interest income of £1,059m resulted in an overall deficit of £0.305m which was reflected in the Council and HRA financial position at 2022/23.

7. **Human Resources Implications**

7.1 Not applicable.

8. **Risk**

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

8.1.1 There are no risks associated with adopting the recommendations.

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

8.2.1 If the recommendations are rejected, then the Council will be non-compliant with the requirements contained in both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

9. **Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

10. Sustainable Development Implications

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

11. Options Appraisal

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

12. Link to Council Plan

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

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers **CIPFA Code of Practice for Treasury Management in Local Authorities**

Report to South Ayrshire Council of 3 March 2022 - [Treasury Management and Investment Strategy 2022-23](#)

Report to South Ayrshire Council of 17 January 2023 – [Treasury Management and Investment Strategy Mid-year Report 2022-23](#)

Person to Contact **Tim Baulk, Head of Finance, ICT and Procurement**
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Date: 16 June 2023

South Ayrshire Council
Treasury Management Annual Report 2022/23

Introduction

In accordance with the requirements of the CIPFA Code of Practice on Treasury Management in the Public Services, this report covers the following:

- Section 1 - The Council's Capital Expenditure and Financing 2022/23.
- Section 2 – The Council's overall borrowing need.
- Section 3 – Treasury Position as of 31 March 2023.
- Section 4 – The Strategy for 2022/23.
- Section 5 – The Economy and Interest Rates
- Section 6 – Borrowing Rates 2022/23
- Section 7 – Borrowing Outturn 2022/23
- Section 8 – Investment Outturn 2022/23
- Section 9 – Other Issues

Section 1 The Council's Capital Expenditure and Financing 2022/23

1.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual expenditure, how this was financed and the resulting borrowing requirement.

Table 1

<i>Item</i>	<i>2021/22 Actual £'000</i>	<i>2022/23 Estimate per Strategy</i>	<i>2022/23 Actual</i>
General Fund capital expenditure	66,230	128,120	90,749
HRA capital expenditure	23,233	64,208	28,315
Total	89,463	192,328	119,064
Resourced by:			
Government Grant & Other	(10,040)	(10,580)	(22,818)
Other funding identified	(20,339)	(19,128)	(23,369)
Borrowing:	59,084	162,620	72,877

1.3 The reason for the movement between planned expenditure/funding and actual out-turns for 2022/23 can be found in the General Services and HRA 2022/23 capital monitoring reports presented to Leadership Panel throughout 2022/23. The largest examples (by value) of reprofiling or reduction in spend being:

- ICT infrastructure and business systems projects - £2.5m
- Green Waste and Household Recycling Site – £1.7m
- Ayrshire Growth Deal - £3.8m
- Hangar Space - £1.75m
- Office and Welfare Building £1.25m
- Net Zero Projects - £0.5m
- HRA Major component replacement programme - £2.5m
- HRA External Fabric Upgrade project - £3m
- HRA New Build Housing - £18.6m
- New Leisure Centre - £21m

Section 2 The Council's overall Borrowing Need

2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (Table 1), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service manages the Council's cash position to ensure that sufficient cash is available to meet not only the capital plans but also to manage the daily cash flow requirements of funding its revenue commitments of payroll, suppliers, benefits etc.

2.3 This borrowing for capital expenditure may be sourced through external bodies such as the Government, through the Public Works Loan Board [PWLB] or the money markets) or utilising temporary cash resources within the Council (internal borrowing).

2.4 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation as a loan repayment, to reduce the CFR. This is effectively a repayment of the borrowing need and differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or

- charging more than the statutory revenue charge. The Council's 2022/23 prudent repayment policy, (as required by Scottish Government), was approved as part of the Treasury Management Strategy Report for 2022/23 on 04/03/2022.

2.5 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

Full Council agreed a report in meeting of 15th December 2022 on PPP Service Concession Arrangement Flexibilities.

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

The reprofiling of the debt liability repayments would increase the Capital Financing Requirement (CFR) by £21.720m as of 1 April 2022. The Council has made this adjustment in the current financial year 2022/23. The increase in the CFR will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period. This has now been incorporated into the revised Prudential indicators as appropriate.

Based on above the Council has £91.951m of such schemes within the CFR as of 31 Mar 2023.

The undernoted table shows the Council's underlying borrowing requirement, inclusive of PPP and Finance lease arrangements, as of 31 March 2023.

Table 2

<i>Capital Financing Requirement</i>	31 Mar 2022 £'000	31 Mar 2023 £'000
<i>Opening Balance</i>	350,157	399,006
Add unfinanced capital expenditure	59,084	72,877
Add new OLTL obligations (PPP)	0	0
Retrospective PPP adjustment	0	21,720
PPP in year adjustment	0	2,071
Less loans fund repayment	(6,445)	(7,238)
Less PPP/ finance lease repayment	(3,790)	(3,826)
<i>Closing Balance</i>	399,006	484,610

The borrowing activity is constrained by prudential indicators for gross borrowing, CFR, and by the authorised limit. The increasing CFR position reflects the Council's capital programme expenditure in 2022/23 and the resulting borrowing requirements to fund this investment.

2.6 ***Gross Borrowing and the CFR*** - to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two

financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs 2022/23.

The table below highlights the Council's gross borrowing position against the CFR.

Table 3

<i>Item</i>	31 March 2022 £'000	31 March 2023 £'000
Capital Financing Requirement (CFR)	399,006	484,610
Gross External Borrowing Position (including PPP and finance Lease)	385,211	447,336
Net Under/ (Over) Borrowed Position	13,795	37,274

The table above shows the CFR in an under-borrowed position on 31 March 2023 of £37.274m. This means the Council has used some internal borrowing from cash/ reserves to fund an element of its current capital expenditure requirements

This is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates. The current strategy for 2022/23 is expected to maintain this under-borrowed position whilst closely monitoring longer term PWLB and market rates and consideration of potentially re-financing some of the temporary loan debt with longer term

2.7 ***Borrowing Prudential Indicators***

- **The Authorised Limit – Table 4** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.
- **The Operational Boundary – Table 4** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- **Actual Financing Costs as a Proportion of Net Revenue Stream – Table 5** - this indicator identifies the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream of the Council.

Table 4/

Table 4

<i>Item</i>	<i>2021/22 £'000</i>	<i>2022/23 £'000</i>
Authorised Borrowing Limit External Debt	474,726	635,929
Borrowing	289,434	355,385
Other Long-Term Liabilities	95,777	91,951
Total	385,211	447,336
Operational Boundary External Debt	425,211	487,336
Borrowing	289,434	355,385
Other Long-Term Liabilities	95,777	91,951
Total	385,211	447,336

Table 5

<i>Ratio of Financing Costs to Net Revenue Stream</i>	<i>Actual 2021/22</i>	<i>Estimated 2022/23</i>
General Services	5.48%	6.06%
HRA	10.79%	10.96%
Total	6.15%	6.69%

Section 3 Treasury Position as of 31st March 2023

3.1 The Council's treasury management debt and investment position are organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2022/23 the Council 's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

Table 6

	<i>Borrowing position as of 31 March 2022</i>		<i>Borrowing position as of 31 March 2023</i>		<i>Change in year</i>
	<i>£'000</i>	<i>Average interest rate %</i>	<i>£'000</i>	<i>Average interest rate %</i>	<i>£'000</i>
Long Term Borrowing					
Public Works Loans Board	178,233	3.51	211,185	3.13	32,952
Market – Fixed	8,000	0.52	28,000	2.33	20,000
LOBO (Option Loans)	41,200	4.52	41,200	4.52	0
Total Long-Term Borrowing	227,433		280,385		52,952
Short Term Borrowing	62,000	0.21	75,000	2.36	13,000
Total External Borrowing	289,434*	2.19	355,385*	3.09	65,951
CFR (underlying borrowing need)	303,229		368,868		65,639
Over (Under) Borrowing	(13,795)		(13,483)		312
Investments	(72,105)	0.64	(43,155)	1.35	28,950

* The carrying amount of loans on the Council's balance sheet as of 31 March 2023 is £356.207m. The difference between this figure and the external borrowing shown in Table 6 above is £0.823m of equivalent interest rate accounting adjustments required by the Code of Practice on local authority accounting.

3.2 **Table 7** below details the profile of the Council's loan maturity periods as of 31 March 2023.

Table 7

<i>Maturity analysis of Debt Outstanding on 31 March 2023</i>	<i>PWLB £'000</i>	<i>Market £'000</i>	<i>LOBO (Option) £'000</i>	<i>Temp Borrowing</i>	<i>Total £'000</i>
Maturing within 1 year	2,588	3000	3000	75,000	83,588
Maturing 1 to 2 years	1,702	10,000	0	0	11,702
Maturing 2 to 5 years	4,900	15,000	0	0	19,900
Maturing 5 to 10 years	17,519	0	7,000	0	24,519
Maturing 10 to 20 years	31,800	0	1,500	0	33,300
Maturing 20 to 30 years	14,009	0	5,000	0	19,009
Maturing 30 to 40 years	61,166	0	5,000	0	66,166
Maturing 40 to 50 years	77,500	0	9,700	0	87,200
Maturing > 50 years	0	0	10,000	0	10,000
<i>Total</i>	<i>211,184</i>	<i>28,000</i>	<i>41,200</i>	<i>75,000</i>	<i>355,384</i>

3.3 **Loans fund** - where a local authority has a Housing Revenue Account, the HRA should be reported separately from the General Fund. The reporting on the commitment to repay loans fund advances is for repayments only and does not include any interest costs. The Loans Fund balances are set out in Table 8 and Table 8(a) below:

Table 8 – Loans Fund Advances to General Fund

Loans Fund	31 March 2022 (£'000)	31 March 2023 (£'000)
Opening Balance	179,292	226,125
Add advances	52,028	62,536
Less repayments	(5,196)	(5,889)
Closing Balance	226,124	282,771

Table 8(a) – Loans Fund Advances to HRA

Loans Fund	31 March 2022 (£'000)	31 March 2023 (£'000)
Opening Balance	68,794	74,601
Add advances	7,046	3,854
Less repayments	(1,249)	(1,349)
Closing Balance	74,591	77,106

Section 4 Strategy for 2022/23

4.1 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

The change in investment rates meant local authorities were faced with the challenge of the investment of surplus cash for the first time in over a decade. It has increased the need for detailed cashflow projection to retain the appropriate balance between maintaining cash for liquidity purposes and taking advantage of improved investment rates.

With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a difficult Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used in 2022-23.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Section 5 Economy and Interest Rates

5.1 UK Economy

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, United Kingdom (UK), Eurozone (EZ) and United States (US) 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK Gross Domestic Product (GDP) deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, Consumer Price Index inflation (CPI) picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level very much rested on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As at February 2023, CPI was 10.4% and the most recent announcement on 24 May 2023 CPI reduced to 8.7% in April 2023.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this was despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the Monetary Policy Committee (MPC) will be concerned that wage inflation will prove tricky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests

economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the Monetary Policy Committee will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the International Labour Organization unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The pound has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the pound's better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The main comments from Federal Reserve (Fed) officials over recent months suggest there is still an underlying combative theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the European Central Bank (ECB) will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Section 6 Borrowing Rates in 2022/23

6.1 PWLB Borrowing Rates -

HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Group Interest Rate View 27.03.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50	
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60	
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70	
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10	
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20	
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40	
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10	

6.2 Borrowing strategy and control of interest rate risk

During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Finance, ICT and Procurement therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks. Due to the increase in borrowing rates in the last two quarters of 22/23 there has been a move to more short-term borrowing. Interest rates are forecast to fall towards the end of 2024 when longer term borrowing rates may be more advantageous.

Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting

during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

7. Borrowing Outturn

- 7.1 During 2022/23 the Council funded part of the capital borrowing requirement in the short-term market, increasing temporary borrowing to £75.000m, in March 2023. However, additional long-term borrowing (PWLB) of £35.000m was also undertaken, taking advantage of low interest rates and gaps in the borrowing maturity profile. The Council were in an under-borrowed position of £13,795m for 2022/23. The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.
- 7.2 During 2023/24 focus will be on monitoring longer term rates and looking to borrow longer term to meet the CFR when appropriate and at the same time consider some short-term borrowing where rates are suitable.
- 7.3 During 2022/23 the actual borrowing and repayments of external debt transacted are shown in Table 10 below. This shows temporary borrowing being increased and longer-term borrowing being undertaken, a prudent position in the current interest rate environment. The Council's policy is to ensure that no more than 25% of long-term loans are due to mature within any financial year. The indicator for maturing debt of 22% (within one year) is 3% below the maturity limit indicator.

Table 9

Loan Type	Borrowed 2022/23 £'000	Repaid 2022/23 £'000	Net £'000
PWLB	35,000	(2,049)	32,951
Market Loans	0	0	0
Temporary borrowing	94,000	(81,000)	13,000
	129,000	(83,049)	45,951

- 7.4 **Debt Re-scheduling** – no external debt was re-scheduled during 202/23 as the average differential of 1% between PWLB new borrowing rates and premature redemption rates made early repayment of loans expensive and unviable due to the premiums that would be payable.

Section 8 Investment Out-turn, and Policy in 2022/23

- 8.1 The Council's investment policy is governed by Scottish Government investment regulations, which have been implemented in the annual investment strategy approved by the Council on 3rd March 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

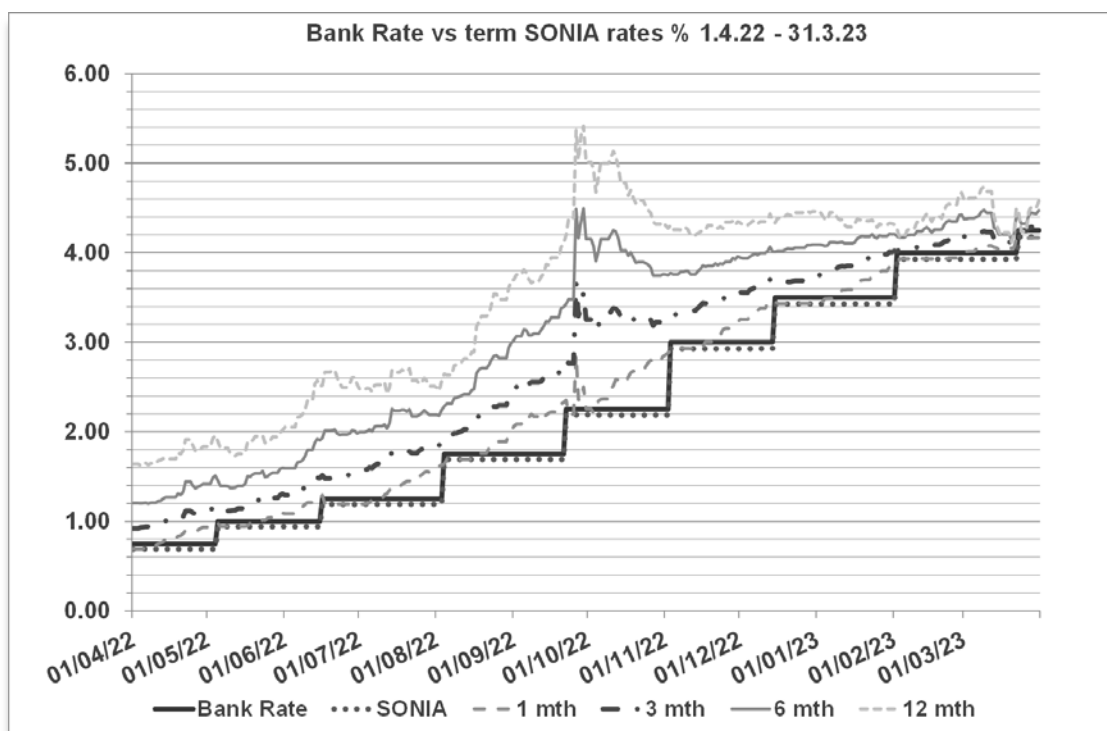
8.3 **Investment Out-turn** – the Council maintained an average balance of £74.7 of internally managed investment funds. The internally managed funds earned an average rate of return of 1.35%.

The comparable performance indicator is the average 90 day SONIA compounded rate which was 1.38%.

Table 10

	Average Value of Investments Held	Rate of Return	Benchmark Return*
Investments	£74.669	1.35%	1.38%

**The benchmark return used is the 90-day SONIA compounded rate of 1.3804%.*



8.4 **Investment Policy** – the Council’s investment policy is governed by Scottish Government investment regulations which have been implemented in the Annual Investment strategy approved by the Council on 3 March 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year met with the approved strategy, and the Council had no liquidity difficulties.

8.5 Current Council Investments held on 31 March 2023

Table 11

Class	Type	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal £000
Deposit	Fixed	15/08/22	14/08/23	Slough Borough Council	Maturity	2.20%	5,000,000
Deposit	Fixed	30/08/22	29/08/23	Slough Borough Council	Maturity	2.25%	5,000,000
Deposit	Fixed	05/09/22	04/09/23	London Borough Of Croydon	Maturity	2.30%	5,000,000
Deposit	Fixed	30/09/22	29/09/23	London Borough Of Croydon	Maturity	2.30%	5,000,000
Deposit	Fixed	06/02/23	05/02/24	Blackpool Borough Council	Maturity	4.10%	5,000,000
Deposit	Fixed	09/01/23	08/01/24	Eastleigh Borough Council	Maturity	4.75%	5,000,000
Fixed Total							30,000
Deposit	Variable	10/05/2016	-	Bank of Scotland (Call A/c)	Variable	4.25	13,155,000
Call Total							13,155
Overall Total							43,155

Section 9 Other Issues

- 9.1 **Sources of borrowing** - Although PWLB remains a low-risk source of long-term borrowing, due to recent rate changes and the ongoing consultation with local authorities on the future of PWLB borrowing other borrowing institutions may be looked at to remove the reliance on PWLB for long-term borrowing needs.
- 9.2 **Changes in risk appetite** - The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. South Ayrshire Council has a low-risk appetite and as such would look at all aspects before making any changes to the current strategy and members would be made fully aware of any such changes.
- 9.3 **IFRS 16** - The implementation of IFRS 16 bringing currently off-balance sheet leased assets onto the balance sheet has had an additional delay and not now due to be implemented till 2024/25. Work will be progressing in this area throughout 2023/24 which should make future requirements easier to implement.

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	Treasury Management Annual Report 2022/23
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)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

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

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

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

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	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 presents to the Panel the annual report of treasury management activities for 2022/23 Their decision on this has no specific equality implications	
Signed : Tim Baulk	Head of Service
Date: 16 June 2023	